UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Amendment No. 1 to
FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) August 3, 2007

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

Delaware	001-32587	20-2726770
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

One Park Place, Suite 450, Annapolis, Maryland	21401
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number including area code: (410) 269-2600

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

|_| Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230 .425)

|_| Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

|_| Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

|_| Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

EXPLANATORY NOTE

This Amendment No.1 to PharmAthene's Current Report on Form 8-K originally filed with the Securities and Exchange Commission on August 9, 2007 (the "Form 8-K") amends and restates the Form 8-K in its entirety (i) to report Former PharmAthene's (as defined herein) quarterly financial results and information for the quarter ended June 30, 2007, and (ii) to correct certain information contained in the Form 8-K including, without limitation, correcting the beneficial ownership of certain stockholders set forth under the section entitled Security Ownership of Certain Beneficial Owners and Management.

Item 1.01 Entry into a Material Definitive Agreement.

On August 3, 2007, Healthcare Acquisition Corp. ("HAQ" or the "Company") consummated a merger pursuant to the Agreement and Plan of Merger, dated as of January 19, 2007 (the "Merger Agreement"), by and among HAQ, PAI Acquisition Corp., a wholly-owned subsidiary of HAQ ("Merger Sub"), and PharmAthene, Inc. ("Former PharmAthene"). Pursuant to the Merger Agreement, Merger Sub was merged (the "Merger") with and into Former PharmAthene. Immediately following the Merger HAQ changed its name from Healthcare Acquisition Corp. to "PharmAthene, Inc." and Former PharmAthene, which became a wholly-owned subsidiary of HAQ, changed its name to "PharmAthene U.S. Corporation."

As a condition to the Merger, the Company entered into a registration rights agreement with the security holders of Former PharmAthene upon the consummation of the Merger. Reference is made to our disclosure set forth under Item 2.01 of this Current Report on Form 8-K concerning the Company's entry into the Registration Rights Agreement (defined below).

As a condition to the Merger, the Company entered into a an escrow agreement with the combined company and Continental Stock Transfer and Trust Company, as escrow agent, upon the consummation of the Merger. Reference is made to our disclosure set forth under Item 2.01 of this Current Report on Form 8-K concerning the Company's entry into the Escrow Agreement (defined below).

As a condition to the Merger, the Company entered into a note exchange agreement with each of the noteholders of Former PharmAthene upon the consummation of the Merger. Reference is made to our disclosure set forth under Item 2.01 of this Current Report on Form 8-K concerning the Company's entry into the Note Exchange Agreement (defined below).

As a condition to the Merger, each of the stockholders, noteholders and holders of options or warrants to purchase not less than 100,000 shares of common stock of Former PharmAthene executed a lock-up agreement upon the consummation of the Merger. Reference is made to our disclosure set forth under Item 2.01 of this Current Report on Form 8-K concerning the Lock-Up Agreements (defined below).

The description of the Registration Rights Agreement, the Escrow Agreement, the Note Exchange Agreement and the Lock-up Agreements do not purport to be complete and are qualified in their entirety by reference to the full text of such documents which are filed as exhibits to this Current Report on Form

8-K.

As a consequence of the Merger, the Company succeeded to a number of additional material definitive agreements entered into by Former PharmAthene. Each of these agreements has either been filed herewith or will be filed as an amendment or with the Company's Quarterly Report on Form 10-Q.

Item 2.01 Completion of Acquisition or Disposition of Assets.

Completion of the PharmAthene Merger

On August 3, 2007, the Company consummated the Merger pursuant to the Merger Agreement, by and among HAQ, Merger Sub and Former PharmAthene. Pursuant to the Merger Agreement, Merger Sub was merged with and into Former PharmAthene. Immediately following the Merger, the Company changed its name from Healthcare Acquisition Corp. to "PharmAthene, Inc." and Former PharmAthene, which became a wholly-owned subsidiary of the Company, changed its name to "PharmAthene U.S. Corporation."

The Company is headquartered in Annapolis, Maryland. As consideration for the Merger, the Company paid stockholders, optionholders, warrantholders and noteholders of Former PharmAthene (the "PharmAthene Security Holders") the following consideration:

(i) an aggregate of 12,500,000 shares of common stock of the Company (the "Stock Consideration"), subject to possible upward adjustment if the number of shares electing conversion equals or exceeds 5% of the Company's outstanding common stock prior to the Merger (the "Adjustment"); and

(ii) $12,500,000 in 8% convertible notes (the "Convertible Notes") issued by the Company (the "Note Consideration");

In addition, the PharmAthene Security Holders may receive up to $10,000,000 in milestone payments contingent upon certain conditions being met. Recipients of the Stock Consideration have certain registration rights pursuant to a Registration Rights Agreement, dated August 3, 2007, by and among the Company and the PharmAthene Security Holders (the "Registration Rights Agreement"). Additionally, each of the stockholders, noteholders and holders of options or warrants to purchase not less than 100,000 shares of the common stock Former PharmAthene have executed a lock-up agreement (the "Lock-up Agreement") which provides that such person shall not sell, pledge, transfer, assign or engage in any hedging transaction with respect to the Company's common stock issued to such stockholders as part of the Merger Consideration except in accordance with the following schedule: 50% of the Stock Consideration shall be released from the lock-up commencing six months following the effective time of the Merger and all remaining Stock Consideration shall be released from the lock-up twelve months following the effective time. The Note Consideration was allocated among the PharmAthene noteholders pursuant to a Note Exchange Agreement, dated August 3, 2007, by and among HAQ, PharmAthene and the PharmAthene noteholders (the "Note Exchange Agreement"). A portion of the Stock Consideration, in the aggregate amount of 1,375,000 shares of the Company's common stock, will be placed in escrow to be held for a period of one year for indemnification claims pursuant to an Escrow Agreement, dated August 3, 2007, by and among HAQ, PharmAthene and Continental Stock Transfer & Trust Company, as escrow agent (the "Escrow Agreement"). Based upon the total number of shares electing conversion being in excess of 5% of the Company's outstanding common stock prior to the Merger, the Stock Consideration has been adjusted upwards by 300,688 shares issuable to the stockholders of Former PharmAthene.

The cash for the payment to the Company's stockholders electing conversion and to Former PharmAthene stockholders receiving cash in lieu of fractional shares resulting from the Merger was funded with cash held in the Company's trust account established in connection with its initial public offering. At the Special Meeting of Stockholders held on August 2, 2007, and adjourned to August 3, 2007, 1,807,475 shares of the Company's common stock were both voted against the proposal relating to the Merger and elected to convert such shares (the "Conversion Shares") into a pro rata portion of the trust account maintained by the Company.

Prior to the Merger, HAQ was a blank check company with no operations, formed as a vehicle for an acquisition of an operating business in the healthcare industry. The following information is provided about the business and securities of the post-Merger combined company reflecting the consummation of the Merger.

Business

The business of the Company is described in our Definitive Proxy Statement, filed with the Securities and Exchange Commission ("SEC") on July 16, 2007 (the "Definitive Proxy Statement"), in the section entitled "Information About PharmAthene" beginning on page 115 and is incorporated herein by reference.

Risk Factors

Risks Related to the Business of the Company

It is expected that the Company will incur net losses and negative cash flow for the foreseeable future and we cannot guarantee that we will achieve profitability and our business, results of operations, and financial condition may be materially adversely affected.

The Company has incurred significant losses since it commenced operations. For the year ended December 31, 2006, the Company incurred an operating loss of approximately $14.5 million. The pro forma combined accumulated deficit of the combined company is approximately $68.6 million at December 31, 2006. For the six months ended June 30, 2007, the Company incurred an operating loss of approximately $7.3 million and the pro forma combined accumulated deficit of the combined company is approximately $79.3 million at June 30, 2007. The Company's losses to date have resulted principally from research and development costs related to the development of its product candidates and general and administrative costs related to its operations.

It is expected that the Company will incur substantial losses for the foreseeable future as a result of increases in its research and development costs, including costs associated with conducting preclinical testing, clinical trials and regulatory compliance activities.

The Company's likelihood for achieving profitability will depend on numerous factors, including success in:

- developing and testing new product candidates;
- carrying out the combined company's intellectual property strategy;
- establishing the combined company's competitive position;
- pursuing third-party collaborations;
- acquiring or in-licensing products;
- receiving regulatory approvals;
- manufacturing and marketing products; and
- continuing to receive government funding and identifying new government funding opportunities.

Many of these factors will depend on circumstances beyond the Company's control. We cannot guarantee that we will achieve sufficient revenues for profitability. Even if we do achieve profitability, we cannot guarantee that we can sustain or increase profitability on a quarterly or annual basis in the future. If revenues grow slower than we anticipate, or if operating expenses exceed our expectations or cannot be adjusted accordingly, then our business, results of operations, financial condition and cash flows will be materially and adversely affected. Because our strategy might include acquisitions of other businesses, acquisition expenses and any cash used to make these acquisitions will reduce our available cash.

The Company is in various stages of product development and there can be no assurance of successful commercialization.

The Company has not commercialized any products or recognized any revenues from product sales. In general, the Company's research and development programs are at early stages. To obtain FDA approval for the Company's biological warfare defense products under current FDA regulations, the Company will be required to perform two animal model studies for efficacy and provide animal and human safety data. The Company's other products will be subject to the relevant approval guidelines under FDA requirements which include a number of phases of testing in humans. Even if the Company initially receives positive pre-clinical or clinical results, such results may not be indicative of similar results that could be anticipated in the later stages of drug development, such as additional pre-clinical testing or human clinical trials.

Other than the Valortim(TM) product candidate, the research and development program for the Company is at an early stage. Other drug candidates developed by the combined company will require significant additional research and development efforts, including extensive pre-clinical and clinical testing and regulatory approval, prior to commercial sale. We cannot be sure that the Company's approach to drug discovery will be effective or will result in the development of any drug. The Company does not expect that any drugs resulting from the research and development efforts of the Company will be commercially available for several years, if at all. Even if the Company succeeds in developing and commercializing its product candidates, it may never generate sufficient or sustainable revenues to enable it to be profitable. Furthermore, even if the product candidates of the Company are successful when tested in animals, such success would not be a guarantee of the effectiveness and safety of such product candidates in humans. The Company's first product, its Dominate Negative Inhibitor ("DNI"), was demonstrated to be effective in animal testing, but was determined to be unsafe for humans following clinical trials in human subjects. The DNI program was subsequently terminated. There can be no assurances that one or more of the Company's future product candidates would not similarly fail to meet safety standards in human testing, even if those product candidates were found to be effective in animal studies. There can be no assurances that any such product candidates will prove to be effective in humans.

Most of the Company's immediately foreseeable future revenues are contingent upon grants and contracts from the U.S. government and collaborative and license agreements and the Company may not achieve sufficient revenues from these agreements to attain profitability.

Until and unless the Company successfully markets a product, its ability to generate revenues will largely depend on its ability to enter into additional collaborative agreements, strategic alliances, research grants, contracts and license agreements with third parties, including, without limitation, the U.S. government and branches and agencies thereof, and maintain the agreements it currently has in place. Substantially all of the revenue of the Company for the years ended December 31, 2006, 2005 and 2004, respectively, were derived from revenues related to grants, contracts and license agreements.

In addition, the Company's business plan calls for significant payments from milestone based collaborative agreements. The Company may not earn significant milestone payments under its existing collaborative agreements until its collaborators have advanced products into clinical testing, which may not occur for many years, if at all.

The Company has a material agreement with Medarex, Inc., to develop Valortim(TM), its fully human monoclonal antibody product designed to protect against and treat inhalation anthrax. Under the agreement with Medarex, the Company will be entitled to a variable percentage of profits derived from sales of Valortim(TM), depending, in part, on the amount of its investment. In addition, the Company has entered into licensing and research and development agreements with a number of other parties and collaborators.

The Company may need additional capital in the future. If additional capital is not available or not available on acceptable terms, the Company may be forced to delay or curtail the development of its product candidates.

The Company's requirements for additional capital may be substantial and will depend on many other factors, including:

- continued funding by the Department of Defense and other branches and agencies of the U.S. Government;
- payments received under present or future collaborative partner agreements;
- continued progress of research and development of the Company's products;
- The Company's ability to license compounds or products from others;
- costs associated with protecting the Company's intellectual property rights;
- development of marketing and sales capabilities; and
- market acceptance of the Company's products.

To the extent the Company's capital resources are insufficient to meet future capital requirements, it will have to raise additional funds to continue the development of its product candidates. We cannot assure you that funds will be available on favorable terms, if at all. To the extent the Company raises additional capital through the sale of securities, the issuance of those securities could result in dilution which may be substantial to the Company's stockholders. In addition, if the Company incurs debt financing, a substantial portion of its operating cash flow may be dedicated to the payment of principal and interest on such indebtedness, thus limiting funds available for the Company's business activities. If adequate funds are not available, the Company may be required to curtail significantly its development and commercialization activities.

Biodefense treatment and drug development is an expensive and uncertain process, and delay or failure can occur at any stage of the Company's development process.

To develop and commercialize biodefense treatment and drug candidates, the Company must provide the FDA and foreign regulatory authorities with clinical data that demonstrates adequate safety and immune response. This involves engaging in clinical trials, which is a lengthy and expensive process, the outcome of which is uncertain. Because humans are not normally exposed to anthrax, nerve agents, smallpox or to other lethal biotoxins or chemical agents, statistically significant effectiveness of the Company's biodefense product candidates cannot be demonstrated in humans, but instead must be demonstrated, in part, by utilizing animal models before they can be approved for commercial sale. Delays in obtaining results can occur for a variety of reasons such as slower than anticipated enrollment by volunteers in the trials, adverse events related to the products and unsatisfactory results of any trial. Any delay or adverse clinical event arising during any of its clinical trials could force the Company to abandon a product altogether or to conduct additional clinical trials in order to obtain approval from the FDA and other regulatory bodies. The Company's development costs will increase substantially if it experiences material delays in any clinical trials or if it needs to conduct more or larger trials than planned. Additionally, few facilities in the U.S. have the capability of testing animals with anthrax or nerve agent exposure. The Company may not be able to secure clinical contracts to conduct the testing in a predictable timeframe or at all. Further, if delays are significant, or if any of the Company's products do not prove to be safe or effective or do not receive required regulatory approvals, and the Company will be unable to recognize revenues from the sale of products, the commercial prospects for its product candidates will be adversely affected.

Even if the Company completes the development of its nerve agent countermeasure and anthrax treatment product, if the Company fails to obtain contracts to supply products to the U.S. government or the U.S. government does not purchase sufficient quantities of its products, the Company may be unable to generate sufficient revenues to continue operations.

The U.S. government has undertaken commitments to help secure improved countermeasures against bioterrorism including the stockpiling of treatments and vaccines for anthrax through a program known as the Strategic National Stockpile. However, the process of obtaining government contracts is lengthy and uncertain and the Company will have to compete with other companies for each contract. There can be no assurances that the Company will be awarded any contracts to supply the U.S. government with its products as such awards may be made, in whole or in part, to the Company's competitors. If the U.S. government makes significant future contract awards for the supply of its emergency stockpile to the Company's competitors, the Company's business will be harmed and it is unlikely that the Company will ultimately be able to commercialize that particular treatment or product.

Further, changes in government budgets and agendas may result in a decreased and de-prioritized emphasis on procuring the biodefense products the Company will develop. In addition, government contracts typically contain provisions that permit cancellation in the event that funds become unavailable to the governmental agency. If the U.S. government makes significant future contract awards to the Company's competitors at the exclusion of the Company or otherwise fails to purchase the Company's products, it is unlikely that the Company will ultimately be able to commercialize that particular treatment or product or that it will be able to generate sufficient revenues to continue operations.

U.S. government agencies have special contracting requirements, which give them the ability to unilaterally control its contracts with the Company.

The Company anticipates that its primary sales will be to the U.S. government. U.S. government contracts typically contain unfavorable termination provisions and are subject to audit and modification by the government at its sole discretion, which will subject the Company to additional risks. These risks include the ability of the U.S. government to unilaterally:

- suspend or prevent the Company for a set period of time from receiving new contracts or extending existing contracts based on violations or suspected violations of laws or regulations;
- terminate the Company's contracts;
- reduce the scope and value of the Company's contracts;
- audit and object to the Company's contract-related costs and fees, including allocated indirect costs;
- control and potentially prohibit the export of the Company's products; and
- change certain terms and conditions in the Company's contracts.

The U.S. government will be able to terminate any of its contracts with the Company either for its convenience or if the Company defaults by failing to perform in accordance with the contract schedule and terms. Termination for convenience provisions would generally enable the Company to recover only the Company's costs incurred or committed, and settlement expenses and profit on the work completed prior to termination. Termination for default provisions do not permit these recoveries and would make the Company liable for excess costs incurred by the U.S. government in procuring undelivered items from another source.

The Company may fail to fully realize the potential of Valortim(TM) and of its co-development arrangement with its partner in the development of Valortim(TM) which would have an adverse affect upon its business.

The Company and its development partner have completed the first Phase I clinical trial for Valortim(TM) without any reported adverse reactions. However, before it may begin selling any doses of Valortim(TM), it will need to conduct a more comprehensive Phase I trial to a significantly larger group of subjects. The Company will be required to expend a significant amount to scale up manufacturing capability through a contract manufacturer in order to conduct the more extensive Phase I clinical trial. The Company does not expect to commence this trial until 2008. If the Company's contract manufacturer is unable to produce sufficient quantities at a reasonable cost, then the Company will be unable to commence the necessary clinical trials necessary to begin marketing Valortim(TM). Even after the Company expends the sufficient funds to complete the development of Valortim(TM) and when and if it enters into an agreement to market Valortim(TM) to the U.S, government, it will be required to share any and all profits from the sale of products with its partner in accordance with a pre-determined formula.

If the Company cannot enter into new licensing arrangements, its ability to develop a diverse product portfolio could be limited and its ability to compete would be harmed.

A component of the Company's business strategy will be in-licensing compounds and products developed by other pharmaceutical and biotechnology companies or academic research laboratories that may be marketed and developed or improved upon using the Company's novel technologies. Competition for promising compounds or products can be intense. If the Company is not able to identify new licensing opportunities or enter into other licensing arrangements on acceptable terms, it may be unable to develop a diverse portfolio of products.

The Company will face competition from several companies with greater financial, personnel and research and development resources. Its commercial opportunities may be reduced or eliminated if its competitors are more successful in the development and marketing of their products.

The biopharmaceutical industry is characterized by rapid and significant technological change. The Company's success will depend on its ability to develop and apply its technologies in the design and development of its product candidates and to establish and maintain a market for its product candidates. There also are many companies, both public and private, including major pharmaceutical and chemical companies, specialized biotechnology firms, universities and other research institutions engaged in developing pharmaceutical and biotechnology products. Many of these companies have substantially greater financial, technical, research and development, and human resources than those of the Company. Competitors may develop products or other technologies that are more effective than any that are being developed by the Company or may obtain FDA approval for products more rapidly. If the Company commences commercial sales of products, it still must compete in the manufacturing and marketing of such products, areas in which it has limited experience. Many of these companies also have manufacturing facilities and established marketing capabilities that would enable such companies to market competing products through existing channels of distribution. The Company's commercial opportunities will be reduced or eliminated if its competitors develop and market products for any of the harmful effects that it targets that:

- are more effective;
- have fewer or less severe adverse side effects;
- are more adaptable to various modes of dosing;
- are easier to administer; or
- are less expensive than the products or product candidates the Company will be developing.

Even if the Company is successful in developing effective products, and obtains FDA and other regulatory approvals necessary for commercializing them, its products may not compete effectively with other successful products. The Company's competitors may succeed in developing and marketing products either that are more effective than those that it may develop, alone or with its collaborators, making its products obsolete, or that are marketed before any products that the Company develops are marketed.

Companies that are developing products that would compete with the Company's products include: VaxGen, Inc., which is developing vaccines against anthrax and smallpox; Avant Immunotherapeutics, Inc., which has vaccine programs for agents of biological warfare, including plague and anthrax; Human Genome Sciences, Inc., Elusys Therapeutics, Inc. and AVANIR Pharmaceuticals, Inc., all of which are developing monoclonal antibodies as anthrax treatments. Other competitors of the Company include: Emergent Biosolutions Inc., Merck & Co., Inc., Bio Sante Pharmaceuticals, Inc., Dynport Vaccine Company, LLC ("DVC") and Ligocyte Pharmaceuticals, Inc.

Political or social factors may delay or impair the Company's ability to market its products and its business may be materially adversely affected.

Products developed to treat diseases caused by, or to combat the threat of, bioterrorism will be subject to changing political and social environments. The political and social responses to bioterrorism have been unpredictable. Political or social pressures may delay or cause resistance to bringing the Company's products to market or limit pricing of its products, which would harm the Company's business.

The U.S. government's determination to award any contracts to the Company may be challenged by an interested party, such as another bidder, at the General Accounting Office or in federal court. If such a challenge is successful, a contract may be terminated.

The laws and regulations governing the procurement of goods and services by the U.S. government provide procedures by which other bidders and other interested parties may challenge the award of a government contract. In the event that the Company is awarded a government contract, such protests could be filed even if there are not any valid legal grounds on which to base the protest. If any such protests are filed, the government agency may decide to suspend the Company's performance under the contract while such protests are being considered by the General Accounting Office or the applicable federal court, thus potentially delaying delivery of goods and services and payment. In addition, the Company could be forced to expend considerable funds to defend any potential award. If a protest is successful, the government may be ordered to terminate the Company's contract at its convenience and reselect bids. The government could even be directed to award a potential contract to one of the other bidders.

Legal and Regulatory Risks of Development Stage Biotechnology Companies

The Company's commercial success will be affected significantly by its ability to obtain protection for its proprietary technology and that of its licensors and collaborators and not infringe the patents and proprietary rights of third parties.

The patent position of biotechnology firms generally is highly uncertain and involves complex legal and factual questions. To date, no consistent policy has emerged regarding the breadth of claims allowed in biotechnology patents. The Company currently holds two U.S. patents and has five U.S. patent applications pending. In addition, it has rights under numerous other patents and patent applications pursuant to exclusive and non-exclusive license arrangements with licensors and collaborators. However, there can be no assurance that patent applications owned or licensed by the Company will result in patents being issued or that the patents, existing or issued in the future, will afford protection against competitors with similar technology. Any conflicts resulting from third-party patent applications and patents could significantly reduce the coverage of the patents owned, optioned by or licensed to the Company or its collaborators and limit the ability of the Company or that of its collaborators to obtain meaningful patent protection.

Further, the commercial success of the Company will depend significantly on its ability to operate without infringing the patents and proprietary rights of third parties. The Company is aware of one U.S. patent covering recombinant production of an antibody, which, it has been argued, covers any reproduction of an antibody, as well as another U.S. patent application with claims over pegylated butyrylcholinesterase.

Although the Company believes that neither Valortim(TM), which is a monoclonal antibody and uses recombinant reproduction of antibodies, nor Protexia(R), which uses pegylated butyrylcholinesterase technology, infringes on any valid claims of such patents, the Company cannot provide any assurances that if a legal action based on either of these two patents were to be brought against the Company or its distributors, licensees or collaborators, that the Company or its distributors, licensees or collaborators would prevail or that the Company would have sufficient funds or resources to defend such claims. If patents are issued to third parties that contain competitive or conflicting claims, the Company, its licensors or collaborators may be legally prohibited from researching, developing or commercializing potential products or be required to obtain licenses to these patents or to develop or obtain alternative technology. The Company, its licensors and/or its collaborators may be legally prohibited from using patented technology, may not be able to obtain any license to the patents and technologies of third parties on acceptable terms, if at all, or may not be able to obtain or develop alternative technologies.

The costs associated with establishing the validity of patents, of defending against patent infringement claims of others and of asserting infringement claims against others is expensive and time consuming, even if the outcome is favorable. An outcome of any patent prosecution or litigation that is unfavorable to the Company or one of its licensors or collaborators may have a material adverse effect on the Company.

Any inability to protect the Company's intellectual property could harm its competitive position and adversely affect its business.

The Company's success will depend, in part, on its ability to obtain patents and maintain adequate protection of other intellectual property for its technologies and products in the U.S. and other countries. If the Company does not adequately protect its intellectual property, competitors may be able to use its technologies and erode or negate its competitive advantages. Further, the laws of some foreign countries will not protect the Company's proprietary rights to the same extent as the laws of the U.S., and the Company may encounter significant problems in protecting its proprietary rights in these foreign countries.

The patent positions of pharmaceutical and biotechnology companies, including the Company's patent positions, involve complex legal and factual questions and, therefore, validity and enforceability cannot be predicted with certainty. Patents may be challenged, deemed unenforceable, invalidated or circumvented. The Company will be able to protect its proprietary rights from unauthorized use by third parties only to the extent that it covers its proprietary technologies with valid and enforceable patents or that it effectively maintains such proprietary technologies as trade secrets. The Company will apply for patents covering its technologies and product candidates as it deems appropriate. The Company may fail to apply for patents on important technologies or products in a timely fashion, or at all, and in any event, the applications the Company files may be challenged and may not result in issued patents. Any future patents the Company obtains may not be sufficiently broad to prevent others from practicing its technologies or from developing competing products. Furthermore, others may independently develop similar or alternative technologies or design around the Company's patented technologies. In addition, if challenged, the Company's patents may be declared invalid. Even if valid, the Company's patents may fail to provide it with any competitive advantages.

The Company will rely upon trade secrets protection for its confidential and proprietary information. The Company has taken measures to protect its proprietary information; however, these measures may not provide adequate protection to the Company. The Company has sought to protect their proprietary information by entering into confidentiality agreements with employees, collaborators and consultants. Nevertheless, employees, collaborators or consultants may still disclose the companies' proprietary information, and the Company may not be able to meaningfully protect its trade secrets. In addition, others may independently develop substantially equivalent proprietary information or techniques or otherwise gain access to the Company's trade secrets.

The Company's use of hazardous materials and chemicals require it to comply with regulatory requirements which may result in significant costs and expose it to potential liabilities.

The Company's research and development involves the controlled use of hazardous materials and chemicals. The Company will be subject to federal, state, local and foreign laws governing the use, manufacture, storage, handling and disposal of such materials. The Company will not be able to eliminate the risk of accidental contamination or injury from these materials. In the event of such an accident, the Company could be held liable for significant damages or fines, and these damages could exceed its resources and any applicable insurance coverage. In addition, the Company may be required to incur significant costs to comply with regulatory requirements in the future.

The Company may become subject to product liability claims, which could reduce demand for its product candidates or result in damages that exceed its insurance coverage.

The Company will face an inherent risk of exposure to product liability suits in connection with its products being tested in human clinical trials or sold commercially. The Company may become subject to a product liability suit if any product it develops causes injury, or if treated individuals subsequently become infected or otherwise suffer adverse effects from its products. Regardless of merit or eventual outcome, product liability claims may result in decreased demand for a product, injury to the Company's reputation, withdrawal of clinical trial volunteers and loss of revenues.

If a product liability claim is brought against the Company, the cost of defending the claim could be significant and any adverse determination may result in liabilities in excess of its insurance coverage. Additionally, the Company will be applying for indemnification under the Support Anti-terrorism by Fostering Effective Technologies Act of 2002 which preempts and modifies tort laws so as to limit the claims and damages potentially faced by companies who provide certain "qualified" anti-terrorism products. However, the Company cannot be certain that it will be able to obtain or maintain adequate insurance coverage on acceptable terms, if at all.

Legislation limiting or restricting liability for medical products used to fight bioterrorism is new, and the Company cannot be certain that any such protection will apply to its products and, therefore, the Company could become subject to product liability suits and other third party claims if such protections do not apply.

The Public Readiness and Emergency Preparedness Act ("Public Readiness Act") was signed into law in December 2005 and creates general immunity for manufacturers of countermeasures, including security countermeasures (as defined in Section 319F-2(c)(1)(B)), when the Secretary of Defense issues a declaration for their manufacture, administration or use. The declaration is meant to provide general immunity from all claims under state or federal law for loss arising out of the administration or use of a covered countermeasure. Manufacturers are excluded from this protection in cases of willful misconduct.

Upon a declaration by the Secretary of Health and Human Services, a compensation fund is created to provide "timely, uniform, and adequate compensation to eligible individuals for covered injuries directly caused by the administration or use of a covered countermeasure." The "covered injuries" to which the program applies are defined as serious physical injuries or death. Individuals are permitted to bring a willful misconduct action against a manufacturer only after they have exhausted their remedies under the compensation program. A willful misconduct action could be brought against us if an individual(s) has exhausted their remedies under the compensation program which thereby could expose us to liability. the Company may become subject to standard product liability suits and other third party claims if products it develops which fall outside of the Public Readiness Act cause injury or if treated individuals subsequently become infected or otherwise suffer adverse effects from such products.

The Company may be subject to claims that it or its employees wrongfully used or disclosed alleged trade secrets of the employees' former employers. Such litigation could result in substantial costs and be a distraction to the Company's management.

As is commonplace in the biotechnology industry, the Company employs individuals who were previously employed at other biotechnology or pharmaceutical companies, including their competitors or potential competitors. Although no claims against the Company are currently pending, the Company may be subject to claims that these employees or it have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. Even if the Company is successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

If the Company experiences delays in obtaining regulatory approvals, or is unable to obtain or maintain regulatory approvals, it may be unable to commercialize any products.

The Company will need to conduct a substantial amount of additional research and development before any U.S. or foreign regulatory authority will approve any of its products. In addition, the Company's product candidates will be subject to extensive and rigorous domestic government regulation. Results of the Company's research and development activities may indicate that its potential products are unsafe or ineffective. In this case, regulatory authorities will not approve them. Even if approved, the Company's products may not be commercially successful. If the Company fails to develop and commercialize its products, it may be forced to curtail or cease operations.

In addition, the commencement and rate of completion of clinical trials for the Company's products may be delayed by many factors, including:

- lack of efficacy during the clinical trials in animals;
- unsatisfactory results of any clinical trial;
- unforeseen safety issues;
- slower than expected rate of patient recruitment; or
- government or regulatory delays.

Delays in obtaining regulatory approvals may:

- adversely affect the commercialization of any products that the Company or its collaborative partners develop;
- impose costly procedures on the Company or its collaborative partners;
- diminish any competitive advantages that the Company or its collaborative partners may attain; and
- adversely affect the Company's receipt of revenues or royalties.

The results from preclinical testing and early clinical trials are often not predictive of results obtained in later clinical trials. Although a new product may show promising results in initial clinical trials, it may subsequently prove unfeasible or impossible to generate sufficient safety and efficacy data to obtain necessary regulatory approvals. Data obtained from preclinical and clinical studies are susceptible to varying interpretations, which may delay, limit or prevent regulatory approval. In addition, the Company may encounter regulatory delays or rejections as a result of many factors, including results that do not support its claims, perceived defects in the design of clinical trials and changes in regulatory policy during the period of product development. The Company's business, financial condition, prospects and results of operations may be materially adversely affected by any delays in, or termination of, its clinical trials or a determination by the FDA that the results of the Company's trials are inadequate to justify regulatory approval.

Any required approvals, once obtained, may be withdrawn. Further, if the companies fail to comply with applicable FDA and other regulatory requirements at any stage during the regulatory process, it may encounter difficulties including:

- delays in clinical trials or commercialization;
- product recalls or seizures;
- suspension of production and/or distribution;
- withdrawals of previously approved marketing applications; and
- fines, civil penalties and criminal prosecutions.

The Company's collaborative partners may not be able to conduct clinical testing or obtain necessary approvals from the FDA or other regulatory authorities for any product candidates. If the Company fails to obtain required governmental approvals, it or its collaborative partners will experience delays in, or be precluded from, marketing products developed through it or, as applicable, their research.

The Company and its contract manufacturers will also be required to comply with the applicable FDA good manufacturing practice regulations. Good manufacturing practice regulations include requirements relating to quality control and quality assurance as well as the corresponding maintenance of records and documentation. Manufacturing facilities are subject to inspection by the FDA. These facilities must be approved before the Company will be able to use them in commercial manufacturing of their products. The Company and its contract manufacturers may not be able to comply with the applicable good manufacturing practice requirements and other FDA regulatory requirements. If the Company and its contract manufacturers fail to comply, they could be subject to fines or other sanctions, or be precluded from marketing their products.

The Company may be required to perform additional clinical trials or change the labeling of its products if it or others identify side effects after its products are on the market, which could harm sales of the affected products.

If the Company or others identify side effects after any of its products are on the market, or if manufacturing problems occur:

- regulatory approval may be withdrawn;
- reformulation of the affected products, additional clinical trials, or changes in labeling of the Company's products may be required;
- changes to or re-approvals of the Company's manufacturing facilities may be required;
- sales of the affected products may drop significantly;
- the Company's reputation in the marketplace may suffer; and
- lawsuits, including class action suits, may be brought against the Company.

Any of the above occurrences could harm or prevent sales of the affected products or could increase the costs and expenses of commercializing and marketing these products.

Risks Related to Our Common Stock

If our existing stockholders exercise their registration rights, it may have an adverse effect on the market price of our common stock.

Our initial stockholders are entitled to require us to register the resale of their shares of common stock at any time after the date on which their shares are released from escrow, which, except in limited circumstances, will not be before July 29, 2008. If our existing stockholders exercise their registration rights with respect to all of their shares of common stock, then there will be an additional 2,250,000 shares of common stock eligible for trading in the public market. The presence of this additional number of shares of common stock eligible for trading in the public market may have an adverse effect on the market price of our common stock.

The American Stock Exchange may delist our securities from trading which could limit investors' ability to make transactions in our securities and subject us to additional trading restrictions.

Our common stock and warrants are listed on the AMEX, a national securities exchange. We cannot assure you that our securities will continue to be listed on the AMEX. If the AMEX delists our securities from trading on its exchange and we are not able to list our securities on another exchange or to have them quoted on Nasdaq, our securities could be quoted on the OTC Bulletin Board, or "pink sheets". As a result, we could face significant material adverse consequences including:

- a limited availability of market quotations for our securities;
- a determination that our common stock is a "penny stock" which will require brokers trading in our common stock to adhere to more stringent rules and possibly resulting in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and analyst coverage for our company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

The National Securities Markets Improvement Act of 1996, which is a federal statute, prevents or preempts the states from regulating the sale of certain securities, which are referred to as "covered securities". Since we are listed on the AMEX, our securities are covered securities. Although the states are preempted from regulating the sale of our securities, the federal statute does allow the states to investigate companies if there is a suspicion of fraud, and if there is a finding of fraudulent activity, then the states can regulate or bar the sale of covered securities in a particular case. While we are not aware of a state having used these powers to prohibit or restrict the sale of securities issued by blank check companies generally, certain state securities regulators view blank check companies unfavorably and might use these powers, or threaten to use these powers, to hinder the sale of securities of blank check companies in their states.

Risks Related to the Merger and our Prior Status as a Special Purpose Acquisition Company

In connection with the previously announced proceedings initiated in Delaware Chancery Court, the Court determined on August 27, 2007 that the Merger between Former PharmAthene and Healthcare Acquisition Corp. had been validly approved and authorized in full compliance with the company's charter and Delaware corporate law. As is generally the case with decisions of the Court of Chancery, the decision is subject to appeal for 30 days in accordance with Delaware law. The following risks are applicable if the Delaware Chancery Court's determination is reversed on appeal.

If an appellate court reverses on appeal the Delaware Chancery Court's determination and determines that the Merger was not validly approved, the Company will be forced to abandon the Merger with Former PharmAthene and will seek to liquidate.

In any liquidation, the net proceeds of the Company's IPO that were held in the trust account, plus any interest earned thereon, would have to be distributed on a prorate basis to the holders of the Company's common stock issued in the IPO. However, following the determination of the Delaware Court of Chancery that the Merger was validly consummated, the Company instructed the trustee to transfer the $58,906,655 remaining in the trust to the Company. If the Company had liquidated its assets for distribution to all stockholders, the per share liquidation would have been approximately $69 million which had been deposited in the trust account at the time of the IPO, plus interest accrued thereon until the date of any liquidation; as of June 30, 2007, there was approximately $6.20 per share available in the trust account for distribution to the stockholders (excluding accrued interest). On August 14, 2007, distribution of $7.71 per share was made to the holders of 1,786,175 shares who voted against the Merger and elected to convert their shares. In addition, there would be no distribution with respect to the Company's outstanding warrants and, accordingly, the warrants would expire worthless.

If the decision of the Delaware Chancery Court is reversed on appeal and the Merger is not consummated, the Company will be forced to dissolve and liquidate. In such event, it is more likely than not that the amount distributed to our stockholders will be less than the approximately $6.20 per share that otherwise would have been available.

Our stockholders may be held liable for claims against the Company by third parties to the extent of distributions received by them.

Under the Delaware General Corporation Law, stockholders may be held liable for claims by third parties against a corporation to the extent of distributions received by them in a dissolution. If in fact there is a determination on appeal that the Merger was not validly consummated and the Company were required to liquidate and we complied with certain procedures set forth in Section 280 of the Delaware General Corporation Law intended to ensure that we make reasonable provision for all claims against us, including a 60-day notice period during which any third-party claims can be brought against us, a 90-day period during which we may reject any claims brought, and an additional 150-day waiting period before any liquidating distributions are made to stockholders, any liability of a stockholder with respect to a liquidating distribution would be limited to the lesser of such stockholder's pro rata share of the claim or the amount distributed to the stockholder, and any liability of the stockholder would be barred after the third anniversary of the dissolution. However, it would be our intention to make liquidating distributions to our stockholders as soon as reasonably possible after dissolution and, therefore, we do not intend to comply with those procedures. As such, our stockholders could potentially be liable for any claims to the extent of distributions received by them in a dissolution and any such liability of our stockholders will likely extend beyond the third anniversary of such dissolution. Accordingly, we cannot assure you that third parties will not seek to recover from our public stockholders amounts owed to them by us.

Under Delaware law, our dissolution would require the approval of the holders of a majority of our outstanding stock, without which we would not be able to dissolve and liquidate and distribute our assets to our public stockholders. Therefore, there may be a considerable delay before any distribution of our assets.

Pursuant to Delaware law, our dissolution requires the affirmative vote of stockholders owning a majority of our then outstanding common stock. Soliciting the vote of our stockholders will require the preparation of preliminary and definitive proxy statements, which will need to be filed with the Securities and Exchange Commission and could be subject to their review. This process could take a substantial amount of time ranging from 40 days to several months.

If third parties bring claims against us or if Former PharmAthene has breached any of its representations, warranties or covenants set forth in the Merger Agreement, we may not be adequately indemnified for any losses arising therefrom.

Although the Merger Agreement provides that the stockholders of Former PharmAthene will indemnify us for losses arising from a breach of the representations, warranties and covenants by Former PharmAthene set forth in the Merger Agreement, such indemnification is limited both in the aggregate and the deductible and is subject to other limitations. In addition, the survival period for any claims under the Merger Agreement is limited to claims arising within the twelve months immediately following the effective time of the Merger. Accordingly, we will be prevented from seeking indemnification for any claims above the aggregate threshold or arising after the applicable survival period.

If the Merger's benefits do not meet the expectations of financial or industry analysts, the market price of the Company's common stock may decline.

The market price of the Company's common stock may decline as a result of the Merger if:

- the Company does not achieve the perceived benefits of the Merger as rapidly as, or to the extent anticipated by, financial or industry analysts; or

- the effect of the Merger on the Company's financial results is not consistent with the expectations of financial or industry analysts.

Accordingly, investors may experience a loss as a result of a decreasing stock price and the Company may not be able to raise future capital, if necessary, in the equity markets.

If an appellate court reverses on appeal the Delaware Chancery Court's determination and holds that we did not consummate the Merger and must dissolve, payments from the trust account to our public stockholders may be delayed.

We currently believe that any plan of dissolution and liquidation subsequent to the expiration of the 24 month deadline would proceed in approximately the following manner:

- our Board of Directors will, consistent with Delaware law and its obligations described in our amended and restated certificate of incorporation to dissolve, prior to the passing of such deadline, convene and adopt a specific plan of dissolution and liquidation, which it will then vote to recommend to our stockholders; at such time it will also cause to be prepared a preliminary proxy statement setting out such plan of dissolution and liquidation as well as the board's recommendation of such plan;

- soon after such deadline, we would file our preliminary proxy statement with the Securities and Exchange Commission;

- if the Securities and Exchange Commission does not review the preliminary proxy statement, then, approximately 10 days following the passing of such deadline, we will mail the proxy statements to our stockholders, and approximately 30 days following the passing of such deadline we will convene a meeting of our stockholders, at which they will either approve or reject our plan of dissolution and liquidation; and

- if the Securities and Exchange Commission does review the preliminary proxy statement, we currently estimate that we will receive their comments approximately 45 days following the passing of such deadline. We will mail the proxy statements to our stockholders following the conclusion of the comment and review process (the length of which we cannot predict with any certainty, and which may be substantial) and we will convene a meeting of our stockholders at which they will either approve or reject our plan of dissolution and liquidation.

In the event we seek stockholder approval for a plan of dissolution and liquidation and do not obtain such approval, we will nonetheless continue to pursue stockholder approval for our dissolution. Pursuant to the terms of our amended and restated certificate of incorporation, our powers following the expiration of the permitted time periods for consummating a business combination will automatically thereafter be limited to acts and activities relating to dissolving and winding up our affairs, including liquidation. The funds held in our trust account may not be distributed except upon our dissolution and, unless and until such approval is obtained from our stockholders, the funds held in our trust account will not be released. Consequently, holders of a majority of our outstanding stock must approve our dissolution in order to receive the funds held in our trust account and the funds will not be available for any other corporate purpose.

The procedures required for us to liquidate under the Delaware law, or a vote to reject any plan of dissolution and liquidation by our stockholders, may result in substantial delays in the liquidation of our trust account to our public stockholders as part of our plan of dissolution and liquidation.

If an appellate court reverses on appeal the Delaware Chancery Court's determination and holds that the Merger was invalid, we will dissolve and liquidate.

If an appellate court reverses on appeal the Delaware Chancery Court's determination and holds that we did not validly complete the Merger on or before August 3, 2007, we will dissolve and liquidate pursuant to the provisions of our certificate of incorporation and Delaware law. We view this obligation to dissolve and liquidate as an obligation to our public stockholders and neither we nor our Board of Directors will take any action to amend or waive any provision of our amended and restated certificate of incorporation to allow us to survive for a longer period of time if it does not appear we will be able to consummate the Merger. We will be required to obtain stockholder approval of a plan of dissolution under Delaware law. Upon approval of our plan of dissolution, we will distribute, assuming satisfaction of our creditors, to all of our public stockholders, in proportion to their respective equity interest, an aggregate sum equal to the amount in the trust account (net of taxes payable). Our initial stockholders have waived their rights to participate in any liquidation distribution with respect to their initial shares and have agreed to vote in favor of any plan of dissolution and distribution which we will present to our stockholders for vote. There will be no distribution from the trust account with respect to our warrants which will expire worthless. We will pay the costs of our dissolution and liquidation of the trust account from our remaining assets outside of the trust fund, and we estimate such costs to be between $50,000 and $75,000.

Because we entered into a definitive agreement to complete a business combination prior to the expiration of 18 months after the consummation of our IPO, we had an additional six months in which to complete the Merger with Former PharmAthene. If an appellate court reverses on appeal the Delaware Chancery Court's determination and holds that we did not validly complete the Merger on or before August 3, 2007, our purpose and powers will be limited to dissolving, liquidating and winding up. Since the funds held in trust have been distributed to the Company for use as operating capital, there can be no assurance that if a court so ruled there would be sufficient funds to distribute to stockholders equal to the pre-merger liquidation value per share.

Registration Statement Relating to the Warrants

Under the terms of the warrant agreement (the "Warrant Agreement") relating to the Company's outstanding redeemable warrants ("Warrants"), the Warrants become exercisable to purchase one share of common stock at a price of $6.00 per share upon the completion of the Merger until July 27, 2009. However, the Company's final prospectus relating to its IPO indicated (i) that no Warrant would be exercisable unless at the time of exercise a prospectus relating to the common stock issuable upon exercise of the Warrant is current and the common stock has been registered under the Securities Act of 1933 or qualified or deemed to be exempt under the securities laws of the state of residence of the holder of the Warrant and (ii) that the Warrant may be deprived of any value and the market for the Warrant may be limited if the prospectus relating to the common stock issuable upon the exercise of the Warrant is not current or if the common stock is not qualified or exempt from qualification in the jurisdictions in which the holder of the Warrant resides. The Warrant Agreement was subsequently amended to clarify that the registered holders do not have the right to receive a net cash settlement in the event the Company does not maintain a current prospectus relating to the common stock issuable upon exercise of the Warrants at the time such Warrants are exercisable. Although the Company intends to file a registration statement with the SEC covering the sale of the shares issuable upon exercise of the Warrants, no such registration statement has been filed as yet. Accordingly, the Warrants may not be exercised currently and will not be exercisable until a registration statement is filed by the Company and declared effective by the SEC. Furthermore, if there is a determination that the Merger was not duly consummated which could result if the decision of the Delaware Chancery Court is reversed on appeal, the Warrants could expire without ever being exercisable.

Financial Information

Reference is made to the disclosure set forth under Item 9.01 of this Current Report on Form 8-K concerning the financial information of the Company.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements for the Company which present the results of operations of the Company for the three and six month periods ended June 30, 2007 and 2006 as well as the financial positions at June 30, 2007 and December 31, 2006. In addition to historical information, the following discussion may contain forward looking information that involves risks and uncertainties. All amounts presented, except share data, are rounded to the nearest thousand dollars.

Overview

The Company is a biodefense company engaged in the business of discovery and development of novel human therapeutics and prophylactics for the treatment and prevention of morbidity and mortality from exposure to biological and chemical weapons. Additionally, the Company collaborates with other pharmaceutical companies to support clinical development of product candidates. The Company has two products currently under development. Valortim(TM), a fully human monoclonal antibody (an identical population of highly specific antibodies produced from a single clone) for the prevention and treatment of anthrax infection and Protexia(R), mimics a natural bioscavenger for the treatment or prevention of nerve agent poisoning by organophosphate compounds which include nerve gases and pesticides.

The Company's lead product candidate, Valortim(TM), is a fully human monoclonal antibody designed to protect against and treat inhalation anthrax infection, the most lethal form of illness in humans caused by the Bacillus anthracis bacterium. The Company is co-developing Valortim(TM) with Medarex, Inc., a biopharmaceutical company that specializes in developing fully human antibody-based therapeutic products and will share with Medarex any profits derived from sales of Valortim(TM). Preclinical trials on animal models have demonstrated Valortim(TM) to be highly efficacious as both a prophylaxis and a therapeutic for inhalation anthrax infection. The Company and Medarex have completed dosing of healthy volunteers in a Phase I open-label, dose-escalation clinical trial to evaluate the safety, tolerability, immunogenicity (the ability of an antigen to elicit an immune response), and pharmacokinetics (the study of absorption, metabolism and action of drugs) of a single dose of Valortim(TM) administered intravenously or intramuscularly. No drug-related serious adverse events have been reported. Final results from the Phase I trial were presented at the Infectious Disease Society of America meeting in October 2006. Valortim(TM) has been granted Fast Track Status by the U.S. Food and Drug Administration (the "FDA"), which may permit the Company to submit portions of a Biologics License Application ("BLA") or efficacy supplement before the complete BLA is submitted. This may expedite the review process but requires that the FDA have sufficient resources to allow early review of the portions submitted. In addition, Valortim(TM) has been granted orphan drug status for the treatment of inhalational anthrax.

Protexia(R), the Company's second product candidate, is a recombinant form (that is, produced using genetic engineering technology) of human butyrylcholinesterase, a naturally occurring enzyme ("BChE"), for use in the

prophylaxis and treatment of organophosphate chemical nerve agent poisoning. Preclinical trials on animal models have demonstrated that Protexia(R) is highly efficacious both prophylactically and therapeutically for chemical nerve agent poisoning. The Company plans to continue preclinical animal studies of Protexia(R) throughout 2006 and 2007 and file an Investigational New Drug application ("IND") with the FDA in 2008. The procurement process for the scale-up development and sale of Protexia(R) is already underway with the U.S. Department of Defense (the "DoD"), the department tasked with purchasing biodefense countermeasures for military use. The DoD requested competitive bids in a Request for Proposal (an "RFP") for a recombinant form of BChE drug for the prophylaxis treatment of chemical nerve agent poisoning, which the Company submitted in November 2005. In September 2006, the Company was awarded a contract by the DoD for the advanced development of Protexia(R) and procurement of an initial 90,000 doses for approximately $35 million. If all options and extensions of this contract are exercised, the contract could amount to up to $213 million in revenues.

In compiling its business plan and cost and revenue projections for the future, the Company has considered various factors, relating to potential sales of Valortim(TM) and Protexia(R) In order to market commercially its products, the Company must receive final approval from the FDA. The Company currently estimates that it will not have an FDA approved product until at least 2012. Nevertheless, the Company believes that it may commence sales of Valortim(TM) and Protexia(R) in 2008 and 2009. The United States Strategic National Stockpile ("SNS") is able to purchase products from companies prior to the receipt of FDA approval for Emergency Use Authorization ("EUA"). The Company is aware that, under certain conditions, the SNS currently buys a significant amount of product from companies that do not have an FDA-approved product. The Company analyzed the United States Government's demand for its products based upon published reports. It also analyzed available information regarding its competitors' projects and determined the level of orders that could be received from the United States Government. The Company estimated what portion of such orders it could receive and of such orders what portion the Company could deliver in each of 2008 and 2009 and the price per treatment delivered. The Company also considered delivery of a limited number of orders internationally. Much like the Valortim(TM) analysis, the Company performed a similar evaluation and analysis of the market for Protexia(R). To this end, the Company projected the delivery, beginning in 2009, of Protexia(R) domestically to SNS and internationally. Accordingly, the Company believes it can meet projections for sales in 2009 of Valortim(TM) and Protexia (R).

Prior to the Merger, the Company has financed its operations since inception in March 2001 primarily through the issuance of equity securities, convertible notes, and proceeds from loans or other borrowings. In addition to the trust funds obtained in the Merger, any, or all, of these financing vehicles or others may be utilized to fund its future capital requirements.

Recent Events

On August 3, 2007, the Company consummated a merger in accordance with the Merger Agreement pursuant to which HAQ's wholly-owned subsidiary, PAI Acquisition Corp., was merged with and into Former PharmAthene. Immediately following the Merger, HAQ changed its name from Healthcare Acquisition Corp. to "PharmAthene, Inc." and Former PharmAthene, which became a wholly-owned subsidiary of HAQ, changed its name to "PharmAthene U.S. Corporation."

The financial information disclosed in this Current Report on Form 8-K presents the historical financial results and information of Former PharmAthene, as the financial acquirer in the Merger, for the quarter ended June 30, 2007.

As consideration for the Merger, the Company paid stockholders, optionholders, warrantholders and noteholders of Former PharmAthene (the "PharmAthene Security Holders") the following consideration:

(i) an aggregate of 12,500,000 shares of common stock of the Company at closing (the "Stock Consideration") plus 300,688 shares in adjustment (the "Adjustment") calculated on the basis of the number of shares electing conversion in excess of 5% of the Company's outstanding common stock prior to the Merger; and

(ii) $12,500,000 in 8% convertible notes (the "Convertible Notes") issued by the Company (the "Note Consideration");

In addition, the PharmAthene Security Holders could receive up to $10 million in milestone payments contingent upon the Company entering into a contract prior to December 31, 2007 for the sale of Valortim(TM) to the U.S. government for more than $150 million in anticipated revenue; the payments will be equal to 10% of the actual collections from the sale of Valortim(TM) up to $10 million.

Recipients of the Stock Consideration have certain registration rights pursuant to a Registration Rights Agreement, dated August 3, 2007, by and among the Company and the PharmAthene Security Holders (the "Registration Rights Agreement"). Additionally, each of the stockholders, noteholders and holders of options or warrants to purchase not less than 100,000 shares of the common stock Former PharmAthene have executed a lock-up agreement (the "Lock-up Agreement") that such person shall not sell, pledge, transfer, assign or engage in any hedging transaction with respect to the Company's common stock issued to such

stockholders as part of the Merger Consideration except in accordance with the following schedule: 50% of the Stock Consideration shall be released from the lock-up commencing six months following the effective time of the Merger and all remaining Stock Consideration shall be released from the lock-up twelve months following the effective time. The Note Consideration was allocated among the PharmAthene noteholders pursuant to a Note Exchange Agreement, dated August 3, 2007, by and among HAQ, PharmAthene and the PharmAthene noteholders (the "Note Exchange Agreement"). A portion of the Stock Consideration , in the aggregate amount of 1,375,000 shares of the Company's common stock, has been placed in escrow to be held for a period of one year for indemnification claims pursuant to an Escrow Agreement, dated August 3, 2007, by and among HAQ, PharmAthene and Continental Stock Transfer & Trust Company, as escrow agent (the "Escrow Agreement"). Based upon the total number of shares electing conversion being in excess of 5% of the Company's outstanding common stock prior to the Merger, the Stock Consideration was adjusted upwards by 300,688 shares issuable to stockholders of Former PharmAthene.

The Note Consideration issued in exchange for Former PharmAthene's $11.8 million outstanding secured convertible notes will mature in 24 months. These convertible notes will be convertible at the option of the holders into common stock at $10.00 per share and may be redeemed by the Company without penalty after 12 months.

On March 30, 2007, the Company entered into a $10 million credit facility with Silicon Valley Bank and Oxford Finance Corporation. Under the credit facility, the Company borrowed $10 million which loan bears interest at the rate of 11.5% per annum. Pursuant to the terms of the loan and security agreement evidencing the credit facility, the Company will make monthly payments of interest only through September 30, 2007 and, thereafter, will make monthly payments of principal and interest over the remaining 30-month term of the loan. The loan is secured by a security interest on all of the Company's and PharmAthene Canada's assets other than certain intellectual property. The Company may not repay the loan for the first six months but, thereafter, may prepay provided it pays certain prepayment fees. In connection with the credit facility, the Company issued to Silicon Valley Bank and Oxford Financial Corporation warrants to purchase an aggregate of 438,453 shares of Former PharmAthene Series C Preferred Stock through March 30, 2017 at an exercise price of $0.91 per share which, as a consequence of the Merger, converted into a warrant to purchase 100,778 shares of the Company's common stock at an exercise price of $4.06 per share.

Results of Operations

Revenue

The Company recognized revenues of $2.3 million for the three months ended June 30, 2007. For the six months ended June 30, 2007 and 2006, the Company recognized revenues of $5.3 million and $186,400, respectively. These revenues consist primarily of contract and grant funding from the U.S. government for the development of pharmaceutical products for Protexia(R), one of the Company's two drugs. Other non-grant related revenue of $7,000 and $7,700 was recognized in the first quarters of fiscal years 2007 and 2006, respectively.

Contract and Grant Revenue

During the three and six months ended June 30, 2007 and 2006, contract and grant revenues recognized related to U.S. government awarded contracts and grants as follows:

- With the March 2005 acquisition of substantially all of the assets and liabilities of Nexia Biotechnologies Ltd. (the "Nexia Acquisition"), the Company was assigned the rights to receive the fixed price grant with the U.S. Army Medical Research and Material Command Center to fund preclinical studies for the Protexia(R) compound. This grant was awarded for approximately $2.7 million for the period from April 2003 through September 2006.

- In September 2006, the DoD U.S. Army Space and Missile Command awarded the Company a multi-year contract for advanced development of the Company's broad spectrum chemical nerve agent prophylaxis and therapy, Protexia(R). The contract for advanced development and procurement of an initial 90,000 doses of Protexia(R) is for approximately $35 million. If all options and extensions of this contract are exercised, the contract could amount to up to $213 million in revenues.

- In October 2006, the National Institutes of Health (NIH) Countermeasures Against Chemical Threats, (Counter ACT) Research Network awarded a $1.7 million grant to support continued development of the Company's broad spectrum chemical nerve agent therapy, Protexia(R). Counter ACT's program goal is to develop novel therapeutic agents for use in a mass civilian terrorist attack.

During the three and six months ended June 30, 2007, the Company recognized $2.3 million and $5.2 million, respectively, in revenue related to advanced development work funded through the DoD U.S. Army Space and Missile Command contract awarded in September 2006. Additionally, approximately $32,500 and $119,400 of revenue was recognized for the same periods, respectively, related to the development grant work under the NIH Counter ACT program.

During the three months ended June 30, 2006, the Company recognized $178,700 in grant revenue related to the firm fixed price grant with the U.S. Army Medical Research and Material Command Center to fund preclinical studies for the Protexia(R) compound. Work under this grant was completed in March 2006, with no additional grant funding for the remainder of the year.

Other Revenue

In connection with the Nexia Acquisition, the Company acquired property and equipment, including farm facilities. Other income primarily results from the leasing of farm facilities that the Company is currently not utilizing.

Research and Development Expenses

The Company's research and development expenses were $4.0 million and $1.4 million for the three months ended June 30, 2007 and 2006, respectively. For the six months ended June 30, 2007 and 2006, the Company recognized research and development expenses of $7.1 million and $3.2 million, respectively. These expenses resulted from research and development activities related to programs for ValortimTM, for protection against and treatment of inhalation anthrax, and for Protexia(R), for treatment of nerve agent poisoning. The Company incurred both direct and indirect expenses. Direct expenses included salaries and other costs of personnel, raw materials and supplies. The Company may also incur third-party costs related to these projects, such as contract research, consulting and clinical development costs for individual projects.

Research and development expenses for the three and six months ended June 30, 2007 and 2006, respectively, was attributable to research programs as follows:

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Valortim(TM)	$1,040,800	$ 135,200	$1,517,800	$ 656,900
Protexia(R)	2,444,700	1,218,000	4,586,600	2,446,900
Internal research and development	509,500	30,700	982,600	62,200
Total R&D expenses	$3,995,000	$1,383,900	$7,087,000	$3,166,000

Research and development expense increased $2.6 million for the three months ended June 30, 2007 as compared to the three months ended June 30, 2006 primarily as a result of increased process development and manufacturing activities related to Protexia(R) and Valortim(TM) of $2.0 million and additional personnel related expenses of approximately $428,600. The increase in research and development costs of $3.9 million from the six months ended June 30, 2006 as compared to the six months ended June 30, 2007 resulted from increased process development and manufacturing activities related to Protexia(R) and Valortim(TM) of $3.7 million and additional personnel related expenses of approximately $444,200. This increase is partially offset by reduced clinical fees of $273,100 related to the clinical trial program for Valortim(TM) which was initiated in fiscal year 2005 in collaboration with Medarex.

Protexia(R) is the Company's drug candidate for use as a countermeasure against nerve agent bioterrorist attacks and was acquired in March 2005. For the three and six months ended June 30, 2007, the Company expended approximately $1.8 million and $3.5 million, respectively, primarily on process development and manufacturing activities. Additionally, approximately $692,700 million and $1.0 million was spent on internal human resources for the same periods, respectively. For the three and six months ended June 30, 2006, the Company spent approximately $862,700 and $1.6 million on internal human resources on the Protexia(R) development program. Additionally, $355,300 and $880,100 was incurred as related to pre-clinical testing and manufacturing. From inception of the Protexia(R) development program to date, the Company has expended a total of $12 million related to the Protexia(R) program.

Valortim(TM) is the Company's drug candidate for use as a countermeasure against anthrax associated bioterrorist attacks. For the three and six months ended June 30, 2007, the Company spent approximately $1.0 million and $1.5 million, respectively, on process and clinical development with the remaining expenditure related to internal resources. For the three and six months ended June 30, 2006, the Company spent $135,200 and $656,900 on clinical development with the remaining expense related to internal resources. From inception of the Valortim(TM) development program to date, the Company has expended a total of $5 million related to the Valortim(TM) development program.

Internal research and development costs include activities related to the development of future programs.

General and Administrative Expenses

General and administrative functions for the Company include executive management, finance and administration, government affairs and regulations, corporate development, human resources, legal, and compliance. For each function, the Company may incur direct expenses such as salaries, supplies and third-party consulting and other external costs. Indirect costs such as facilities, utilities and other administrative overhead are also included in general and administrative expenses.

Expenses associated with general and administrative functions for the Company were $3.0 million and $1.5 million for the three months ended June 30, 2007 and 2006, respectively. General and administrative expenses increased $1.5 million from the three months ended June 30, 2006 as compared to the three months ended June 30, 2007 primarily due to increased employee costs of $668,700 and related increased travel activities of $139,700, and $655,100 in additional consulting and legal costs associated with transactional, proposal and compliance related activities.

Expenses associated with general and administrative functions for the Company were $5.5 million and $2.9 million for the six months ended June 30, 2007 and 2006, respectively. General and administrative expenses increased $2.6 million from the six months ended June 30, 2006 as compared to the six months ended June 30, 2007 primarily due to $1.1 million in additional consulting and legal costs associated with transactional, proposal and compliance related activities, increased employee costs of $1.0 million and related increased travel activities of $158,000, and increased building operation costs of $123,000 associated with the increased headcount, primarily in the United States.

Depreciation and Intangible Amortization

Depreciation and intangible amortization expense was $162,200 and $118,800 for the three months ended June 30, 2007 and 2006, respectively. For the six months ended June 30, 2007 and 2006, deprecation and intangible amortization expense was $309,300 and $255,200, respectively. Depreciation expense for the three months ended June 30, 2007 and 2006 of $128,000 and $80,100, respectively, and for the six months ended June 30, 2007 and 2006 of $240,000 and $184,400, respectively resulted primarily from building, leasehold improvements and lab equipment acquired through the Nexia Acquisition during the first quarter of 2005. Amortization expense recorded the three months ended June 30, 2007 and 2006 of $34,200 and $38,700, respectively, and for the six months ended June 30, 2007 and 2006 of $69,300 and $70,800, respectively, related to patents acquired in the Nexia Acquisition.

Other Income and Expenses

Other income and expenses consists primarily of income on the Company's investments, interest expense on the Company's debt and other financial obligations and the change in market value of its derivative financial instruments. For the three months ended June 30, 2007 and 2006, the Company's interest income was $93,600 and $34,500, respectively. The Company's interest income was $149,200 and $106,700 for the six months ended June 30, 2007 and 2006, respectively. The increase in interest income for the three and six months ended June 30, 2007 as compared to the same period in 2006 resulted from higher average investment balances throughout fiscal year 2007 primarily resulting from financing activities.

The Company incurred interest expense of $529,500 for the three months ended June 30, 2007 and 2006, respectively. For the six months ended June 30, 2007 and 2006, the Company incurred $771,300 and $100 of interest expense, respectively. During the second and third quarters of fiscal year 2006, the Company entered into $11.8 million 8% convertible notes. The Company has recognized $238,000 and $473,300, respectively, in interest expense related to these notes for the three and six months ended June 30, 2007. On March 30, 2007, the Company entered into a $10 million credit facility. Approximately $297,900 in interest expense has been recognized at June 30, 2007.

For the three months ended June 30, 2007 and 2006, the Company incurred expenses of $14,500 and $11,400, respectively, related to the change in market value of its derivative instruments, which consist of 5,699,895 warrants to purchase Series C Preferred Stock of Former PharmAthene at an exercise price of $0.91 per share. For the six months ended June 30, 2007 and 2006, the Company recognized expenses of $6,800 and $365,300, respectively, related to the change in market value of these warrants. The fair values of these warrants are estimated on a quarterly basis using the Black-Scholes valuation model.

Liquidity and Capital Resources

Overview

The Company's primary cash requirements are to fund its research and development programs and to fund general corporate overhead. Its cash requirements could change materially as a result of changes in its business and strategy. These changes could arise from the Company's management team's evaluation of its business strategy, the progress of its research and development activities and clinical programs, licensing activities, acquisitions, divestitures or other corporate developments.

The Company has financed its operations since inception in March 2001 primarily through the issuance of equity securities in addition to convertible notes, and proceeds from loans or other borrowings. In addition to the use of the trust funds obtained in the Merger, any combination of, or all of, these financing vehicles or others may be utilized to fund its future capital requirements. In evaluating alternative sources of financing, the Company considers, among other things, the dilutive impact, if any, on its stockholders, the ability to leverage stockholder returns through debt financing, the particular terms and conditions of each alternative financing arrangement and its ability to service its obligations under such financing arrangements.

The Company's Consolidated Financial Statements have been prepared on a basis which assumes that it will continue as a going concern and which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has incurred cumulative net losses and expects to incur additional losses to perform further research and development activities. The Company does not have commercial products and has limited capital resources. Its plans with regard to these matters include continued development of its products as well as seeking additional research support funds and financial arrangements. Although the Company continues to pursue these plans, there is no assurance that it will be successful in obtaining sufficient financing on commercially reasonable terms or that it will be able to secure financing through government contracts and grants.

The Company has developed a plan to reduce its operating expenses in the event that sufficient funds are not available, or if it is not able to obtain anticipated government contracts and grants. If the Company is unable to raise adequate capital or achieve profitability, future operations will need to be scaled back or discontinued. Continuance of the Company as a going concern is dependent upon, among other things, the success of the Company's research and development programs and its ability to obtain adequate financing. The Company's Consolidated Financial Statements do not include any adjustments relating to recoverability of the carrying amount of recorded assets and liabilities that might result from the outcome of these uncertainties.

Sources and Uses of Cash

Cash and cash equivalents for the Company were $7.1 million and $5.1 million at June 30, 2007 and December 31, 2006, respectively. The $2.0 million increase in cash and cash equivalents from December 31, 2006 was primarily attributable to the March 2007 $10 million debt financing partially offset by the funding of operations for six months ended June 30, 2007.

Operating Activities

Net cash used in operating activities was $6.3 million and $6.0 million for the six months ending June 30, 2007 and 2006, respectively. The 2007 cash used in operations results primarily from a net loss after the effect of non-cash adjustments of $7.7 million and an increase in accounts receivable of $1.0 million partially offset by decrease in prepaid and other assets of $545,600 and an increase in accrued expenses and accounts payable of $2.0 million. Accounts receivable increased due to contract award receivables due from the DoD related to the advanced development of Protexia(R). Prepaid and other current assets decreased primarily as a result of the use of funds for development activity related to the Company's collaboration with Medarex on the ValortimTM program. Prepaid expenses fluctuate from period to period depending on the timing and level of preparation and initiation of research and development activity and clinical trials. Accounts payable and accrued expenses increased due to increased development activities and compliance related activities.

The 2006 cash used in operations results primarily from a net loss after the effect of non-cash adjustments of $5.6 million. Non-cash adjustments for the six months ending June 30, 2006 included a $365,300 charge related to the change in market value of derivative financial instruments.

Investing Activities

Net cash used in investing activities was $491,400 for the first half of fiscal year 2007 compared to $3.4 million for the first half of fiscal year 2006. All investing activities in 2007, and $424,800 of investing activities for the period ended June 30, 2006, related to the purchase of property and equipment. The Company finances capital expenditures primarily through direct purchases utilizing the Company's existing cash.

In March 2006 in connection with the SIGA Merger Agreement, the Company entered into a Bridge Note Purchase Agreement with SIGA providing SIGA with interim financing, subject to the execution of a definitive merger agreement through a bridge loan. Through June 30, 2006, the Company funded $3.0 million of this interim financing.

Financing Activities

Net cash provided by financing activities was $8.7 million for the period ending June 30, 2007. The 2007 cash provided in financing results from a $10 million credit facility partially offset by $1.3 million in financing costs related to merger and financing activities. On March 30, 2007, the Company entered into a $10.0 million credit facility with Silicon Valley Bank and Oxford Finance Corporation. Under the credit facility, the Company borrowed $10 million which loan bears interest at the rate of 11.5% per annum. Pursuant to the terms of the loan and security agreement evidencing the credit facility, the Company will make monthly payments of interest only through September 30, 2007 and, thereafter, will make monthly payments of principal and interest over the remaining 30-month term of the loan. The loan is secured by a security interest on all of the Company's and PharmAthene Canada's assets other than certain intellectual property. In addition, in the event that the Delaware Chancery Court's determination is reversed on appeal and the Merger was not consummated by August 3, 2007, the Company has agreed to provide the lenders with a mortgage on its Canadian real estate. The Company may not repay the loan for the first six months but, thereafter, may prepay provided it pays certain prepayment fees. In connection with the credit facility, the Company issued to Silicon Valley Bank and Oxford Financial Corporation warrants to purchase an aggregate of 438,453 shares of the Former PharmAthene's Series C Preferred Stock through March 30, 2017 at an exercise price of $0.91 per share which, as a consequence of the Merger, converted into 100,778 shares of the Company's common stock at an exercise price of $4.06 per share.

Future Cash Needs

The Company has financed its operations since inception in March 2001 primarily through the issuance of equity securities, convertible notes, and proceeds from loans or other borrowings. Any, or all, of these financing vehicles or others may be utilized to fund the Company's future capital requirements.

The Company's future capital requirements and liquidity will depend on many factors, including but not limited to, the progress of its research and development programs; the progress of pre-clinical and clinical testing; the time and cost involved in obtaining regulatory approval; the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights; the changes in its existing research relationships, competing technological and marketing developments; its ability to establish collaborative arrangements and to enter into licensing agreements and contractual arrangements with others; and any future change in its business strategy.

The Company expects to fund its development activities for Protexia(R) primarily using the funds available from its contract with the DoD. Under the agreement, the DoD has agreed to fund up to $35 million of development costs as incurred over a three year period. The Company believes this funding will be sufficient to complete the development of Protexia(R). In connection with its collaboration with Medarex for the development of Valortim, the Company has expended $2 million of its own funds and Medarex has received $7.2 million in grants from the United States Government. The Company believes that the remaining costs for this development program will be financed through additional grants to the Company (not Medarex) anticipated to be received from the United States Government and from the Company's available cash which, if the Merger is not consummated, would be drawn from the Company's credit facility and/or additional issuances of securities. If the merger is consummated, the post merger companies will have up to $68 million less any conversion from the trust and any expenses of the merger.

The Company has incurred cumulative net losses and expects to incur additional losses to perform further research and development activities. It does not have commercial products and has limited capital resources. The Company's plans with regard to these matters include continued development of its product candidates as well as seeking additional research support funds and financial arrangements through a combination of collaborative agreements, strategic alliances, research grants, equity and debt financing. Although the Company continues to pursue these plans, there is no assurance that it will be successful in obtaining sufficient financing on commercially reasonable terms or that the Company will be able to secure financing from anticipated government contracts and grants. The Company has developed a plan to reduce its operating expenses in the event that sufficient funds are not available, or if it is not able to obtain anticipated government contracts and grants. If the Company is unable to raise adequate capital or achieve profitability, future operations will need to be scaled back or discontinued.

Off-Balance Sheet Arrangements

The only off-balance sheet arrangements which the Company has entered into are its facility and equipment operating lease agreements. The Company's obligations under these agreements are presented in this section under "Contractual Obligations."

Critical Accounting Policies

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates and assumptions on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from our estimates and assumptions. The Company believes the following critical accounting policies, among others, affect our more significant estimates and assumptions and require the use of complex judgment in their application.

Adoption of FASB 123R regarding share-based payments

On December 13, 2004, the FASB issued FAS 123R, which requires that all share-based payments to employees, including grants of employee stock options, be recognized in the income statement based on their grant date fair values for interim or annual periods beginning after June 15, 2005. Costs of all Share-based payments will be recognized over the requisite service period that an employee must provide to earn the award (i.e. usually the vesting period) and charged to the operating expense associated with that employee. The Company adopted FAS 123R on January 1, 2006 using the "modified prospective" method. Because the Company does not have history as a publicly held company, it has based such measurements as volatility on publicly held companies similar to the Company.

Revenue Recognition

The Company recognizes revenue when all terms and conditions of the agreements have been met including persuasive evidence of an arrangement, services have been rendered, price is fixed or determinable, and collectibility is reasonably assured. For reimbursable cost research grants, the Company recognizes revenue as costs are incurred and appropriate regulatory approvals have been obtained or approval criteria are met for invoicing the related government agency.

All of the grant revenue the Company recognized historically was received under a cost reimbursement grant from the U.S. government to fund the development of pharmaceutical products for biodefense applications In addition, reimbursed costs are subject to review and adjustment by the granting agency. As the Company develops experience with contracting authorities and as its incurred cost submissions are reviewed and approved by the responsible government authorities, estimates of the assumptions related to these uncertainties may change.

Research and Development Expenses

Research and development costs include salaries, facilities expense, overhead expenses, material and supplies, pre-clinical expense, clinical trials and related clinical manufacturing expenses, stock based compensation expense, contract services and other outside services. Such costs are charged to expense as incurred.

Intangible Assets

When the Company acquires development products, it allocates the purchase price, including expenses and assumed liabilities, to tangible and intangible assets. The portion allocated to intangible assets may be allocated to trademarks, patents and other intangibles using the assistance of valuation experts. The Company estimates the useful lives of the assets by considering the remaining life of the patents, estimated future introductions of competing products, and other related factors.

Because of the nature of pharmaceutical research, and particularly because of the difficulties associated with efficacy studies in humans related to the bioterrorist products with which the Company works and the government's related funding provisions, factors that drive the estimate of the life of the asset are often more uncertain than other non-bioterrorist pharmaceutical research. On an annual basis, the Company assesses recoverability of intangibles from future operations, using undiscounted future cash flows derived from the intangible assets.

Any impairment would be recognized in operating results to the extent the carrying value exceeds the fair value, which is determined based on the net present value of estimated future cash flows; in certain situations, where the carrying value is dependent upon the outcome of a single study and that study is unsuccessful, that impairment may be significant in amount and immediate in timing.

Consolidation of PharmAthene Canada, Inc.

The FASB has issued FASB Interpretation No. 46R, Consolidation of Variable Interest Entities ("FIN 46R"), which expands consolidated financial statements to include variable interest entities. Variable interest entities are to be consolidated by the company which is considered to be the primary beneficiary of the entity, even if such company does not have majority control. Under FIN 46R, the Company has been deemed the primary beneficiary of PharmAthene Canada, Inc., a variable interest entity. Accordingly, the financial results of PharmAthene Canada, Inc. have been consolidated with the the Company financial statements as of its date of inception.

Contractual Obligations

The following are contractual commitments at June 30, 2007 associated with leases, research and development arrangements, collaborative development obligations and long term debt:

Contractual Obligations(1)	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 years
Operating facility leases	$ 4,700,400	$ 581,000	$ 1,044,600	$ 814,500	$ 2,260,300
Tenant improvements	474,406	474,406	--	--	--
HAQ Merger related costs	1,763,000	1,763,000	--	--	--
Research and development agreements	17,830,600	17,830,600	--		
Notes payable, including interest	24,431,300	16,748,500	7,682,800	--	--
Total contractual obligations	$49,199,706	$37,397,506	$ 8,727,400	$ 814,500	$ 2,260,300

(1) This table does not include any royalty payments of future sales of products subject to license agreements the Company have entered into in relation to its in-licensed technology, as the timing and likelihood of such payments are not known. Additionally, the table does not include obligations to taxing authorities due to the uncertainty surrounding the ultimate settlement of amounts and timing of these obligations.

Properties

Former PharmAthene recently has relocated its corporate headquarters which, nevertheless, remain in Annapolis, Maryland and are occupied pursuant to lease. The Company has assumed this facility as its corporate headquarters.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information, as of August 9, 2007, based on information obtained from the persons named below, with respect to the beneficial ownership of shares of the Company's common stock by (i) each person known by us to be the owner of more than 5% of our outstanding shares of the Company's common stock, (ii) each director and executive officer and (iii) all directors and executive officers as a group. Except as indicated in the footnotes to the table, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership	Percent of Class(2)
David P. Wright(3)(4)	210,552	*
John Pappajohn(3)(5)	793,124	3.57%
James H. Cavanaugh, Ph.D(3)(6)	3,500,301	15.72%
Steven St. Peter, M.D.(3)(7)	276	*
Elizabeth Czerepak(3)(8)	1,574,469	7.05%
Joel McCleary(3)(9)	106,006	*
John Gill(3)(10)	1,510	*
Christopher C. Camut(3)(11)	0	*
Eric Richman(3)(12)	37,488	*
Wayne Morges(3)(13)	11,363	*
Valerie Riddle(3)(14)	31,387	*
Francesca Cook(3)(15)	19,436	*
Funds affiliated with Bear Stearns Health Innoventures Management, LLC(16)	1,574,469	7.05%
Funds affiliated with MPM Capital L.P.(17)	3,960,396	17.56%
HealthCare Ventures VII, L.P.(18)	3,498,748	15.71%
Nexia Biotechnologies Ltd.(19)	1,715,974	7.77%
All directors and executive officers as a group (12) persons	6,285,912	26.93%

(1) Includes shares of common stock issuable upon exercise of warrants, which are beneficially owned by certain of the persons named in the above table, that became exercisable upon consummation of the Merger on August 3, 2007. Unless otherwise indicated, the business address of each of the individuals is One Park Place, Suite 450, Annapolis, MD 21401. Beneficial ownership is determined in accordance with the rules and regulations of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person that are currently exercisable or exercisable within 60 days of the date hereof are deemed outstanding. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. Except as indicated in the footnotes to the following table or pursuant to applicable community property laws, each stockholder named in the table has sole voting and investment power with respect to the shares set forth opposite such stockholder's name.

(2) Percent of class is based on 22,087,121 shares of common stock issued and outstanding as of August 9, 2007, after the consummation of the Merger, which gives effect to the reduction in outstanding shares resulting from the redemption of 1,786,175 shares of common stock held by persons voting against the Merger and demanding conversion of their shares into a pro rata portion of the trust account, and the issuance of 300,688 shares to the stockholders of Former PharmAthene resulting from an upward adjustment of the stock consideration payable in connection with the Merger based on the number of shares electing redemption.

(3) The person listed is an officer and/or director of the Company.

(4) Includes (i) 103,417 shares of common stock issuable within 60 days upon exercise of options and (ii) 5,320 shares of common stock issuable upon conversion of Convertible Notes. Does not include 22,598 shares of common stock issuable upon exercise of options that are not exercisable, 780,000 shares of common stock issuable upon the exercise of stock options or 100,000 shares under a restricted stock award, which were granted to Mr. Wright on August 30, 2007 pursuant to his employment agreement with the Company.

(5) Includes 141,960 shares of our common stock issuable upon the exercise of warrants.

(6) Dr. Cavanaugh is a general partner of HealthCare Partners VII, L.P., which is the general partner of HealthCare Ventures VII, L.P. In such capacity he may be deemed to share voting and investment power with respect to 3,498,748 shares of our common stock held by HealthCare Ventures VII, L.P. Dr. Cavanaugh disclaims beneficial ownership of the shares reported except to the extent of his proportionate pecuniary interest therein. Dr. Cavanaugh's beneficially owned shares also includes options to purchase 1,553 shares of our common stock (representing the portion of an option to purchase a total of 2,759 shares of common stock that is currently exercisable or will become exercisable within 60 days of the date of this report). Dr. Cavanaugh's address is c/o Healthcare Ventures VII, L.P., 44 Nassau Street, Princeton, New Jersey 08542.

(7) Consists of options to purchase 276 shares of our common stock (representing the portion of an option to purchase a total of 1,104 shares of our common stock that is currently exercisable or will become exercisable within 60 days of the date of this report).

(8) Elizabeth Czerepak is a managing partner of Bear Stearns Health Innoventures Management, LLC, which is the sole general partner of Bear Stearns Health Innoventures, L.P., Bear Stearns Health Innoventures Offshore, L.P., BX, L.P. and Bear Stearns Health Innoventures Employee Fund, L.P., and BSHI Members, LLC co-invests with these funds. The shares reported are directly owned by Bear Stearns Health Innoventures, L.P., Bear Stearns Health Innoventures Offshore, L.P., BX, L.P., Bear Stearns Health Innoventures Employee Fund, L.P. and BSHI Members, LLC. In her capacity as a managing partner of Bear Stearns Health Innoventures Management, LLC, Ms. Czerepak may be deemed to share voting and investment power with respect to 1,574,469 shares of common stock beneficially owned by these funds. Ms. Czerepak disclaims beneficial ownership of these shares except to the extent of her proportionate pecuniary interest therein. See Footnote 16 below. Ms. Czerepak's address is c/o Bear Stearns Health Innoventures Management, LLC, 383 Madison Avenue, New York, NY 10179.

(9) Includes (i) options to purchase 1,923 shares of our common stock (representing the portion of an option to purchase a total of 2,759 shares of common stock that is currently exercisable or will become exercisable within 60 days of this report), and (ii) 2,673 shares of common stock issuable upon conversion of Convertible Notes.

(10) Consists of options to purchase 1,510 shares of common stock (representing the portion of an option to purchase a total of 2,759 shares of common stock that is currently exercisable or will become exercisable within 60 days of this report).

(11) Mr. Camut holds options to purchase 44,172 shares of common stock, which vest 25% annually from January 4, 2007.

(12) Consists of options to purchase 36,764 shares of common stock (representing the portion of an option to purchase a total of 52,473 shares of common stock that is currently exercisable or will become exercisable within 60 days of this report) and 814 shares of common stock issuable upon conversion of Convertible Notes.

(13) Consists of options to purchase 11,363 shares of common stock (representing the portion of an option to purchase a total of 23,432 shares of common stock that is currently exercisable or will become exercisable within 60 days of this report).

(14) Includes options to purchase 22,566 (representing the portion of an option to purchase a total of 31,068 shares of common stock that is currently exercisable or will become exercisable within 60 days of this report).

(15) Includes options to purchase 14,335 shares of common stock (representing the portion of an option to purchase a total of 22,547 shares of common stock that is currently exercisable or will become exercisable within 60 days of this report).

(16) Consists of 1,320,087 shares of common stock held by Bear Stearns Health Innoventures, L.P., Bear Stearns Health Innoventures Offshore, L.P., BX, L.P., Bear Stearns Health Innoventures Employee Fund, L.P. and BSHI Members, LLC, and 254,106 shares of common stock issuable upon the conversion of Convertible Notes in the principal amount of $2,541,079.27. Also includes options to purchase 276 shares of our common stock (representing the portion of an option to purchase a total of 1,104 shares of our common stock that is currently exercisable or will become exercisable within 60 days of this report) originally granted to Elizabeth Czerepak and assigned by her to these funds. Ms. Czerepak is a managing partner of Bear Stearns Health Innoventures Management, LLC, which is the sole general partner of Bear Stearns Health Innoventures, L.P., Bear Stearns Health Innoventures Offshore, L.P., BX, L.P. and Bear Stearns Health Innoventures Employee Fund, L.P., and BSHI Members, LLC co-invests with these funds. Elizabeth Czerepak disclaims beneficial ownership of these shares except to the extent of her proportionate pecuniary interest therein. The address for the Bear Stearns funds is 383 Madison Avenue, New York, New York, 10179. See Note (9).

(17) Consists of 3,489,443 shares of common stock held by MPM BioVentures III-QP, L.P., MPM BioVentures III GmbH & Co. Beteiligungs KG, MPM BioVentures III, L.P., MPM BioVentures III Parallel Fund, L.P. and MPM Asset Management Investors 2004 BVIII LLC, and 470,953 shares of common stock issuable upon conversion of Convertible Notes in the principal amount of $4,709,553.61. MPM BioVentures III GP, L.P. and MPM BioVentures III LLC are the direct and indirect general partners of MPM BioVentures III-QP, L.P., MPM BioVentures III GmbH & Co. Beteiligungs KG, MPM BioVentures III, L.P. and MPM BioVentures III Parallel Fund, L.P. The members of MPM BioVentures III LLC and MPM Asset Management Investors 2004 BVIII LLC are Luke Evnin, Ansbert Gadicke, Nicholas Galakatos, Dennis Henner, Nicholas Simon III, Michael Steinmetz and Kurt Wheeler, who disclaim beneficial ownership of these shares except to the extent of their proportionate pecuniary interest therein. Dr. St. Peter is affiliated with the MPM Funds. The address for the MPM Funds is The John Hancock Tower, 200 Clarendon Street, 54th floor, Boston, MA, 02116.

(18) Consists of 3,317,243 shares of common stock and 181,505 shares of common stock issuable upon conversion of Convertible Notes in the principal amount of $1,815,056.92. Dr. Cavanaugh is a general partner of HealthCare Partners VII, L.P., which is the general partner of HealthCare Ventures VII, L.P. In such capacity he may be deemed to share voting and investment power with respect to these shares. Dr. Cavanaugh disclaims beneficial ownership of these shares except to the extent of his proportionate pecuniary interest therein. The address for Healthcare Ventures VII, L.P. is 44 Nassau Street, Princeton, New Jersey 08542.

(19) The address for Nexia Biotechnologies Ltd. is 70 St. George's Crescent, Edmonton, Alberta T5N 3M7.

At the effective time of the Merger, all of the shares of common stock outstanding prior to the effective date of its IPO (all of which are owned by our directors and officers) which were placed into escrow with Continental Stock Transfer & Trust Company, as escrow agent, on July 28, 2005, are now subject to release. Upon such release from escrow, the certificates representing such shares currently in escrow may be replaced by certificates representing the shares of the renamed entity.

During the escrow period, the holders of these shares were not able to sell or transfer their securities, except to their spouses and children or trusts established for their benefit, but retained all other rights as our stockholders, including, without limitation, the right to vote their shares of common stock and the right to receive cash dividends, if declared. If dividends were declared and payable in shares of common stock, such dividends would have also been placed in escrow. If the decision of the Delaware Chancery Court is reversed on appeal determining that the Merger was not validly consummated and, as a result, the Company is liquidated, none of HAQ's original stockholders owning shares of our common stock prior to its IPO will receive any portion of the liquidation proceeds with respect to common stock owned by them prior to the date of the IPO.

Directors and Executive Officers

Information regarding the Company's directors and executive officers is set forth in the Definitive Proxy Statement, beginning on page 144 and is incorporated herein by reference.

Executive Compensation

Information regarding the Company's executive compensation is set forth in the Definitive Proxy Statement, beginning on page 147 and is incorporated herein by reference.

Certain Relationships and Related Transactions, and Director Independence

Information regarding related party transactions and director independence are described in the Definitive Proxy Statement, on page 151 and is incorporated herein by reference.

In addition, on August 2, 2007, prior to the consummation of the Merger, each of John Pappajohn and Derace Schaffer purchased 100,000 shares of common stock of HAQ and Matthew Kinley purchased 50,000 shares of common stock of HAQ. In addition, Healthcare Ventures VII, L.P. and funds affiliated with MPM Capital L.P. each purchased 125,000 shares of common stock of HAQ. On August 3, 2007, prior to the consummation of the Merger, each of John Pappajohn and David Wright purchased 100,000 shares and 50,000 shares, respectively, of common stock of HAQ and Healthcare Ventures VII, L.P. and funds affiliated with MPM Capital L.P. each purchased an additional 125,000 shares of common stock of HAQ.

Also, as previously disclosed, HAQ, its principal stockholders and its advisors had been contacted by third party investors (collectively, the "New Investors") indicating to HAQ an interest in making an investment in HAQ through the purchase of a significant number of shares of common stock in privately negotiated transactions with existing stockholders of HAQ but required that, in connection with the purchases, they receive additional shares of HAQ's common stock from the founding stockholders of HAQ and from certain stockholders of Former PharmAthene receiving shares of HAQ common stock as a result of the Merger.

HAQ's principal stockholders and management team entered into agreements to provide the New Investors with these additional shares contingent upon the approval and consummation of the Merger and advised the New Investors that they were required to obtain the right to vote the shares to be purchased and vote any shares so purchased in favor of the proposals before the Special Meeting of Stockholders or obtain from the sellers of such shares a vote in favor of the proposals. The New Investors purchased, in the aggregate, 2,429,360 shares of common stock of HAQ. The purchase option agreements entered into by John Pappajohn, Derace L. Schaffer M.D., Edward B. Berger, Wayne A. Schellhammer and Matthew Kinley, the founders of HAQ and its executive officers and directors prior to the Merger (collectively, the "HAQ Insiders"), and the New Investors granting the New Investors options to acquire up to 1,266,752 shares of HAQ common stock in the aggregate (which amount subject to reduction pro rata to the extent that less than 2,800,000 shares of common stock of HAQ was purchased by the New Investors); since only 2,429,360 shares of common stock were purchased by the New Investors in the aggregate, 1,099,070 shares are subject to option. The options were purchased for an aggregate purchase price of $100 and the exercise price per share is $.0001 per share. The options are not exercisable until the underlying shares are released from the escrow arrangement with Continental Stock Transfer & Trust Company to which the HAQ Insiders are subject which expired upon consummation of the Merger. The HAQ Insiders entered into the escrow arrangement for all of their pre IPO shares in connection with the initial public offering by HAQ which was completed on July 28, 2005. The HAQ Insiders own an aggregate of 2,250,000 shares being held in escrow and own additional shares purchased pursuant to Rule 10b5-1 plans and purchased in the transactions described above which are not included in the escrow and were not sold to the New Investors. The option agreements also provide that neither the HAQ Insiders nor the New Investors may sell, transfer, pledge, assign or otherwise dispose of the options or the HAQ shares of common stock underlying the options while such options are subject to the escrow agreement and while the options remain exercisable. The options are exercisable commencing upon the date that the pre IPO shares are released from the escrow agreement and have a term of one year from such date.

The HAQ Insiders are entitled to certain registration rights for their IPO Shares, as described in HAQ's prospectus from its IPO and in the Definitive Proxy Statement. These rights provide that the holders of the majority of these pre IPO shares will be entitled to require HAQ, on up to two occasions, to register these shares. The holders of the majority of these shares may elect to exercise these registration rights at any time after the date on which the shares of common stock are released from the escrow. In addition, the HAQ insiders have certain "piggy-back" registration rights on registration statements filed subsequent to the date on which these shares of common stock are released from escrow. HAQ will bear the expenses incurred in connection with the filing of any such registration statements. The New Investors, as assignees of the HAQ Insiders of the pre IPO Shares, are entitled to these registration rights.

Pursuant to an assignment agreement, Healthcare Ventures VII, L.P, funds affiliated with MPM Capital L.P. and funds affiliated with Bear Stearns Health Innoventures Management, LLC, all of which were stockholders of Former PharmAthene, agreed to assign to the New Investors an aggregate of up to 479,252 shares that would otherwise be received by them as part of the Merger. Under the terms of the Merger Agreement, the number of shares issuable to the stockholders of Former PharmAthene could be adjusted upward by up to 337,500 shares of HAQ common stock (the "Adjustment Shares") in the event that stockholders of HAQ holding in excess of 5% of the IPO shares of HAQ vote against the Merger and seek to convert their shares. The total number of Adjustment Shares has now been computed to be 197,844 shares. These stockholders of Former PharmAthene assigned their right to receive their pro rata portion of these Adjustment Shares (an aggregate of 300,688 shares) to the New Investors, as well as an additional 217,548 shares issuable to them, in the aggregate, under the Merger Agreement. The New Investors are entitled, as assignees of these Former PharmAthene stockholders, to the registration rights being granted to such stockholders under the terms of the Merger Agreement as described in the Definitive Proxy Statement. The effectiveness of the assignment is contingent upon, among other things, the consummation of the Merger. The New Investors entered into lock up agreements in form substantially similar to that executed by all other Former PharmAthene stockholders in connection with the Merger.

HAQ has agreed that if the shares held by the New Investors may not be sold without registration under the Securities Act of 1933, the Company would provide registration rights to the New Investors upon substantially the same terms as provided to the Former PharmAthene stockholders under the terms of the Merger Agreement.

Information regarding beneficial ownership of shares of the Company's common stock by each person known by us to be the owner of more than 5% of our outstanding shares of the Company's common stock and each director and executive officer is provided above under the caption Security Ownership of Certain Beneficial Owners and Management.

Legal Proceedings

The Company's legal proceedings are described in the Definitive Proxy Statement, on page 131 and is incorporated herein by reference.

Price Range of Securities and Dividends

The price range and dividends of the Company's securities are set forth in the Definitive Proxy Statement, on page 30 and is incorporated herein by reference.

Description of Securities

The description of the Company's securities is set forth in the Definitive Proxy Statement, on page 159 under the caption "Description of Securities." and is incorporated herein by reference.

Indemnification of Directors and Officers

A description of the indemnification provisions relating to the Company's directors and officers is set forth in Part II of the Company's registration statement on Form S-1, as amended, filed with the SEC on July 27, 2005, under Item 14 and is incorporated herein by reference.

Financial Statements and Supplementary Data

Reference is made to the disclosure set forth under Item 9.01 of this Current Report on Form 8-K concerning the financial statements and supplementary data of the Company, which is incorporated herein by reference.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Reference is made to the Current Report on Form 8-K filed September 16, 2007 concerning the termination of the engagement of LWBJ, LLP, as our independent registered public accountants and engagement of Ernst & Young LLP to replace LWBJ on September 10, 2007, which is incorporated herein by reference.

Financial Statements and Exhibits

Reference is made to the disclosure set forth under Item 9.01 of this Current Report on Form 8-K concerning the financial information of the Company, which is incorporated herein by reference.

Item 3.02 Unregistered Sales of Equity Securities.

Reference is made to our disclosure set forth under Item 2.01 of this Current Report on Form 8-K concerning the Merger Consideration.

Item 3.03 Material Modification to Rights of Security Holders.

Amendment to and the Restatement of the Certificate of Incorporation

On August 3, 2007, we amended and restated our certificate of incorporation. The amendment and restatement is described in Proposal 2 of the Definitive Proxy Statement, on pages 94 through 97, and is incorporated herein by reference.

The amended and restated certificate of incorporation is filed as Exhibit 3.1 to this Form 8-K.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Departure of Directors or Certain Officers

On August 3, 2007, John Pappajohn resigned from his position as Secretary, Derace M. Schaffer, MD, resigned from his position as Vice Chairman and Chief Executive Officer and Director, Matthew P. Kinley resigned from his positions as President, Treasurer and Director, Edward Berger resigned from his position as Director and Wayne Schellhammer resigned from his position as Director. John Pappajohn will remain Chairman of the Board.

Election of Directors and Appointment of Certain Officers

At a meeting of the Board of Directors held on August 6, 2007, our Board of Directors designated David Wright, James H. Cavanaugh, Ph.D., Elizabeth Czerepak, Steven St. Peter, M.D., Joel McCleary, and John Gill to serve as Directors. The executive backgrounds of each of such designees is set forth in the Definitive Proxy Statement beginning on page 144 and is incorporated herein by reference.

In addition, the following persons, officers of the former PharmAthene, were appointed to the executive offices indicated opposite their respective names:

David P. Wright	President and Chief Executive Officer
Christopher C. Camut	Chief Financial Officer
Valerie Riddle, MD	Vice President, Medical Director
Eric Richman	Senior Vice President, Business Development and Strategic Planning
Francesca Cook	Vice President, Policy and Government Affairs
Wayne Morges	Vice President Regulatory Affairs and Quality

2007 Long-Term Incentive Plan

On August 3, 2007, our stockholders approved the Company's 2007 Long Term Incentive Plan (the "Incentive Plan"). The incentive plan became effective as of the closing of the Merger. A description of the stock plan is set forth in the Definitive Proxy Statement, on pages 97 through 103, and is incorporated herein by reference. Pursuant to the terms of the Merger Agreement, all outstanding options to purchase common stock of Former PharmAthene, whether vested or unvested, were assumed by the Company upon the same terms and conditions existing as to such options except that each such option was converted into an option to purchase a specified number of shares of common stock of the Company at a per-share exercise price calculated by dividing the exercise price per share of the common stock of Former PharmAthene at which each such option was exercisable prior to the Merger by an agreed-upon exchange ratio as specified in the Merger Agreement. All of such options, as converted, are assumed under the Incentive Plan and the Company has reserved for issuance under the Incentive Plan a sufficient number of shares of common stock of the Company for delivery upon the exercise of options so assumed.

In connection with the Merger, the Company entered into an employment agreement with David P. Wright regarding his employment as President and Chief Executive Officer of the Company. Pursuant to Mr. Wright's employment agreement, effective August 3, 2007 upon consummation of the Merger, on August 30, 2007, the Compensation Committee granted to Mr. Wright a stock option to purchase 780,000 shares of the Company's common stock pursuant to the Incentive Plan at an exercise price of $5.36, which is equal to the fair market value of a share of the Company's common stock on the date of the grant as determined in accordance with applicable law and regulations by the closing price of the Company's common stock on August 30, 2007 and a restricted stock award of 100,000 shares of the Company's common stock. The option has a term of ten (10) years and both the option and the restricted stock award, subject to possible acceleration of vesting, will vest over a 5 year period with 25% vesting on the first anniversary of the grant date and the remainder vesting monthly on a pro-rata basis over the succeeding 48 months following the first anniversary date. A description of Mr. Wright's employment agreement is set forth in the Definitive Proxy Statement, on page 150 and is incorporated herein by reference.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

Reference is made to our disclosure set forth under Item 3.03 of this Current Report on Form 8-K concerning the amendment to the Company's Certificate of Incorporation.

Item 5.06 Change in Shell Company Status.

Upon the closing of the Merger, the Company ceased to be a shell company. The material terms of the transaction pursuant to which our wholly-owned subsidiary merged with and into PharmAthene and PharmAthene became our wholly-owned subsidiary are described in Proposal 1 of the Definitive Proxy Statement, on pages 57 through 93, which is incorporated herein by reference.

Item 8.01 Other Events.

On August 6, 2007, the Company issued a press release with respect to the completion of its previously announced merger with Former PharmAthene. A copy of the Company's press release is attached as Exhibit 99.1.

On August 28, 2007, the Company issued a press release announcing that, in connection with the previously announced proceedings initiated in Delaware Chancery Court, the Court determined on August 27, 2007 that the Merger had been validly approved and authorized in full compliance with the Company's charter and Delaware corporate law. As is generally the case with decisions of the Court of Chancery, this decision will be subject to appeal for 30 days in accordance with Delaware law.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of businesses acquired

The financial statements and selected financial information of the Company for the years ended December 31, 2006, 2005 and 2004, and for the quarter ended March 31, 2007 were included in the Definitive Proxy statement in the sections entitled "Selected Historical Financial Information," and "Index to Financial Statements" beginning on pages 24 and F-1, respectively, and are incorporated herein by reference.

Filed herewith are the unaudited financial statements as of June 30, 2007 and for the three and six month periods ended June 30, 2007 and 2006.

(b) Pro forma financial information

The pro forma financial information of the Company as of June 30, 2007 was included in the Definitive Proxy statement in the section entitled "Pro Forma Capitalization of Combined Company" beginning on page 29 and is incorporated herein by reference.

Filed herewith in Note 13 of the Notes to Condensed Consolidated Financial Statements for the quarter ended June 30, 2007 are the pro forma combined financial statements of the Company as of June 30, 2007.

(d) Exhibits

NO.	DESCRIPTION
2.1	Agreement and Plan of Merger dated January 19, 2007 by and among Healthcare Acquisition Corp., PAI Acquisition Corp., and PharmAthene, Inc. (7)
3.1	Amended and Restated Certificate of Incorporation. (9)
3.2	By-laws. (1)
4.1	Specimen Unit Certificate. (1)
4.2	Specimen Common Stock Certificate. *
4.3	Specimen Warrant Certificate. (1)
4.4	Form of Warrant Agreement between Continental Stock Transfer & Trust Company and the Registrant. (3)
4.5	Form of Note Exchange Agreement. (7)
4.6	Form of 8% Convertible Note of Healthcare Acquisition Corp. (7)
4.7	Amendment to Unit Purchase Option. (8)
4.8	Warrant Clarification Agreement. (8)
10.1.1	Letter Agreement among the Registrant, Maxim Group LLC and John Pappajohn. (2)
10.1.2	Letter Agreement among the Registrant, Maxim Group LLC and Derace L. Schaffer, M.D. (2)
10.1.3	Letter Agreement among the Registrant, Maxim Group LLC and Matthew P. Kinley. (2)
10.1.4	Restated Letter Agreement among the Registrant, Maxim Group LLC and Edward B. Berger. (3)
10.1.5	Letter Agreement among the Registrant, Maxim Group LLC and Wayne A. Schellhammer. (3)
10.2	Form of Investment Management Trust Agreement between Continental Stock Transfer & Trust Company and the Registrant. (3)
10.2.1	Amendment No. 1 to of Investment Management Trust Agreement between Continental Stock Transfer & Trust Company and the Registrant. (5)
10.3	Form of Stock Escrow Agreement between the Registrant, Continental Stock Transfer & Trust Company and the Initial Stockholders. (3)

10.4	Form of Registration Rights Agreement among the Registrant and the Initial Stockholders. (4)
10.5.1	Office Services Agreement by and between the Registrant and Equity Dynamics, Inc. (1)
10.5.2	Office Services Agreement by and between the Registrant and The Lan Group. (1)
10.6.1	Promissory Note, dated April 28, 2005, issued to John Pappajohn, in the amount of $70,000. (1)
10.6.2	Promissory Note, dated April 28, 2005, issued to Derace L. Schaffer, M.D., in the amount of $70,000. (1)
10.6.3	Promissory Note, dated April 28, 2005, issued to Matthew P. Kinley, in the amount of $35,000. (1)
10.6.4	Promissory Note, dated July 26, 2005, issued to John Pappajohn, in the amount of $30,000. (4)
10.6.5	Promissory Note, dated July 26, 2005, issued to Derace L. Schaffer, M.D., in the amount of $30,000. (4)
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10.10	Stock Escrow Agreement, dated August 3, 2007, by and among the Registrant, a representative of the former stockholders and option holders of PharmAthene, Inc. and Continental Stock Transfer and Trust Company. (9)
10.11	Advisory Agreement. (8)
10.12	2007 Long-Term Incentive Compensation Plan. (9)
10.13	Employment Agreement, dated August 3, 2007, between the Registrant and David P. Wright. (9)
10.14	Employment Agreement, dated December 22, 2006, between the Registrant and Christopher C. Camut. *
10.15	Employment Agreement, dated November 3, 2003, between the Registrant and Francesca Marie Cook. *
10.16	Employment Agreement, dated November 3, 2003, between the Registrant and Eric Ian Richman. *
10.17	Employment Agreement, dated November 3, 2003, between the Registrant and Valerie Riddle. *
10.18	Employment Agreement, dated September 30, 2005, between the Registrant and Wayne Morges. *
10.19	Loan and Security Agreement, dated March 30, 2007, by and among the Company, Silicon Valley Bank, Oxford Finance Corporation, and other lenders listed on Schedule 1.1 thereof. *
10.20	U.S. Army Space & Missile Defense Command - "Development and Licensure of Bioscavanger Increment II (Recombinant Drug Candidate)" Award/Contract No. W9113M-06-C-0189, dated September 22, 2006, by and between the Company and the U.S. Army Space & Missile Defense Command. *+

10.21 Cooperative Research and Development Agreement, dated September 12, 2006, by and between the Company and the U.S. Army Medical Research Institute of Infectious Diseases. *+

10.22 Center for Scientific Review, National Institute of Health, Research Project Cooperative Agreement, Notice of Grant Award No. 1 U01 NS058207-01, dated September 30, 2006, awarded to the Company. *+

10.23 Collaboration Agreement, dated November 29, 2004, by and between the Company and Medarex, Inc. *+

10.24 License Agreement, dated August 8, 2006, by and between the Company and Nektar Therapeutics AL, Corporation. *+

10.25 Services Agreement, dated March 2, 2007, by and between the Company and GTC Biotherapeutics, Inc. *+

10.26 License Agreement, dated March 12, 2007, by and between the Company and GTC Biotherapeutics, Inc. *+

10.27 Biopharmaceutical Development and Manufacturing Services Agreement, dated June 15, 2007, by and between the Company and Laureate Pharma, Inc. *+

10.28 Office Lease, dated September 14, 2006, by and between the Company and Park Place Trust, as amended by First Amendment to Office Lease, dated January 22, 2007. *+

14 Code of Ethics. (3)

21 Subsidiaries. (9)

99.1 Press Release, dated August 6, 2007, announcing the consummation of the merger. (9)

1. Incorporated by reference to the Registration Statement on Form S-1 of the Registrant filed on May 6, 2005.

2. Incorporated by reference to the Registration Statement on Form S-1/A of the Registrant filed on June 10, 2005.

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5. Incorporated by reference to the Quarterly Report on Form 10-Q filed by the Registrant on November 14, 2005.

6. Incorporated by reference to the Annual Report on Form 10-K filed by the Registrant on March 31, 2006.

7. Incorporated by reference to the Current Report on Form 8-K filed by the Registrant on January 22, 2007.

8. Incorporated by reference to the Current Report on Form 8-K filed by the Registrant on January 25, 2007.

9. Incorporated by reference to the Current Report on Form 8-K filed by the Registrant on August 9, 2007.

* filed herewith

+ Certain confidential portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934.

SIGNATURES

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

PHARMATHENE, INC.
(registrant)

September 24, 2007

By: /s/ David Wright

David Wright
President and Chief Executive Officer

Exhibit Index

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* filed herewith

\+ Certain confidential portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934.

PharmAthene, Inc.

Index to Consolidated Financial Statements as of June 30, 2007

Consolidated Balance Sheets

	June 30, 2007	December 31 2006
Assets	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 7,061,358	$ 5,112,212
Accounts receivable	2,542,453	1,455,538
Prepaid expenses	270,486	877,621
Other current assets	146,972	104,772
Total current assets	10,021,269	7,550,143
Property and equipment, net	5,998,669	5,230,212
Patents, net	1,299,034	1,246,236
Other long term assets	214,187	153,336
Deferred costs	1,877,185	587,577
Total assets	$ 19,410,344	$ 14,767,504
Liabilities, convertible redeemable preferred stock, and stockholders' deficit		
Current liabilities:		
Accounts payable	$ 736,777	$ 839,120
Accrued expenses and other liabilities	3,587,031	1,587,017
Notes payable	11,768,089	11,768,089
Current portion of long term debt	2,000,000	--
Total current liabilities	18,091,897	14,194,226
Warrants to purchase Series C convertible redeemable preferred stock	2,631,511	2,423,370
Long term debt	7,797,576	--
Total liabilities	28,520,984	16,617,596
Minority interest - Series C convertible redeemable preferred stock of PharmAthene Canada, Inc., $0.001 par value; unlimited shares authorized; 2,591,654 issued and outstanding; liquidation preference in the aggregate of $2,719,178	2,704,022	2,545,785
Series A convertible redeemable preferred stock, $0.001 par value; 16,442,000 shares authorized, issued and outstanding; liquidation preference in the aggregate of $19,355,388	19,964,317	19,130,916
Series B convertible redeemable preferred stock, $0.001 par value; 65,768,001 shares authorized; 30,448,147 issued and outstanding; liquidation preference in the aggregate of $33,010,797	33,313,524	31,780,064
Series C convertible redeemable preferred stock, $0.001 par value; 22,799,574 shares authorized; 14,946,479 issued and outstanding; liquidation preference in the aggregate of $15,681,930	15,436,384	14,480,946
Stockholders' deficit:		
Common stock, $0.001 par value; 147,089,104 shares authorized; 12,484,722 at June 30, 2007 and 12,483,472 at December 31, 2006 shares issued and outstanding	12,485	12,483
Additional paid-in capital	--	--
Accumulated other comprehensive income	791,888	63,954
Accumulated deficit	(81,333,260)	(69,864,240)
Total stockholders' deficit	(80,528,887)	(69,787,803)
Total liabilities, convertible redeemable preferred stock, and stockholders' deficit	$ 19,410,344	$ 14,767,504

See accompanying notes

PharmAthene, Inc.

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Contract and grant revenue	$ 2,339,427	$ --	$ 5,301,186	$ 178,701
Other revenue	--	--	7,000	7,741
	2,339,427	--	5,308,186	186,442
Operating expenses:				
Research and development	3,995,359	1,383,921	7,086,963	3,165,960
General and administrative	2,974,426	1,460,029	5,454,251	2,948,171
Depreciation and amortization	162,160	118,827	309,293	255,163
Total operating expenses	7,131,945	2,962,777	12,850,507	6,369,294
Loss from operations	(4,792,518)	(2,962,777)	(7,542,321)	(6,182,852)
Other income (expense):				
Interest income	93,597	34,468	149,213	106,726
Interest expense	(529,492)	(8)	(771,273)	(69)
Change in market value of derivative instruments	(14,455)	(11,430)	(6,829)	(365,264)
Total other income (expense)	(450,350)	23,030	(628,889)	(258,607)
Net loss	(5,242,868)	(2,939,746)	(8,171,210)	(6,441,459)
Accretion of redeemable convertible preferred stock to redemptive value	(1,748,261)	(1,643,708)	(3,480,536)	(3,272,579)
Net loss attributable to common shareholders	$ (6,991,129)	$ (4,583,454)	$(11,651,746)	$ (9,714,038)
Basic and diluted net loss per share	$ (0.56)	$ (0.42)	$ (0.93)	$ (0.89)
Weighted average shares used in calculation of basic and diluted net loss per share	12,484,722	10,942,906	12,484,273	10,942,906

See accompanying notes.

PharmAthene, Inc.

Consolidated Statements of Cash Flows

(Unaudited)

	Six months ended June 30, 2007	2006
Operating activities		
Net loss	$ (8,171,210)	$ (6,441,459)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in market value of derivative instruments	5,717	365,264
Depreciation and amortization	309,293	255,163
Compensatory option expense	181,477	177,919
Changes in operating assets and liabilities:		
Accounts receivable	(1,017,290)	(94,831)
Prepaid expenses and other current assets	545,594	(215,348)
Other assets	(60,850)	--
Accounts payable	(76,489)	98,724
Accrued expenses	1,965,589	(118,707)
Net cash used in operating activities	(6,318,169)	(5,973,275)
Investing activities		
Purchase of property and equipment	(491,434)	(424,777)
Issuance of note receivable	--	(3,000,000)
Net cash used in investing activities	(491,434)	(3,424,777)
Financing activities		
Proceeds from stock options exercised	1,250	--
Proceeds from issuance of note payable	--	9,735,414
Proceeds from bank loan	10,000,000	--
Financing costs	(1,289,608)	--
Net cash provided by financing activities	8,711,642	9,735,414
Effects of exchange rates on cash	47,107	55,357
(Decrease) increase in cash and cash equivalents	1,949,146	392,719
Cash and cash equivalents, at beginning of year	5,112,212	7,938,116
Cash and cash equivalents, at end of year	$ 7,061,358	$ 8,330,835

See accompanying notes.

PharmAthene, Inc.

Notes to Condensed Consolidated Financial Statements

June 30, 2007

1. Business Operations

PharmAthene, Inc. (the "Company") was incorporated on March 13, 2001 (inception), under the laws of the State of Delaware. The Company is a biopharmaceutical company focused on developing anti-infectives for biodefense applications. The Company has generated an accumulated deficit of $81,333,260 since inception. The Company anticipates incurring additional losses until such time, if ever, as it can generate significant sales of its products currently in development. Substantial additional financing will be needed by the Company to fund its operations and to commercially develop its products. There is no assurance that such financing will be available when needed.

The Company is subject to those risks associated with any biopharmaceutical company that has substantial expenditures for research and development. There can be no assurance that the Company's research and development projects will be successful, that products developed will obtain necessary regulatory approval, or that any approved product will be commercially viable. In addition, the Company operates in an environment of rapid technological change and is largely dependent on the services of its employees and consultants.

The Company has incurred cumulative net losses and expects to incur additional losses to perform further research and development activities. The Company does not have commercial products and has limited capital resources. Management's plans with regard to these matters included continued development of its products as well as seeking additional research support funds and financial arrangements. Although, management continues to pursue these plans, there is no assurance that the Company will be successful in obtaining sufficient financing on commercial reasonable terms or that the Company will be able to secure financing from anticipated government contracts and grants.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States.

It is the opinion of management, that the unaudited interim financial statements reflect all adjustments, which include all normal recurring adjustments necessary to fairly present the Company's consolidated financial position at June 30, 2007, and its consolidated results of operations and cash flows for the three and six months ended June 30, 2007 and 2006, in conformity with accounting principles generally accepted in the United States. Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end. The results of operations for the quarterly and six month periods ended June 30, 2007 are not necessarily indicative of results that can be expected for the fiscal year ending December 31, 2007. These financial statements should be read in conjunction with the company's audited financial statements as of December 31, 2006 and 2005, and for each of the three years in the period ended December 31, 2006 that are included in the Definitive Proxy Statement that was filed by Healthcare Acquisition Corp on July 16, 2007.

The accompanying financial statements do not give effect to the merger of the Company and Healthcare Acquisition Corp.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary, PharmAthene Canada, Inc., which was formed in March of 2005. All significant intercompany transactions and balances have been eliminated.

The FASB has issued Financial Accounting Standards Board Interpretation (FIN) No. 46 (revised December 2003), Consolidation of Variable Interest Entities, (FIN 46R). FIN 46R expands consolidated financial statements to include certain variable interest entities (VIEs). VIEs are to be consolidated by the company which is considered to be the primary beneficiary of that entity, even if the company does not have majority control. FIN 46R is immediately effective for VIEs created after January 31, 2003, and is effective for the Company in 2005 for VIEs created prior to February 1, 2003. The Company's subsidiary, PharmAthene Canada, Inc., is a VIE and the Company is the primary beneficiary.

Therefore, the Company has consolidated PharmAthene Canada, Inc. as of its date of inception.

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comprehensive Loss

The Company reports comprehensive income (loss) in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 130, Reporting Comprehensive Income. Comprehensive income (loss) includes all changes in equity for cumulative translation adjustments resulting from the consolidation of foreign subsidiaries as the financial statements of the subsidiary located outside of the United States are measured using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the rates of exchange at the balance sheet date. The resultant translation adjustments are included in accumulated other comprehensive income (loss), a separate component of stockholders' equity. Comprehensive loss for each of the three month periods ended June 30, 2007 and 2006 was approximately $4,569,752 and $2,690,486, respectively. Comprehensive loss for each of the six month periods ended June 30, 2007 and 2006 was approximately $7,443,275 and $6,204,095, respectively.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents, which consist of a short-term money market account with a bank, are stated at cost, which approximates market value.

Accounts Receivable

Through its inception to date, substantially all of PharmAthene's accounts receivable have been associated with U.S. government contracts and grants or with the receipt of Quebec provincial or Canadian Federal credits for internally and externally generated research and development expenditures. Amounts invoiced or recorded as billed under these programs but not yet collected are reported as outstanding accounts receivable.

While the Company has a policy to provide an allowance for any amount of accounts receivable which it determines to be uncollectible and the Company will write off any uncollectible account when the likelihood of that account's collection is determined to be not probable, the Company has not historically found it necessary to record any write-offs of accounts receivable or to record an allowance for uncollectible accounts. At June 30, 2007, the Company's accounts receivable balance included approximately $1.7 million, including unbilled receivables of approximately $860,000, related to U.S government contracts. The remaining receivables balance resulted from Quebec provincial or Canadian Federal credits for internally and externally generated research and development expenditures.

Property and Equipment

Property and equipment consist of land, building and leasehold improvements, laboratory, computer, farm and office equipment and furniture and are recorded at cost. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the respective assets as follows:

Asset Category	Estimated Useful Life (in years)
Building and leasehold improvements	4 - 20
Laboratory equipment	7
Furniture, farm and office equipment	5 - 7
Computer equipment	3

2. Summary of Significant Accounting Policies (continued)

Intangible Assets

Intangible assets consist of patents and are being amortized using the straight-line method over an 11 year period. The intangible assets are reviewed for impairment when circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is considered to have occurred if expected future undiscounted cash flows are insufficient to recover the carrying value of the asset. If impaired, the asset's carrying value is reduced to fair value.

Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, long-lived assets such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, then an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheets and reported at the lower of the carrying amount or fair value, less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the balance sheets. As of June 30, 2007, management believes that no revision of the remaining useful lives or write-down of long-lived assets is required.

Revenue Recognition

Grant Revenue

Revenues to date have been generated under grants and, accordingly, the Company recognizes revenue in accordance with the SEC's Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements, as amended by SAB No. 104, Revenue Recognition, and Emerging Issues Task Force (EITF) No. 00-21, Revenue Arrangements with Multiple Deliverables. Specifically, the Company recognizes revenue when all terms and conditions of the agreements have been met including persuasive evidence of an arrangement, services have been rendered, price is fixed or determinable, and collectibility is reasonably assured. For reimbursable cost research grants, the Company recognizes revenue as costs are incurred and appropriate regulatory approvals have been obtained or approval criteria are met for invoicing the related government agency.

In September 2006, the Company was awarded a multi-year cost reimbursement contract valued at up to $213 million from the Department of Defense Army Space and Missile Command for advanced development of the Company's broad spectrum chemical nerve agent prophylaxis, Protexia(R). The Department of Defense has allocated $34.7 million for the initial stage of development, including manufacturing process development, preclinical and toxicity testing activities, of this contract. The Company recognized $2.3 million and $5.2 million of revenue on this contract for the three and six month periods ended June 30, 2007.

Research and Development

Research and development costs include salaries, facilities expense, overhead expenses, material and supplies, pre-clinical expense, clinical trials and related clinical manufacturing expenses, stock based compensation expense, contract services and other outside services. Such costs are charged to expense as incurred.

Stock Compensation

On January 1, 2006, the Company adopted the fair value recognition provisions of statement of Financial Accounting Standards No. 123 (Revised 2004), Share-Based Payment ("SFAS No. 123R") using the modified prospective method to record compensation expense for all share-based payments to employees, including grants of employee stock options. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model based on the selected inputs. Option valuation models, including the Black-Scholes option-pricing model, require the input of subjective assumptions, and changes in the assumptions could materially affect the grant date value of the award. These assumptions include the risk-free rate of interest, expected dividend yield, expected volatility and the expected life of the award. The resulting compensation expense is recognized ratably over the requisite service period, the "vesting period", that an employee must provide to earn the award.

Employee share-based compensation expense recognized in the three and six months ended June 30, 2007 and 2006 was calculated based on awards ultimately expected to vest and has been reduced for estimated forfeitures at a rate of 11.9 percent, based on the Company's historical option cancellations. SFAS No. 123R requires forfeitures to be estimated at the time of grant and revised, if

2. Summary of Significant Accounting Policies (continued)

Stock Compensation (continued)

necessary, in subsequent periods if actual forfeitures differ from those estimates.

Share-based compensation expense recognized under SFAS No. 123R for the three and six months ended June 30, 2007 and 2006 was:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Research and development	$ 33,627	$ 30,699	$ 64,172	$ 62,248
General and administrative	57,090	62,382	117,305	115,671
Total share-based compensation expense	$ 90,717	$ 93,081	$181,477	$177,919

The fair value for the 2007 and 2006 awards were estimated at the date of grant using the Black-Scholes option-pricing model using the following assumptions:

	Three and Six Months Ended June 30,	
	2007	2006
Weighted average volatility	72.0%	72.0%
Risk-free interest rate	4.89%	5.13%
Expected annual dividend yield	--	--
Expected weighted average life, in years	9.8	9.7

The valuation assumptions were determined as follows:

- Weighted average volatility: We determine the expected volatility by using an average historical volatility from comparable public companies with an expected term consistent with ours.
- Risk-free interest rater: The yield on zero-coupon US Treasury securities for a period that is commensurate with the expected term of the award.
- Expected annual dividend yield: The estimate for annual dividends is zero because we have not historically paid a dividend and do not intend to do so in the foreseeable future.
- Expected life: The expected term of the awards represents the period of time that the awards are expected to be outstanding. We use historical data and expectations for future to estimate employee exercise and post-vest termination behavior and therefore do not stratify employees into multiple groups.

Basic and Diluted Net Loss Per Share

The Company applies Statement of Financial Accounting Standards No. 128, Earnings per Share, which establishes standards for computing and presenting earnings per share. Basic net loss per share of common stock excludes dilution for potential common stock issuances and is computed by dividing net loss by the weighted-average number of shares outstanding for the period. Diluted net loss per share reflects the potential dilution that could occur if securities were exercised into common stock. However, for all periods presented, diluted net loss per share is the same as basic net loss attributable to common shareholders per share as the inclusion of weighted average shares of common stock issuable upon the exercise of stock options and warrants would be anti-dilutive. Securities outstanding in the amount of 106,473,800 and 106,718,900 shares for the three months and six months ended June 30, 2007 and 2006, respectively, were excluded from the calculation of diluted net loss per share since their inclusion would be anti-dilutive.

2. Summary of Significant Accounting Policies (continued)

Basic and Diluted Net Loss Per Share (continued)

The following table provides a reconciliation of the numerators and denominators used in computing basic and diluted net loss per share:

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Numerator:				
Net loss	$ (5,242,868)	$ (2,939,746)	$ (8,171,210)	$ (6,441,459)
Dividends on and accretion of convertible preferred stock	(1,748,261)	(1,643,708)	(3,480,536)	(3,272,579)
Net loss available to common stockholders	$ (6,991,129)	$ (4,583,454)	$(11,651,746)	$ (9,714,038)
Denominator:				
Weighted-average shares of common stock outstanding - basic and diluted	$ 12,484,722	$ 10,942,906	$ 12,484,273	$ 10,942,906

Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes ("SFAS 109"), which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. SFAS 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion of the deferred tax asset will not be realized. In evaluating the need for a valuation allowance, the Company takes into account various factors, including the expected level of future taxable income and available tax planning strategies. If actual results differ from the assumptions made in the evaluation of the Company's valuation allowance, the Company records a change in valuation allowance through income tax expense in the period such determination is made.

The Company adopted the provisions of Financials Accounting Standards Board ("FASB") Interpretation No. 48, Accounting for Uncertainty in Income Taxes- and Interpretation of FASB Statement No. 109 ("FIN 48") on January 1, 2007. No adjustments were required to financial statements amounts as a result of adopting FIN 48. As of December 31, 2006, the Company had recognized a valuation allowance to the full extent of its deferred tax assets since the likelihood of realization of the benefit cannot be determined. The Company believes that any of its uncertain tax positions would not result in adjustments to its effective income tax rate because likely corresponding adjustments to deferred tax assets would be offset by adjustments to recorded valuation allowances. We file a U.S. federal income tax return as well as returns for various state and foreign jurisdictions. The Company's income taxes have not been examined by any tax jurisdiction since its inception. Accordingly, all income tax returns filed the by the Company are subject to examination by taxing jurisdictions.

The Company policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of tax expense. As of the date of adoption of FIN 48, we did not have interest or penalties accrued for any unrecognized tax benefits and there was no significant interest expense recognized during the current year.

Fair Value of Financial Instruments

The Company's financial instruments include primarily cash and cash equivalents, accounts receivable and other current assets, accounts payable, accrued and other liabilities, and long-term debt. Due to the short-term nature of the cash and cash equivalents, accounts receivable and other current assets, accounts payable and accrued and other liabilities, the carrying amounts of these assets and liabilities approximate their fair value. The fair value of the Company's long term debt approximates fair value, based on current incremental borrowing rates of the Company.

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain prior year amounts in the consolidated financial statements have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements

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 entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The provisions of SFAS No. 159 are effective for fiscal years beginning after November 15, 2007. The Company has not yet determined the impact of adoption of this statement on its financial statements.

3. Property and Equipment

Property and equipment consisted of the following:

	June 30, 2007	December 31, 2006
Land	$ 519,211	$ 471,536
Building and leasehold improvements	4,982,990	4,188,746
Furniture, farm and office equipment	91,146	83,293
Laboratory equipment	899,581	797,653
Computer equipment	501,824	372,055
	6,994,752	5,913,283
Less accumulated depreciation	(996,083)	(683,071)
Property and equipment, net	$ 5,998,669	$ 5,230,212

Depreciation expense for the three months ended June 30, 2007 and 2006 was $127,948 and $80,062, respectively. Depreciation expense for the six months ended June 30, 2007 and 2006 was $239,994 and $184,421, respectively.

4. Patents

In conjunction with the Nexia Asset Purchase, the Company recorded intangible assets related to patents of $1,407,000 with a useful life of 11 years. The gross carrying value and accumulated amortization, adjusted based on current foreign currency rates, was $1,632,800 and $333,766, respectively, at June 30, 2007. The gross carrying value and accumulated amortization, adjusted based on current foreign currency rates, was $1,481,952 and $235,716, respectively, at December 31, 2006. For the three months ended June 30, 2007 and 2006, the Company has recorded amortization expense of $34,212 and $38,765, respectively. For the six months ended June, 2007 and 2006, the Company has recorded amortization expense of $69,299 and $70,742, respectively. Amortization expense related to the above intellectual property is expected to be approximately $127,910 per year for the next five years.

5. Preferred Stock

Series A Convertible Redeemable Preferred Stock

The Series A Preferred Stock bears a cumulative dividend rate of 8% per annum. Accrued and unpaid dividends for Series A Preferred Stock at June 30, 2007 and December 31, 2006 totaled $5,123,508 and $4,355,388, respectively.

Each share of the Series A Preferred Stock is convertible into shares of common stock at the then-applicable conversion rate, as defined, at any time and at the option of the holder. The shares of Series A Preferred Stock are currently convertible into 16,442,000 common shares. The conversion rate is

5. Preferred Stock (continued)

Series A Convertible Redeemable Preferred Stock (continued)

subject to adjustment for certain defined equity transactions. At June 30, 2007 and December 31, 2006, the Company has reserved 16,442,000 shares of common stock for the potential conversion. The Series A Preferred Stock will automatically convert into common stock at the then-applicable conversion rate in the event of an initial public offering of the Company's common stock resulting in aggregate proceeds to the Company of $50 million and a price per share of at least $2.74.

The Series A Preferred Stock has a liquidation preference in an amount equal to the redefined original purchase price of $0.91 per share plus accumulated but unpaid dividends, whether or not declared, in the event of a liquidation, dissolution, winding-up, sale, or merger. This liquidation preference is junior to the Series B Convertible Redeemable Preferred Stock (the Series B Preferred Stock) and the Series C Preferred Stock, and senior to the common stock.

The Company recorded the Series A Preferred Stock at its fair value on the date of issuance of approximately $15,000,000, less issuance costs of $105,502. The issuance costs are accreted to the carrying value of the preferred stock up to the earliest redemption period using the effective interest method. The Company has classi?ed the Series A Preferred Stock outside of permanent equity as a result of certain redemption features. Because the Series A Preferred Stock contains contingently adjustable conversion ratios, the Company evaluated the Series A Preferred Stock for potential bene?cial conversion features under EITF 98-5, Accounting for Convertible Securities with Bene?cial Conversion Features or Contingently Adjustable Conversion Ratios, and EITF 00-27, Application of Issue No. 98-5 to Certain Convertible Instruments. The contingently adjustable conversion ratio changed with the issuance of Series B Preferred Stock causing the Company to re-evaluate the potential beneficial conversion feature. In both cases, based on the fact that the adjusted implied conversion price of the Series A Preferred Stock exceeded the fair value of the common stock into which the Series A Preferred Stock converts, no bene?cial conversion feature was deemed to exist. The implied conversion price was calculated by dividing the fair value of the Series A Preferred Stock, net of the fair value allocated to the warrants issued to the holders of Series A Preferred Stock in conjunction with the Series B Preferred Stock offering, by the adjusted number of common shares into which the Series A Preferred Stock converts.

In conjunction with the Series B Preferred Stock financing, the Series A Preferred stockholders were granted 5,400,000 contingent warrants to purchase common stock for $0.01. The Company deemed 1,620,000 warrants to be probable of issuance. Accordingly, 1,620,000 warrants were valued using the Black-Scholes model and were recorded as a $201,746 discount to the Series A Preferred Stock. This discount is being accreted through the period up to the first redemption date using the effective interest method. The fair value of the warrants were estimated at the date of grant using the Black-Scholes model assuming a weighted-average volatility of approximately 60%, a risk free interest rate of 4.3%, a dividend yield of 0% and a weighted-average expected life of the warrant of 8.8 years.

Commencing September 11, 2008, the holder of the Series A Preferred Stock may require the Company to redeem the Series A Preferred Stock then outstanding for an amount equal to the original purchase price plus any unpaid dividends, whether or not declared. The right of redemption is junior to the Series B Preferred Stock and Series C Preferred Stock redemption rights.

The holder of the Series A Preferred Stock is entitled to the number of votes equal to the number of common shares into which its shares are convertible.

Series B Convertible Redeemable Preferred Stock

In October 2004, the Company sold 30,448,147 shares of Series B Preferred Stock to the Series A Preferred Stock investor and four additional investors at a price of approximately $0.91 per share for net proceeds of $27,570,490. Purchasers of the Series B Preferred Stock also received warrants to purchase common stock as described in Note 9.

The Series B Preferred Stock bears a cumulative dividend rate of 8% per annum. Accrued and unpaid dividends for Series B Preferred Stock at June 30, 2007 and December 31, 2006 totaled $6,541,924 and $5,232,953, respectively.

Each share of the Series B Preferred Stock is convertible into shares of common stock at the then-applicable conversion rate, as defined, at any time and at the option of the holder. The initial conversion rate is one common share for each preferred share, which is subject to adjustment for certain defined equity transactions. At June 30, 2007 and December 31, 2006, the Company has reserved 65,768,001 shares of common stock for the potential conversion. The Series B Preferred Stock will automatically convert into common stock at the then-applicable conversion rate in the event of an initial public offering of the Company's common stock resulting in aggregate proceeds to the Company of $50 million and a price per share of at least $2.74.

The Series B Preferred Stock has a liquidation preference in an amount equal to the original purchase price per share plus accumulated but unpaid dividends, whether or not declared, in the event of a liquidation, dissolution, winding-up, sale, or merger. This liquidation preference is senior to the Series A Preferred Stock and the common stock and equal to the liquidation preference of the

5. Preferred Stock (continued)

Series B Convertible Redeemable Preferred Stock (continued)

Series C Preferred Stock.

The Company recorded the Series B Preferred Stock at its fair value on the date of issuance of approximately $27,777,778, less the fair value assigned to warrants of $3,332,589, less issuance costs of $207,288. The issuance costs are accreted to the carrying value of the preferred stock up to the earliest redemption period using the effective interest method. The Company has classi?ed the Series B Preferred Stock outside of permanent equity as a result of certain redemption features. Because detachable warrants were granted with the financing and the Series B Preferred Stock contains contingently adjustable conversion ratios, the Company evaluated the Series B Preferred Stock for potential bene?cial conversion features under EITF 98-5, Accounting for Convertible Securities with Bene?cial Conversion Features or Contingently Adjustable Conversion Ratios, and EITF 00-27, Application of Issue No. 98-5 to Certain Convertible Instruments. Based on the fact that the adjusted implied conversion price of the Series B Preferred Stock exceeded the fair value of the common stock into which the Series B Preferred Stock converts, no beneficial conversion feature was deemed to exist. The implied conversion price was calculated by dividing the fair value of the Series B Preferred Stock, net of the fair value of the warrants, by the number of common shares into which the Series B Preferred Stock converts.

In conjunction with the Series B financing, the Series B Preferred stockholders were granted 15,400,000 contingent warrants to purchase common stock for $0.01. The Company deemed 10,780,000 warrants to be probable of issuance. Accordingly, 10,780,000 warrants were valued using the Black-Scholes model and were recorded as a $2,034,335 discount to the Series B Preferred Stock. This discount is being accreted through the period up to the first redemption date using the effective interest method. The fair value of the warrants were estimated at the date of grant using the Black-Scholes model assuming a weighted-average volatility of approximately 60%, a risk free interest rate of 4.3%, a dividend yield of 0% and a weighted-average expected life of the warrant of 8.8 years.

Commencing October 7, 2009, the holders of the Series B Preferred Stock may require the Company to redeem the Series B Preferred Stock then outstanding for an amount equal to the original purchase price plus any unpaid dividends, whether or not declared, and in preference to the Series A Preferred Stock liquidation rights.

The holders of the Series B Preferred Stock are entitled to the number of votes equal to the number of common shares into which its shares are convertible.

In conjunction with this financing, the conversion price of the investor's Series A Preferred Stock was adjusted in accordance with the terms of the Series A Preferred Stock, which resulted in the Series A Preferred Stock being convertible into an additional 2,672,770 shares, or a total of 16,442,000 shares, of the Company's common stock.

Series C Convertible Redeemable Preferred Stock

Contemporaneously with the consummation of the Nexia asset acquisition transaction, the Company sold 7,480,978 shares of Series C Preferred Stock to investors at a price of approximately $0.91 per share for net proceeds of $6,824,896. Included in these proceeds were two Canadian investors, who previously invested in Nexia, who purchased an aggregate of 3,370,479 shares of Series C Preferred Stock for net proceeds of $3,074,880. Those proceeds were used to partially fund the acquisition of the Nexia assets. In addition, the Company issued to such investors (i) warrants to acquire 2,244,296 shares of Series C Preferred Stock, which are exercisable at approximately $0.91 per share and which expire on March 10, 2008, and (ii) warrants to acquire 1,346,630 common shares, which are exercisable at $0.01 per share, subject to reduction if certain business milestones are met by the Company, as specified in the warrants and which expire in October 2014.

The Series C Preferred Stock bears a cumulative dividend rate of 8% per annum. Accrued and unpaid dividends for Series C Preferred Stock at June 30, 2007 and December 31, 2006 total $2,668,377 and $2,046,257, respectively.

Each share of the Series C Preferred Stock is convertible into shares of common stock at the then-applicable conversion rate, as defined, at any time and at the option of the holder. The initial conversion rate is one common share for each preferred share, which is subject to adjustment for certain defined equity transactions. At March 31, 2007 and December 31, 2006, the Company has reserved 22,799,574 shares of common stock for the potential conversion. The Series C Preferred Stock will automatically convert into common stock at the then-applicable conversion rate in the event of an initial public offering of the Company's common stock resulting in aggregate proceeds to the Company of $50 million and a price per share of at least $2.74.

5. Preferred Stock (continued)

Series C Convertible Redeemable Preferred Stock (continued)

The Series C Preferred Stock has a liquidation preference in an amount equal to the original purchase price per share plus accumulated but unpaid dividends, whether or not declared, in the event of a liquidation, dissolution, winding-up, sale, or merger. This liquidation preference is senior to the Series A Preferred Stock and the common stock and equal to the liquidation preference of the Series B Preferred Stock.

The Company recorded the Series C Preferred Stock at its fair value on the date of issuance of approximately $13,261,481, less the fair value assigned to warrants of $2,408,024 and issuance costs of $330,495. The discount on the Series C Preferred Stock from the value assigned to the warrants and issuance costs is accreted to the carrying value of the preferred stock up to the earliest redemption period using the effective interest method. The Company has classi?ed the Series C Preferred Stock outside of permanent equity as a result of certain redemption features. Because detachable warrants were granted with the financing and the Series C Preferred Stock contains contingently adjustable conversion ratios, the Company evaluated the Series C Preferred Stock for potential bene?cial conversion features under EITF 98-5, Accounting for Convertible Securities with Bene?cial Conversion Features or Contingently Adjustable Conversion Ratios, and EITF 00-27, Application of Issue No. 98-5 to Certain Convertible Instruments. Based on the fact that the adjusted implied conversion price of the Series C Preferred Stock exceeded the fair value of the common stock into which the Series C Preferred Stock converts, no beneficial conversion feature was deemed to exist. The implied conversion price was calculated by dividing the fair value of the Series C Preferred Stock, net of the fair value of the warrants, by the number of common shares into which the Series C Preferred Stock converts.

In conjunction with the Series C Preferred Stock financing, the Series C Preferred stockholders were granted 4,483,946 warrants to purchase preferred stock for $0.91. These warrants were valued using the Black-Scholes model and were recorded as a $2,072,965 discount to the Series C Preferred Stock. This discount is being marked to market on a quarterly basis. The fair value of the warrants were estimated at the date of grant using the Black-Scholes model assuming a weighted-average volatility of approximately 60%, a risk free interest rate of 3.9%, a dividend yield of 0% and a weighted-average expected life of the warrant of 3.0 years.

In conjunction with the Series C Preferred Stock financing, the Series C Preferred stockholders were granted 2,690,420 contingent warrants to purchase common stock for $0.01. The Company deemed 1,614,225 warrants to be probably of issuance. Accordingly, 1,614,225 warrants were valued using the Black-Scholes model and were recorded as a $285,546 discount to the Series C Preferred Stock. This discount is being accreted through the period up to the first redemption date using the effective interest method. The fair value of the warrants were estimated at the date of grant using the Black-Scholes model assuming a weighted-average volatility of approximately 60%, a risk free interest rate of 4.5%, a dividend yield of 0% and a weighted-average expected life of the warrant of 9.6 years.

Commencing October 7, 2009, the holders of the Series C Preferred Stock may require the Company to redeem the Series C Preferred Stock then outstanding for an amount equal to the original purchase price plus any unpaid dividends, whether or not declared, and in preference to the Series A Preferred Stock liquidation rights.

The holders of the Series C Preferred Stock are entitled to the number of votes equal to the number of common shares into which its shares are convertible.

6. Minority Interest - Series C Convertible Redeemable Preferred Stock of PharmAthene Canada, Inc.

Through its ownership of 100% of the common stock in PharmAthene Canada, Inc., the Company controls all of the voting stock of PharmAthene Canada, Inc. and considers itself to be the majority interest primary beneficiary of PharmAthene Canada, Inc., a variable interest entity. In March 2005, a Canadian investor purchased 2,591,654 shares of Series C Convertible Preferred Stock of PharmAthene Canada, Inc. for net proceeds of $2,364,366. The shares of Series C Convertible Preferred Stock of PharmAthene Canada, Inc. are convertible at the discretion of the investors into an equal number of shares of Series C Preferred Stock of the Company. In addition, the Company issued to such investors (i) warrants to acquire 777,496 Series C Preferred Stock of PharmAthene Canada, Inc. (also convertible into Series C Preferred Stock of the Company) exercisable at approximately $0.91 per share, which expire on March 10, 2008, and (ii) warrants to acquire 466,498 common shares of PharmAthene Canada, Inc. exercisable at $0.01 per share, convertible into shares of common stock of the Company on a 1-for-1 basis, subject to reduction if certain business milestones are met by the Company, as specified in the warrants and which expire in October 2014.

In conjunction with the Series C financing, the Series C Preferred Stock of PharmAthene Canada, Inc. stockholders were granted 777,496 warrants to purchase preferred stock for $0.91. These warrants were valued using the Black-Scholes model and were recorded as a $265,513 discount to the Series C Preferred Stock of PharmAthene Canada, Inc. This discount is being accreted through the

6. Minority Interest - Series C Convertible Redeemable Preferred Stock of PharmAthene Canada, Inc. (continued)

period up to the first redemption date using the effective interest method. The fair value of the warrants were estimated at the date of grant using the Black-Scholes model assuming a weighted-average volatility of approximately 60%, a risk free interest rate of 3.9%, a dividend yield of 0% and a weighted-average expected life of the warrant of 3.0 years.

In conjunction with the Series C financing, the Series C Preferred Stock of PharmAthene Canada, Inc. stockholders were granted 466,498 contingent warrants to purchase common stock for $0.01. The Company deemed 279,894 warrants to be probable of issuance. Accordingly, 279,894 warrants were valued using the Black-Scholes model and were recorded as a $49,512 discount to the Series C Preferred Stock of PharmAthene Canada, Inc. This discount is being accreted through the period up to the first redemption date using the effective interest method. The fair value of the warrants were estimated at the date of grant using the Black-Scholes model assuming a weighted-average volatility of approximately 60%, a risk free interest rate of 4.5%, a dividend yield of 0% and a weighted-average expected life of the warrant of 9.6 years.

The Series C Convertible Preferred Stock of PharmAthene Canada, Inc. bears a cumulative dividend rate of 8% per annum. Accrued and unpaid dividend for the Series C Convertible Preferred Stock of PharmAthene Canada, Inc. at June 30, 2007 and December 31, 2006 total $462,685 and $354,812, respectively.

The holders of Series C Convertible Preferred Stock of PharmAthene Canada, Inc. have no voting rights.

7. Stockholders' Deficit

Common Stock

In conjunction with the Series A Preferred Stock closing, the common stockholders agreed to certain limitations on their rights to sell their stock. Further, the common stockholders agreed that 5,370,000 shares of common stock would be subject to a right of repurchase by the Company and the Series A Preferred Stock investor in the event of a termination of the relationship between the Company and the Series A Preferred Stock investor. The repurchase price will be either cost or fair market value, depending on the termination event. The number of shares subject to the repurchase right decreased by 41.67% on December 11, 2004, and further decreases by 8.33% quarterly thereafter until September 11, 2006. As of March 31, 2007, no shares remained subject to the right of repurchase.

2002 Long-Term Incentive Plan

The Company adopted the 2002 Long-Term Incentive Plan (the Plan) to provide an incentive to eligible employees, consultants, and officers. The Plan provides for the granting of stock options, restricted common stock, and stock appreciation rights. As of June 30, 2007, the Company had reserved 10,919,372 shares of common stock for distribution under the Plan, of which 259,696 remain available for future grants. Stock options granted under the Plan may be either incentive stock options, as defined by the Internal Revenue Code, or non-qualified stock options. The Board of Directors determines who will receive options, the vesting period which is generally four years, and the exercise price. Options may have a maximum term of no more than 10 years.

7. Stockholders' Deficit (continued)

2002 Long-Term Incentive Plan (continued)

The following table summarizes the activity of the Company's stock option plan:

	Shares	Weighted-Average Exercise Price	Weighted-Average Contractual Term
Outstanding, January 1, 2005	3,434,626	$ 0.16	
Granted	5,497,677	0.21	
Exercised	202,906	0.13	
Forfeited	743,394	0.19	
Outstanding, December 31, 2005	7,986,003	$ 0.19	
Exercisable, December 31, 2005	2,405,369	$ 0.18	
Outstanding, January 1, 2006	7,986,003	$ 0.19	
Granted	1,631,676	0.21	
Exercised	1,340,566	0.18	
Forfeited	770,059	0.21	
Outstanding, December 31, 2006	7,507,054	$ 0.20	
Exercisable, December 31, 2006	3,844,376	$ 0.19	
Outstanding, January 1, 2007	7,507,054	$ 0.20	7.7 years
Granted	2,052,346	0.21	
Exercised	1,250	0.21	
Forfeited	457,196	0.21	
Outstanding, June 30, 2007	9,100,954	$ 0.20	6.7 years
Exercisable, June 30, 2007	4,148,761	$ 0.19	7.3 years
Vested, June 30, 2007	4,148,761		

In 2004 and 2005, the Company granted options to non-employees to purchase up to 200,000 and 125,000 shares, respectively, of the Company's common stock at exercise prices of $0.16 and $0.21 per share, respectively. The 2004 and 2005 options vest over four years. Stock-based compensation expense recorded for the three months and six months ended June 30, 2007 and 2006 was $1,162 and $2,324, respectively.

Warrants

In conjunction with the Series B Preferred Stock issuance in October 2004, the Company issued warrants to purchase 15,400,000 shares of common stock at an exercise price of $0.01 per share, subject to reduction if certain business milestones are met by the Company, as specified in the warrants and expiring in October 2014. As of December 31, 2004, milestones related to 1,540,000 shares of common stock underlying of the warrants to purchase common stock were attained, with the outstanding total of warrants reduced to 13,860,000. Following the Nexia asset purchase in March 2005, an additional milestone related to 6,160,001 shares of common stock underlying of the warrants was achieved, and the total warrants outstanding were further reduced to 7,699,999.

In connection with a licensing agreement for rights to certain patents, the Company issued warrants to purchase 200,000 shares of common stock at an exercise price of $0.01 per share to a research company in January 2006. In August 2006, the research company exercised the warrants for common stock. In connection with the credit facility further discussed in Note 13, the Company issued warrants to purchase an aggregate of 438,453 shares of PharmAthene Series C Preferred Stock through March 30, 2017 at an exercise price of $0.91.

7. Stockholders' Deficit (continued)

Warrants (continued)

The following table summarizes the activity of the Company's warrants:

	Warrants for Shares of Common Stock	Weighted-Average Exercise Price	Warrants for Shares of Preferred Stock	Weighted-Average Exercise Price
Outstanding at December 31, 2004	14,123,296	0.01	--	--
Granted	3,156,918	0.01	5,261,442	0.91
Forfeited	(6,160,001)	0.01	--	--
Outstanding at December 31, 2005	11,120,213	0.01	5,261,442	0.91
Granted	200,000	0.01	--	--
Exercised	(200,000)	0.01	--	--
Outstanding at December 31, 2006	11,120,213	$ 0.01	5,261,442	$ 0.91
Granted	--	--	438,453	0.91
Exercised	--	--	--	--
Outstanding at June 30, 2007	11,120,213	$ 0.01	5,699,895	$ 0.91

8. Commitments and Contingencies

Leases

The Company leases offices in the United States under a month-to-month operating lease agreement. In September 2006, the Company entered into a 10 year office lease, which is anticipated to commence on July 1, 2007. Additionally, following the Nexia asset purchase in March 2005, the Company entered into a two year renewable lease agreement for office space in Canada. This lease is renewable for an additional two years and provides for expansion into additional facility space if available. Annual minimum payments are as follows:

Remaining 2007	$ 281,300
2008	372,700
2009	383,900
2010	395,400
2011 and thereafter	2,874,100
	$4,307,400

Total rent expense under operating lease agreements approximated $99,800 and $76,400 for the three months ended June 30, 2007 and 2006, respectively. For the six months ended June 30, 2007 and 2006, total rent expense under operating lease agreements approximated $179,400 and $151,400, respectively.

License Agreements

In January 2006, the Company licensed certain patent rights from a research company. The license agreement required a $50,000 up-front payment. Additionally, payments within the agreement included a sublicense fee of 20% and milestone payments of $25,000 upon the granting of a U.S. patent, $200,000 upon the initiation of certain studies or trials, and $250,000 upon BLA approval. Upon commercialization, the license agreement requires royalty payments equal to a specified percentage of future sales of products for both government procurement and commercial market sales subject to the license through the expiration of the licensed patents. During 2006 and the first six months of 2007, the Company has expensed $50,000 and nil related to this agreement, respectively.

8. Commitments and Contingencies

License Agreements (continued)

In August 2006, the Company entered into a research and licensing agreement allowing for the licensing of certain patent rights. The agreement includes research expense reimbursement payments and certain development milestone payments. Upon commercialization, the license agreement requires royalty payments equal to a specified percentage of future sales of products for both government procurement and commercial market sales subject to the license through the expiration of the licensed patents. During 2006 and the first six months of 2007, the Company expensed $50,000 and nil related to this agreement, respectively.

Through the Nexia acquisition, the Company acquired a license agreement originally executed in September 2004 for the rights to certain technologies. This agreement included an option to license product processing technology necessary to perform development of Protexia(R) as required under its government contract with the Department of Defense.

The Company executed a new licensing agreement with the development company on March 2, 2007 which results in a license to all technology provided under the original agreement including the necessary purification technology previously included in an option and access to additional information and technology deemed to be essential for development of Protexia(R) and performance under the Department of Defense contract. Under the new agreement, the Company must pay $200,000 over a period of six years with $100,000 due in the first year. This expense is eligible for reimbursement by the US government under the contract with the Department of Defense.

9. Related Party Transactions

The Company leases its office space from an entity that is affiliated with the organization to which the Company issued warrants for 263,296 shares of common stock in August 2003 (see Note 7). The Company paid $50,212 and $27,846 in rent expense related to this operating lease for the three months ended June 30, 2007 and 2006, respectively. For the six months ended June 30, 2007 and 2006, the Company paid $83,343 and $55,692, respectively. Subsequent to June 30, 2007, the Company relocated to its new office space and the lease with the affiliate entity was terminated.

As further disclosed in footnote 11, several directors and officers of the Company participated in the Convertible 8% Bridge Notes for approximately $190,000 in the second and third quarters of 2006.

As further disclosed in footnote 13, the Company completed its reverse merger with Healthcare Acquisition Corp ("HAQ") on August 3, 2007. Prior to this merger, a director of HAQ loaned approximately $85,000 to HAQ to fund the renewal of the directors and officers insurance which expired in July.

10. Medarex Collaboration

In November 2004, the Company and Medarex, Inc. entered into a collaboration agreement under which the companies plan to develop and commercialize MDX-1303, a fully human monoclonal antibody targeting the Bacillus anthracis protective antigen. MDX-1303 was developed by Medarex using its UltiMAb Human Antibody Development System(R), and this antibody is currently in preclinical development by Medarex for use against human anthrax infection.

Under the terms of the agreement, Medarex and PharmAthene have agreed jointly to continue to investigate the potential for MDX-1303 to be used as a therapeutic for individuals with active disease as well as for prophylactic treatment of individuals exposed to anthrax. In December 2004, Medarex received a deposit from PharmAthene against potential future development activities for MDX-1303, against which Medarex must submit reports of the use of costs as they are incurred in order to take draw downs against the deposit. If the project is terminated or if development activities for MDX-1303 by Medarex are completed prior to exhaustion of the deposit, amounts remaining under the deposit are to be returned to PharmAthene. For the three months ended June, 2007 and 2006, PharmAthene recorded the use of these funds for development activities for MDX-1303 as Research and Development operating expenses of $230,927 and $135,256, respectively. For the six months ended June, 2007 and 2006, PharmAthene recorded the use of these funds for development activities for MDX-1303 as Research and Development operating expenses of $419,510 and $609,095, respectively. This deposit was fully utilized by June 30, 2007 and as of December 31, 2006 approximately $0.4 million of this deposit remained. PharmAthene is fully responsible for funding all future research and development activities that are not supported by government funds. The companies will share profits according to a pre-agreed allocation percentage.

11. Convertible 8% Notes

In June 2006, certain of the Company's investors in the Series B Preferred Stock and the Series C Preferred Stock among others and the Company entered into an agreement providing for the issuance of $9.8 million in convertible notes (the "Bridge Notes "). The

11. Convertible 8% Notes (continued)

Bridge Notes are convertible (i) if the closing of the merger does not occur, into Series B redeemable convertible preferred stock at $0.91 per share plus an equal number of common shares (ii) upon the closing of the merger with SIGA and a contingent financing with gross proceeds in excess of $25 million, into the same securities sold in such financing, at a 10% price discount, or (iii) upon a separate financing into such financing securities at a 25% price discount and an equal number of common shares. The Company may have a future beneficial conversion feature based upon the pricing of future financings. Accordingly, the Company will assess whether a beneficial conversion feature exists when the contingent event occurs and record the amount, if any, at that time.

In August 2006, the investor in Series C Convertible Preferred Stock of PharmAthene Canada, Inc. and the Company purchased an additional $2.0 million of Bridge Notes.

The Company has recognized interest expense related to the Bridge Notes of approximately $237,980 and $473,340 for the three and six month periods ending June 30, 2007.

12. $10 million Debt Financing

On March 30, 2007, the Company entered into a $10 million credit facility with Silicon Valley Bank and Oxford Finance Corporation. Under the credit facility the Company borrowed $10 million, which bears interest at the rate of 11.5%. Pursuant to the terms of the loan and security agreement evidencing the credit facility, the Company will make monthly payments of interest only through September 30, 2007 and, thereafter, will make monthly payments of principal and interest over the remaining 30 months of the loan. The loan is secured by a security interest on all of the Company's assets other than certain intellectual property. The Company may not repay the loan for the first six months but thereafter may prepay provided it pays certain prepayment fees. In connection with the credit facility, the Company issued to Silicon Valley Bank and Oxford Financial Corporation warrants to purchase an aggregate of 438,453 shares of PharmAthene Series C Preferred Stock through March 30, 2017 at an exercise price of $0.91. The Company has recognized interest expense of approximately $6,400 and $297,860 for the three and six month periods ending June 30, 2007.

13. Subsequent Event

On August 3, 2007, the company consummated a merger (the "Merger") pursuant to an Agreement and Plan of Merger, dated as of January 19, 2007 (the "Merger Agreement"), by and among the Company ("Former PharmAthene"), Healthcare Acquisition Corp. ("HAQ") and PAI Acquisition Corp., a wholly-owned subsidiary of HAQ ("Merger Sub"). Pursuant to the Merger Agreement, Merger Sub was merged with and into the Company. Immediately following the Merger, HAQ changed its name from Healthcare Acquisition Corp. to "PharmAthene, Inc." and the Company, which became a wholly-owned subsidiary of HAQ, changed its name to "PharmAthene U.S. Corporation." HAQ also changed its ticker symbol on the American Stock Exchange to "PIP".

Pursuant to the terms of the Merger Agreement, HAQ, now renamed PharmAthene, Inc. ("PharmAthene"), issued 12,025,452 new shares of common stock to the stockholders of Former PharmAthene and Former PharmAthene's $11.8 million of outstanding secured convertible notes were exchanged for $12.5 million of new unsecured 8% convertible notes maturing in 24 months. These convertible notes are convertible at the option of the holders into common stock at $10.00 per share and may be redeemed by the Company without penalty after 12 months. In the event that PharmAthene enters into a contract prior to December 31, 2007 for the sale of Valortim(TM) with the U.S. government for more than $150 million in anticipated revenue, the stockholders of Former PharmAthene will be eligible for additional cash payments, not to exceed $10 million, equal to 10% of the actual collections from the sale of Valortim(TM). Also pursuant to the Merger Agreement, PharmAthene assumed all of Former PharmAthene's stock options and warrants that were not cancelled as part of the Merger. Immediately following the closing of the Merger, the Former PharmAthene stockholders, option holders and warrant holders held approximately 54% of the common stock of PharmAthene on a fully diluted basis and former stockholders, option holders and warrant holders of HAQ prior to the merger owned approximately 46% of PharmAthene on a fully-diluted basis after the Merger. In addition, upon consummation of the Merger, the business of Former PharmAthene became the sole business of PharmAthene.

The Merger is being accounted for as a reverse acquisition and recapitalization of Former PharmAthene for financial accounting purposes. Consequently, the assets and liabilities and the historical operations that will be reflected in the financial statements prior to the Merger will be those of Former PharmAthene and will be recorded at the historical cost basis of Former PharmAthene, and the consolidated financial statements after consummation of the Merger will include the assets and liabilities of HAQ and Former PharmAthene, historical operations of Former PharmAthene and operations of HAQ from the closing date of the Merger.

13. Subsequent Event (continued)

At the special meeting of the stockholders of HAQ held on August 2, 2007 and adjourned to August 3, 2007 to approve the Merger, the number of shares requesting conversion was initially misreported. Following the misreporting, certain officers, directors and current stockholders of HAQ and certain stockholders of Former PharmAthene, purchased an aggregate of 400,000 additional shares of HAQ's common stock. These shares were voted in favor of the Merger, pursuant to negotiated terms, thereby reducing the number of conversion elections and allowing for the approval of the Merger.

On August 13, 2007, a suit was filed in the Delaware Chancery Court to affirm the validity of the Merger. On August 27, 2007, the Delaware Chancery Court determined that the Merger had been validly approved and authorized in full compliance with the Company's charter and Delaware corporate law. As with decisions of the Delaware Chancery Court, generally, the decision is subject to appeal for a period of thirty days.

Unaudited Pro Forma Condensed Combined Consolidated Financial Information as of June 30, 2007

The following unaudited pro forma condensed combined consolidated financial statements give effect to the reverse merger transaction with HAQ and Former PharmAthene, which was completed on August 3, 2007. For accounting purposes, the transaction is considered a "reverse merger" under which PharmAthene is considered to be acquiring HAQ. The 11,650,000 shares of HAQ common stock outstanding are considered as the basis for determining the consideration in the reverse merger transaction. The following unaudited pro forma condensed combined consolidated financial statements are based on the historical financial statements of Former PharmAthene and HAQ. The pro forma adjustments are described in the accompanying notes presented below.

The unaudited pro forma condensed combined consolidated balance sheet as of June 30, 2007 gives effect to the Merger as if it had occurred on June 30, 2007. The pro forma condensed combined consolidated balance sheet is based on the historical balance sheet of HAQ as of June 30, 2007 and the historical balance sheet of Former PharmAthene as of June 30, 2007. The unaudited pro forma condensed combined consolidated statement of operations for the six months ended June 30, 2007 is based on historical results of operations of HAQ and Former PharmAthene for the six months ended June 30, 2007 and gives effect to the Merger as if it had occurred on January 1, 2007 (the first day of year 2007 for PharmAthene). The unaudited pro forma condensed combined consolidated statement of operations for the fiscal year ended December 31, 2006 is based on the historical results of operations of HAQ and Former PharmAthene for the year ended December 31, 2006 and gives effect to the Merger as if it had occurred on January 1, 2006 (the first day of fiscal year 2006 for PharmAthene).

For purposes of these unaudited pro forma condensed combined financial statments, Former PharmAthene has made a preliminary valuation of the fair value of the net assets acquired. A final determination of these estimated fair values will be made on the acquisition date, and will be based on the actual net assets of HAQ that exist as of such date. The actual amounts recorded as of the completion of the merger may differ materially from the information presented in these unaudited pro forma condensed combined financial statements.

Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet
As of June 30, 2007

	Historical PharmAthene	Historical HAQ	Pro Forma Adjustments		Pro Forma Combined
Cash and cash equivalents	$ 7,061,358	$ 98,371	$ (3,947,000)	4c	$ 3,212,729
Cash held in trust	--	72,283,499	(13,775,248)	4g	58,508,251
Accounts receivable, net	2,542,453	--	--		2,542,453
Prepaid expenses	270,486	20,066	--		290,552
Other assets	146,972	--	--		146,972
Total current assets	10,021,269	72,401,936	(17,722,248)		64,700,957
Property and equipment, net	5,998,669	--	--		5,998,669
Patents, net	1,229,034	--	--		1,229,034
Other long term assets	214,187	--	--		214,187
Deferred financing costs	1,877,185	543,889	--		2,421,074
Total assets	$ 19,410,344	$ 72,945,825	$ (17,722,248)		$ 74,633,921
Current liabilities:					
Accounts payable	$ 736,777	$ 402,476	$ --		$ 1,139,253
Accrued expenses and other current liabilities	3,587,031	198,345	(45,227)	4e,h	3,740,150
Deferred revenue	--	870,664	870,664		
Notes payable	13,768,089	--	731,911	4a	14,500,000
Total current liabilities	18,091,897	1,471,485	686,684		20,250,066
Warrants to purchase Series C convertible redeemable preferred stock	2,631,511	--	(2,631,511)	4b	--
Long term debt	7,797,576	--	--		7,797,576
Total liabilities	28,520,984	1,471,485	(1,944,827)		28,047,643
Common stock, subject to possible redemption 1,879,060 shares, at conversion value	--	13,578,807	(13,578,807)	4g	--
Minority Interest - Series C convertible redeemable preferred stock of PHTN Canada, par value $0.001 per share; unlimited shares authorized	2,704,022	--	(2,704,022)	4d	--
Series A convertible redeemable preferred stock, par value $0.001 per share; authorized 16,442,000 shares	19,964,317	--	(19,964,317)	4d	--
Series B convertible redeemable preferred stock, par value $0.001 per share; authorized 30,448,147 shares	33,313,524	--	(33,313,524)	4d	--
Series C convertible redeemable preferred stock, par value $0.001 per share; authorized 22,799,574 shares	15,436,384	--	(15,436,384)	4d	--

Stockholders' equity:					
Common stock, par value $0.001 per share; authorized 147,089,104 shares, 12,484,722 issued and outstanding	12,485	--	(12,485)	4d	--
Preferred stock $0.0001 par value; authorized 1,000,000; none issued and outstanding	--	--	--		--
Common stock - $0.0001 par value; authorized 100,000,000 shares; 23,572,614 shares issued and outstanding (which includes 1,879,060 subject to possible conversion)	--	1,165	1,192	4d	2,357
Additional paid-in capital	--	55,818,948	18,242,102	4f	74,061,050
Accumulated other comprehensive loss	791,888	--	--		791,888
Retained Earnings (Accumulated deficit)	(81,333,260)	2,075,420	50,988,823	4g	(28,269,017)
Total stockholders' equity	(80,528,887)	57,895,533	69,219,632		46,586,278
Total liabilities, convertible redeemable preferred stock and stockholders' deficit	$ 19,410,344	$ 72,945,825	$ (17,722,248)		$ 74,633,922

See accompanying notes to unaudited pro forma condensed combined consolidated financial statements.

Unaudited Pro Forma Condensed Consolidated Statement of Operations
For the Six Months Ended June 30, 2007

	Historical PharmAthene	Historical HAQ	Pro Forma Adjustments		Pro Forma Combined
Revenues:					
Grant Revenue	$ 5,301,186	$ --			$ 5,301,186
Other Revenue	7,000	--			7,000
Total Revenues	5,308,186	--	--		5,308,186
Costs and expenses:					
Research and Development	7,086,963	--			7,086,963
General and Administrative	5,454,251	272,772			5,727,023
Depreciation & Amortization	309,293	--			309,293
Total costs and expenses	12,850,507	272,772			13,123,279
Operating loss ..	(7,542,321)	(272,772)			(7,815,093)
Other income (expense):					
Interest Income	149,213	1,126,451			1,275,664
Change in market value of derivative instruments	(6,829)	--	6,829	4j	--
Interest Expense	(771,273)	--	(26,661)	4e	(797,934)
Total other income (loss)	(628,889)	1,126,451	(19,832)		477,730
Income (loss) before taxes	(8,171,210)	853,679	(19,832)		(7,337,363)
Provision for taxes	--	(71,888)	71,888	4h	--
Net income (loss)	(8,171,210)	781,791	52,056		(7,337,363)
Accretion of redeemable convertible preferred stock to redemptive value	(3,480,536)	--	3,480,536	4i	--
Net income (loss) attributable to common stockholders	$ (11,651,746)	$ 781,791	$ 3,532,592		$ (7,337,363)
Weighted average shares outstanding	12,484,273	11,650,000		4d	23,572,608
Net income (loss) per share	$ (0.93)	$ 0.07			$ (0.31)

See accompanying notes to unaudited pro forma condensed combined consolidated financial statements.

Unaudited Pro Forma Condensed Consolidated Statement of Operations

For the Year Ended December 31, 2006

	Historical PharmAthene	Historical HAQ	Pro Forma Adjustments		Pro Forma Combined
Revenues:					
Grant Revenue	$ 1,641,822	$ --	$		$ 1,641,822
Other Revenue	21,484	--			21,484
Total Revenues	1,663,306	--	--		1,663,306
Costs and expenses:					
Research and Development	7,140,337	--			7,140,337
General and Administrative	8,572,963	644,378			9,217,341
Depreciation & Amortization	483,646	--			483,646
Acquired In-Process Research & Development	--	--			--
Total costs and expenses	16,196,946	644,378	--		16,841,324
Operating loss	(14,533,640)	(644,378)			(15,178,018)
Other income (expense):					
Interest Income	289,606	1,847,712			2,137,318
Change in market value of derivative instruments	(350,405)	--	350,405	4j	--
Interest Expense	(538,948)	--	(461,322)	4e	(1,000,270)
Total other income (loss)	(599,747)	1,847,712	(110,917)		1,137,048
Income (loss) before taxes	(15,133,387)	1,203,334	(110,917)		(14,040,971)
Provision for taxes	--	(187,000)	187,000	4h	--
Net income (loss)	(15,133,387)	1,016,334	76,083		(14,040,971)
Accretion of redeemable convertible preferred stock to redemptive value	(6,589,671)	--	6,589,671	4i	--
Net income (loss) attributable to common stockholders	$ (21,723,058)	$ 1,016,334	$ 6,665,754		$ (14,040,971)
Weighted average shares outstanding	11,407,890	11,650,000		4d	23,572,559
Net income (loss) per share	$ (1.90)	$ 0.09			$ (0.60)

See accompanying notes to unaudited pro forma condensed combined consolidated financial statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED
CONSOLIDATED FINANCIAL INFORMATION

Note 1 -- Description of Transactions and Basis of Pro Forma Presentation

On January 19, 2007, PharmAthene and HAQ entered into an Agreement and Plan of Merger (the "Merger Agreement"). In connection with the proposed merger (the "Merger"), HAQ will issue 12,500,000 shares of its common stock for all of PharmAthene's outstanding shares of preferred stock and common stock, with 479,065 shares reserved for issuance upon the exercise of PharmAthene's common stock options and common stock warrants. For accounting purposes, the transaction is considered a "reverse merger" under which PharmAthene is considered to be acquiring HAQ. The 11,650,000 shares of HAQ common stock outstanding are considered as the basis for determining the consideration in the reverse merger transaction. Based on the outstanding shares of PharmAthene common stock on June 30, 2007, common stockholders of PharmAthene will exchange their shares for 621,343 shares of HAQ common stock and preferred stockholders of PharmAthene, Series C Convertible Preferred Stock warrant holders and common stock warrant holders will exchange their shares for 11,413,745 shares of HAQ common stock.

In addition, each PharmAthene stock option that is outstanding on the closing date will be converted to HAQ options by multiplying the PharmAthene options in accordance with agreed upon amounts. The new exercise price will also be determined by multiplying the old exercise price by the same ratio. Each of these options will be subject to the same terms and conditions that were in effect for the related PharmAthene option.

At the effective time of the Merger, all options to purchase shares of PharmAthene stock then outstanding under the PharmAthene, Inc. 2002 Long-Term Incentive Plan (as amended, the "PharmAthene Plan") or issued under any other agreement, whether vested or unvested, shall be assumed by HAQ. The per-share exercise price for the shares of HAQ common stock issuable upon exercise of such assumed outstanding PharmAthene option will be equal to the quotient determined by dividing the exercise price per share of PharmAthene common stock at which such outstanding PharmAthene option was exercisable immediately prior to the closing of the Merger by the share exchange ratio, and rounding the resulting exercise price up to the nearest whole cent. PharmAthene has, as of the date hereof, options and warrants to acquire 8,894,982 shares of its common stock. The share exchange ratio for the options is .0539 to one. As a consequence, HAQ shall grant 479,015 options and common stock warrants with an average exercise price of $3.91 per share in exchange for all of the PharmAthene options and common stock warrants assumed by HAQ.

Note 2 -- Preliminary Merger Purchase Price

The unaudited pro forma condensed combined consolidated financial statements reflect the Merger of PharmAthene with HAQ as a reverse merger wherein PharmAthene is deemed to be the acquiring entity from an accounting perspective. For accounting purposes, the transaction is being treated as an acquisition of assets and not a business combination because HAQ did not meet the definition of a business under EITF 98-3, Determination Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business. Accordingly, the transaction has been treated as a capital transaction whereby PharmAthene is issuing stock for the net monetary assets of HAQ, accompanied by a recapitalization. PharmAthene has recorded the purchase price as the net assets acquired with the offsetting credit to equity.

- ----------

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED
CONSOLIDATED FINANCIAL INFORMATION

Note 3 -- Preliminary Merger Purchase Allocation

Based on PharmAthene's preliminary valuation of the fair value of the net assets acquired, the preliminary purchase price is as follows:

	Initial Fair Value
Tangible assets acquired	$ 72,945,825
Liabilities assumed	(1,471,485)
Net assets acquired	$ 71,474,340

The final determination of the purchase price allocation will be based on the fair values of the assets and the fair value of the liabilities assumed at the effective date of the Merger. The purchase price will remain preliminary until PharmAthene is able to finalize its valuation of the fair value of the assets and liabilities acquired. The final determination of purchase price allocation will be completed as soon as practical after the effective date of the Merger. The final amounts allocated to assets and liabilities could differ significantly from the amounts presented in the unaudited pro forma condensed combined consolidated balance sheet and related notes.

Note 4 -- Pro Forma Adjustments

(a) To record the conversion of the PharmAthene $11.8 million 8% convertible notes to the newly issued HAQ $12.5 million in 8% convertible notes with a 24 month maturity

(b) To record the cancellation of PharmAthene warrants convertible into Series C convertible redeemable preferred stock

(c) To record merger-related transaction fees of approximately $4.0 million

(d) To record the exchange of PharmAthene classes of equity for HAQ common stock (See Note 1) and to record issuance of shares to HAQ HAQ

Shares	PharmAthene Shares Prior to Merger	Common Stock
PharmAthene common stock	12,484,722 shares	621,343 shares
PharmAthene Preferred stock	61,836,626 shares	10,720,218 shares
Series C Exchangeable stock	2,591,654 shares	581,047 shares
Total	76,913,002 shares	11,922,608 shares

	For the Six Months Ended June 30, 2007	For the Twelve Months Ended December 31, 2006
HAQ weighted average shares outstanding	11,650,000	11,650,000
Issuance of shares in exchange for PharmAthene preferred and common stock	11,922,608	11,922,559
Total weighted average shares outstanding	23,572,608	23,572,559

(e) To record interest expense on the $12.5 million 8% convertible notes payable assuming a 24 month maturity and additional $26,662 for the six months ended June 30, 2007 and $461,323 for the twelve months ended December 31, 2006, respectively

Note 4 -- Pro Forma Adjustments - (continued)

(f) Pro forma adjustments to additional paid in capital are an aggregate of the following

To transfer HAQ paid in capital to retained earnings	$ (55,818,948)
To record the cancellation of derivative instruments	2,631,511
To record the exchange of PharmAthene preferred and common stock for HAQ common stock	71,429,539
	$ 18,242,102

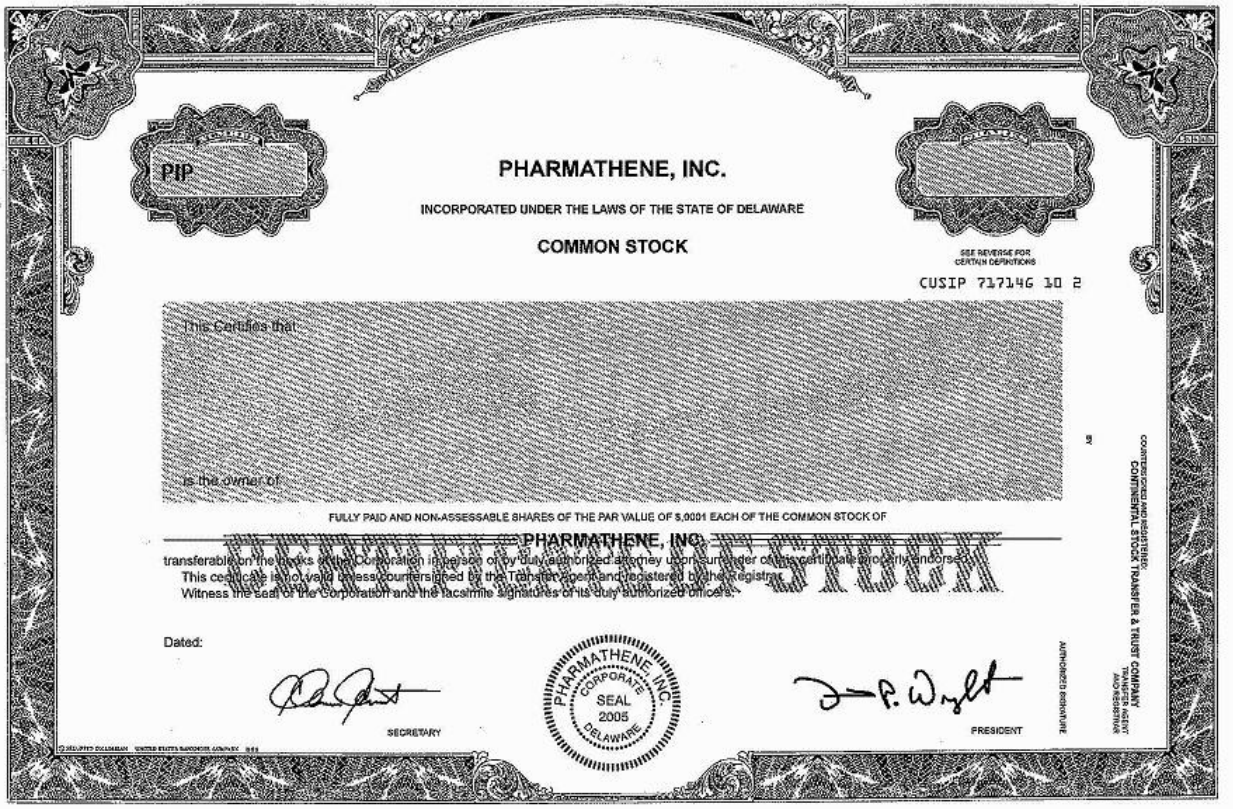
(g) Pro forma adjustments to accumulated deficit are an aggregate of the following

To record the transfer of HAQ capital to retained earnings	$ 55,818,948
To record the transfer of redeemable common stock to retained earnings	13,578,807
To record transaction costs	(3,947,000)
To record additional debt placement with the issuance of $12.5 million 8% convertible notes	(731,911)
To record additional debt interest	(26,661)
To record elimination of HAQ historic tax provision	71,888
To record purchase of common stock of stockholders not in favor of the Merger, includes interest income earned	(13,775,248)
	$ 50,988,823

(h) To record the elimination of historical HAQ tax provision of $71,888 and $187,000 for the six months ended June 30, 2007 and the twelve months ended December 31, 2006, respectively

(i) To record the elimination of historical PharmAthene accretion of redeemable convertible preferred stock

(j) To record elimination of historical PharmAthene change in market value of derivative instruments



PIP

PHARMATHENE, INC.

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

COMMON STOCK

SEE REVERSE FOR CERTAIN DEFINITIONS

CUSIP 71714G 10 2

This Certifies that

is the owner of

FULLY PAID AND NON-ASSESSABLE SHARES OF THE PAR VALUE OF $.0001 EACH OF THE COMMON STOCK OF

PHARMATHENE, INC.

transferable on the books of the Corporation in person or by duly authorized attorney upon surrender of this certificate properly endorsed.

This certificate is not valid unless countersigned by the Transfer Agent and registered by the registrar.

Witness the seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

SECRETARY

PHARMATHENE, INC. CORPORATE SEAL 2005 DELAWARE

PRESIDENT

AUTHORIZED SIGNATURE

COUNTERSIGNED AND REGISTERED: CONTINENTAL STOCK TRANSFER & TRUST COMPANY TRANSFER AGENT AND REGISTRAR

AUTHORIZED SIGNATURE

SPECIMEN

AMERICAN BANK NOTE COMPANY
711 ARMSTRONG LANE
COLUMBIA, TENNESSEE 38401
(931) 388-3003
SALES: R. JOHNS 615-731-2985
/ ETHER 7 / LIVE JOBS / P / Pharmathene 28051 FC

PRODUCTION COORDINATOR: MIKE PETERS 631-406-1774
PROOF OF AUGUST 25, 2007
PHARMATHENE, INC.
TSB 28051 FC
Operator: AP
NEW

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Employee Name: Camut Christopher C.
Last First Middle

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement"), dated as of December 22, 2006, ("Execution Date") is made by and between PharmAthene, Inc., a Delaware corporation ("Company"), and the individual identified herein ("Employee"). Company and Employee may each be referred as a "Party" and collectively as the "Parties" to this Agreement. The Parties hereby agree as follows:

BASIC TERMS

1. Employment. Company hereby employs Employee, and Employee hereby accepts Employment by Company. Employee shall initially serve as Vice President and Chief Financial Officer of Company.
Title of Employee

2. Commencement Date. January 4, 2007 ("Commencement Date").

3. Term. Employee's employment with Company shall begin on the Commencement Date and shall end as provided in this Agreement. The period from the Commencement Date to the effective date of termination of this Agreement is called the "Term".

4. At Will Employment. Employee's employment with Company is at-will, meaning that either Employee or Company may terminate Employee's employment at any time, with or without cause, for any or no reason.

5. Duties. Employee shall have such powers and duties as are assigned or delegated to Employee by Company. Employee will devote his entire business time, attention, skill, and energy exclusively to the business of Company, will use his best efforts to promote the success of Company's business, and will cooperate fully with the Board of Directors in the advancement of the best interests of Company.

6. Salary. Employee shall be paid an annual salary of $237,500, subject to adjustment as provided below ("Salary"). The Salary is payable in equal periodic installments according to Company's customary payroll practices, but no less frequently than monthly. The Salary will be reviewed by Company not less frequently than annually, and may be adjusted upward or downward in the sole discretion of Company.

7. Benefits. Employee shall, during the Term, be permitted to participate in such pension, profit-sharing, bonus, life insurance, hospitalization, major medical, and other Company employee benefit plans that may be in effect from time to time, to the extent Employee is eligible under the terms of those plans (collectively, "Benefits"). Company reserves the right to modify, suspend or discontinue any and all such Benefits at any time without recourse by Employee, provided that any such modification, suspension or discontinuance shall also apply generally to other employees of Company.

8. Leave; Holidays. Employee will be entitled to four (4) weeks paid vacation each fiscal year in accordance with Company's vacation policies in effect for its employees from time to time. Vacation must be taken by Employee at such time or times as approved by Company. Employee will also be entitled to the paid holidays and other paid leave set forth in Company's policies. Vacation days and holidays during any fiscal year that are not used by Employee during such fiscal year will be subject to any vacation days and holiday policy that Company may have in place from time to time.

9. Standard Terms and Conditions. THE STANDARD TERMS AND CONDITIONS ATTACHED HERETO AS EXHIBIT 1 SET FORTH CERTAIN DEFINITIONS TO CAPITALIZED TERMS, EMPLOYEE'S REQUIREMENT TO PROVIDE ELIGIBILITY DOCUMENTS, AND OTHER IMPORTANT PROVISIONS OF THIS AGREEMENT. SUCH STANDARD TERMS AND CONDITIONS AND ANY EXHIBITS, APPENDIXES, SCHEDULES, RIDERS OR ADDENDA HERETO ARE INCORPORATED HEREIN AND MADE A PART HEREOF BY THIS REFERENCE.

Employee Name: Camut Christopher C.
Last First Middle

10. Additional Provisions. The following provisions also apply to this Agreement (if blank, then there are NONE):

(a) Stock Options. Employee shall be granted a total of 800,000 stock options upon the Commencement Date, and such options shall be issued according to Company's stock option plan with Company as approved and voted on by the Board of Directors. These options will vest, subject to any stock option agreement between Company and Employee, 25% after one year following the Commencement Date ("First Anniversary Date"), and the remainder to vest on a pro-rata monthly basis over the next 36 months following the First Anniversary Date such that 100% of all such options shall be vested after four years from the Commencement Date. Employee will be eligible to receive further stock options, if any, as may be granted pursuant to any stock option plan the Board of Directors may have adopted from time to time.

(b) Cash Incentive. Employee will be eligible to participate in the cash incentive program as approved by the Board of Directors from time to time, with actual payment amount determined based upon Employee performance, as determined at the sole discretion of the Company, and with the approval of the Board of Directors, as a percentage of Employee's Salary, with your initial incentive to be up to 30% of the then Salary. The minimum cash incentive for the first year of employment will be $40,000, to be paid the first calendar quarter of 2008, concurrent with other annual corporate cash incentive payments.

(c) Severance. Subject to clauses (i) and (ii) below, Employee shall be granted a severance of Twelve (12) months ("Severance Period") of Employee's

then current salary upon termination of employment, payable on a pro rata basis over the Severance Period beginning the first day of the first full calendar month following the effective date of Employee's termination, and payable in consideration for and only after Employee executes a Separation Agreement and General Release under terms specified by Company.

(i) Employee shall not receive severance if Employee voluntarily resigns employment.

(ii) Employee shall not receive severance if Employee is terminated for: (1) failure to perform his or her obligations or duties, or (2) any dishonesty detrimental to Company, or other act or omission by Employee detrimental to Company's business, financial condition, reputation or good will, or damaging to its relationships with its employees, business partners, or other third parties, including, without limitation: (A) any habitual use of alcohol or illegal drugs such as to interfere with the performance of Employee's obligations hereunder; and (B) any conviction of a felony or of any crime involving fraud, embezzlement, misappropriation, or theft.

BY EXECUTING THIS AGREEMENT BELOW, THE PARTIES INDICATE THAT THEY HAVE READ AND UNDERSTOOD ALL TERMS AND CONDITIONS HEREOF AND AGREE TO BE BOUND LEGALLY BY THEM, ALL AS OF THE EXECUTION DATE.

COMPANY	EMPLOYEE
PHARMATHENE, INC.	
By: ----------	/s/ Christopher C. Camut ----------
Name: David P. Wright	Name: Christopher C. Camut
Title: President & CEO	
175 Admiral Cochrane Drive, Suite 400	
Annapolis, MD 21401	
Telephone: 410-571-8920	Telephone:
Facsimile: 410-571-8927	Facsimile:
E-mail:	E-mail:

ATTACHMENTS

Exhibit 1	-	Standard Terms and Conditions
Schedule 2(d) to Exhibit 1	-	Prior Works Or Inventions

Employee Name: Camut Christopher C.
Last First Middle

EXHIBIT 1

STANDARD TERMS AND CONDITIONS

1. Tax Matters; Expense Reimbursement. Payments to Employee of all compensation contemplated under this Agreement shall be subject to all applicable legal requirements with respect to the withholding of taxes. Employee shall be entitled to reimbursement by Company for all direct out-of-pocket expenditures made by him or her on Company's behalf in the performance of his or her services under this Agreement, subject to any reasonable record keeping, reporting and other requirements imposed from time to time by Company.

2. Confidentiality.

(a) Obligations. Employee shall preserve and protect the confidentiality of Confidential Information both during and after his or her employment with or by Company. In addition, Employee shall not to, at any time during the Term or thereafter, (i) disclose or disseminate Confidential Information to any third party, including without limitation employees or consultants of Company without a legitimate business need to know, (ii) remove Confidential Information from Company's premises or make copies of Confidential Information, except as required to perform Employee's job, or (iii) use Confidential Information for Employee's own benefit or for the benefit of any third party. Employee shall also take all actions necessary to avoid unauthorized disclosure and otherwise to maintain the confidential or proprietary nature of such Confidential Information. If Employee is not certain whether or not information is confidential, Employee will treat that information as Confidential Information until Employee has verification from Company's Personnel Officer that the information is not Confidential Information.

(b) Exceptions. The obligations in this Exhibit 1 - Section 2 do not apply to any information that Employee can establish (i) has become publicly known without a breach of this Agreement by Employee or a third party's breach of an agreement to maintain the confidentiality of the information or (ii) was developed by Employee prior to the Execution Date, and prior to the date any earlier Confidentiality Agreement of the Company was signed, if the date of development can be established by documentary evidence.

(c) Former Employer Information. Employee will not, during the Term, (i) improperly use or disclose any proprietary information or trade secrets of any former or current employer or any other person or entity or (ii) bring onto the premises of Company any unpublished document or proprietary information belonging to any such employer, person or entity unless consented to in writing by such employer, person or entity.

(d) Inventions and Works Retained and Licensed. Employee attaches hereto, as "Schedule 2(d) to Exhibit 1: Prior Works and Inventions", a list describing all Inventions, original works of authorship, developments, improvements, and trade secrets which were made by Employee prior to his or her employment with or by Company (collectively "Prior Works or Inventions"), which belong to Employee, which relate to Company's business, products, or research and development, and which are not assigned to Company hereunder, or, if no such list is attached or such list is blank, Employee represents that there are no such Prior Works or Inventions. If, in the course of employment with or by Company, Employee incorporates into a Company product, process or machine a Prior Work or Invention owned by Employee or in which Employee has an interest, Company is hereby granted and shall have a nonexclusive, royalty-free, assignable, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell such Prior Work or Invention as part of or in connection with such product, process or machine.

(e) Ownership of Works. Company owns all right, title and interest, including without limitation trade secrets, patents and copyrights, in the following works that Employee creates, makes, conceives or reduces to practice, solely or jointly (i) works that are created using Company's facilities, supplies, information, trade secrets or time, (ii) works that relate directly or indirectly to or arise out of the actual or proposed business of Company, including, without limitation the research and development activities of Company, (iii) works that relate directly or indirectly to or arise out of any task assigned to Employee or work Employee performs for Company or (iv) works that are based on Confidential Information (collectively "Works"). Because these Works will inevitably be based upon or somehow involve Company's business, products, services or methodologies, Employee agrees that the Works will belong to the Company even if Employee creates, makes, conceives or reduces them to practice on his or her own time, using his or her own equipment, on Company's premises or elsewhere or after termination of Employee's employment with or by Company. The Works belonging to Company, include, without limitation program code and documentation. Employee will promptly provide full written disclosure to an officer of Company of any Works Employee creates, makes, conceives or reduces to practice, solely or jointly. To the extent that the Works do not qualify as works made for hire under U.S. copyright law, Employee irrevocably assigns to Company the ownership of, and all rights of copyright in, the Works. Company will have the right to hold in its own name all rights in the Works, including without limitation all rights of copyright, trade secrets and trademark. Employee also waives all claims to moral rights in any Works. Employee acknowledges and agrees that any and all patents, patent applications or other intellectual property rights relating to the Works are to be the exclusive property of Company.

(f) Inventions; Ownership. (i) Employee shall irrevocably assign to Company Employee's entire right, title and interest in any Invention. Employee will promptly make full written disclosure to an officer of Company of any Inventions Employee creates, makes, conceives or reduces to practice, solely or jointly. Employee also waives all claims to moral rights in any Inventions. Employee acknowledges and agrees that any and all patents, patent applications or other intellectual property rights relating to the Inventions are the exclusive property of Company.

(ii) Employee shall cooperate fully with Company, both during and after Employee's employment with or by Company, with respect to the procurement, maintenance and enforcement of copyrights, patents and other intellectual property rights (both in the United States and foreign countries) relating to Works and/or Inventions. Employee shall execute and deliver all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignments of priority rights, and powers of attorney, which Company may deem necessary or desirable to protect its rights and interests in any Works and/or Inventions, and if Company is unable, after reasonable effort, to secure Employee's signature on any such papers, any executive officer of Company shall be entitled to execute any such papers as Employee's agent and attorney-in-fact. Employee hereby irrevocably designates and appoints each executive officer of Company as Employee's agent and attorney-

in-fact to execute any such papers on Employee's behalf, and to take any and all actions as Company may deem necessary or desirable to protect its rights and interests in any Works and/or Inventions, under the conditions described in the preceding sentence.

(g) Maintenance of Records. Employee shall keep and maintain adequate and current written records of all Works and Inventions made by Employee (solely or jointly with others) during the Term with or by Company. The records will be in the form of notes, sketches, drawings, and any other format that may be specified by Company. The records will be available to and remain the sole property of Company at all times.

(h) Return of Confidential Information. Employee shall return to Company all Confidential Information in Employee's possession, custody or control immediately upon Employee's termination from Company, or earlier if Company requests.

(i) Notification of New Employer. In the event Employee leaves the employ of Company or ceases to serve as a consultant to Company, Employee hereby grants consent to notification by Company to Employee's new employer about Employee's rights and obligations under this Agreement.

3. Noncompetition; Non-solicitation of Employees.

(a) Noncompetition. (i) Company is engaged an a unique and specialized industry, and faces competition on a worldwide basis. Employee, through his or her association with Company as an employee or consultant, will acquire a considerable amount of knowledge and goodwill with respect to the business of Company, which knowledge and goodwill are extremely valuable to Company and which would be extremely detrimental to Company if used by Employee to compete with Company. It is, therefore, understood and agreed by Employee and Company that, because of the nature of the business Company, it is necessary to afford fair protection to Company from such competition by Employee. Consequently, while Employee is employed with or by Company and for a period of 12 months after termination of such employment (for any reason whatsoever, whether voluntary or involuntarily), Employee will not, whether alone or as a partner, officer, director, consultant, agent, employee or stockholder of any company or their commercial enterprise, directly or indirectly engage in any business or other activity anywhere in the world which is competitive with, or render services to any firm or business organization which competes with, Company in the business of research, discovery and/or development of human therapeutics and vaccines for infectious diseases that are being actively researched, discovered or developed by Company at the time of termination of such employment. The foregoing prohibition shall not prevent Employee's employment or engagement after termination if such employment or engagement, in any capacity, does not involve work or matters related to the business of research, discovery and/or development of human therapeutics and vaccines for infectious diseases that are being actively researched, discovered or developed by Company at the time of termination of Employee's employment.

(ii) Nothing in Exhibit 1 - Section 3, however, will prevent Employee from engaging in additional activities in connection with personal investments and community affairs that are not inconsistent with Employee's duties under this Agreement. Employee shall be permitted to own securities of a public company not in excess of five percent (5%) of any class of such securities and to own stock partnership interests or other securities of any entity not in excess of five percent (5%) of any class of such securities and such ownership shall not be considered to be competition with Company.

(b) Reasonableness. Company and Employee agree and acknowledge that the noncompetition clause described in Exhibit 1 - Section 3(a) above is made in consideration of substantial compensation payable under this Agreement. In consequence of this Company and Employee agree and acknowledge that the duration, scope, and geographic area included in such covenant not to compete are fair, reasonable, necessary, and appropriate, and will not prevent Employee from engaging in profitable business activities or employment.

(c) Non-Solicitation. During and for 12 months after termination of Employee's employment for any reason, Employee shall not, directly or indirectly solicit, recruit or hire any employee of Company to work for a third party which competes with Company in the business of research, discovery and/or development of human therapeutics and vaccines for infectious diseases that are being actively researched, discovered or developed by Company at the time of termination, or engage in any activity that would cause any employee to violate any agreement with Company.

4. Representations and Warranties. Employee represents and warrants that (a) Employee is able to perform the duties of his or her position, (b) the execution and delivery of this Agreement, and the performance of Employee's duties and obligations hereunder, will not, with or without the giving of notice or the passage of time, or both, (i) conflict with, result in the breach of any provisions of or the termination of, or constitute a default under, any agreements or understandings between Employee and other persons or companies, or (ii) violate any judgment, writ, injunction, or order of any court, arbitrator, or governmental agency applicable to Employee, and (c) all information provided by Employee to Company is true and accurate.

5. Severability. If any term or other provision of this Agreement is determined by any arbitrator or court of competent jurisdiction to be invalid, illegal, or unenforceable in whole or in part by reason of any applicable law or public policy, and such determination becomes final and nonappealable, such term or other provision shall remain in full force and effect to the fullest extent permitted by Law, and all other terms and provisions shall remain in full force and effect in their entirety. Without limiting the generality of the foregoing, if the duration, scope, or area of restrictions set forth in Exhibit 1 - Section 3 are determined by arbitrator or any court of competent jurisdiction to be invalid, illegal, or unenforceable in whole or in part by reason of any applicable Law or public policy now or hereafter existing, such restrictions

shall be interpreted, modified, or rewritten to include as much of such duration, scope or areas as will render such restrictions valid and enforceable.

6. Assignment. Employee shall not assign all or any part of Employee's rights or delegate its obligations hereunder by operation of Law or otherwise without Company's express written consent (which consent may be granted or withheld in Company's sole and absolute discretion).

7. Entire Agreement; Amendment; Waivers.

(a) Entire Agreement. This Agreement constitutes the entire Agreement between the Parties with respect to the subject matter hereof, and supersedes all previous agreements, understandings, commitments or representations concerning the subject matter contained in this Agreement. Each Party acknowledges that the other Party has not made any representations other than those that are contained herein.

Employee Name: Camut Christopher C.
Last First Middle

(b) Amendments; Waiver. Except for amendments or modifications in accordance with certain provisions of this Agreement, this Agreement may not be amended or modified in any way, except by a writing signed by an authorized officer of Company and by Employee, and none of its provisions may be waived, except by a written waiver signed by the waiving Party. No failure to act by Company will waive any right contained in this Agreement. Any waiver by Company must be in writing and signed by an officer of Company to be effective.

8. Successors and Assigns: No Third-Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of the Parties and their respective successors and permitted assigns. Nothing herein, whether express or implied, is intended to or shall confer upon any other Person any legal or equitable right, power, or remedy of any kind, nature, or description whatsoever under or by reason hereof.

9. Dispute Resolution.

(a) Arbitration. Any and all disputes or claims arising during the course of employment, or arising out of the termination of employment, or arising in the interpretation of this Agreement, between Employee and Company which cannot be resolved through good faith negotiation, shall be resolved in accordance with the provisions of this Section by mandatory arbitration, provided, however, that the arbitration requirement shall not apply to Company seeking damages or injunctive relief described in Exhibit 1 - Section 9(c), if such relief is available under applicable law. Except as otherwise provided in this Agreement, if any controversy should arise between the Parties in as a result of Employee's employment relationship with Company, or the performance, interpretation or application of this Agreement, either Party may serve upon the other a written notice stating that such Party desires to have such controversy reviewed by a board of three arbitrators and naming the person whom such Party has designated to act as an arbitrator. Within 10 days after receipt of such notice, the other Party shall designate an individual to act as arbitrator and shall notify the Party requesting arbitration of such designation and the name of the individual so designated. The two arbitrators so designated shall promptly select a third arbitrator, and if they are not able to agree on such third arbitrator within 10 days, then either arbitrator, on 10 days notice in writing to the other, or both arbitrators, shall apply to the American Arbitration Association to designate and appoint such third arbitrator. If the Party upon whom a written request for arbitration is served shall fail to designate its arbitrator within 10 days after receipt of such notice, then the arbitrator designated by the Party requesting arbitration shall act as the sole arbitrator and shall be deemed to be the single, mutually approved arbitrator to resolve such controversy. All documents, testimony, and records relating to any such arbitration will be maintained in secrecy and will be available for inspection by Company, Employee and their representative attorneys and experts, who will agree, in advance and in writing, to receive and maintain all such information in secrecy, except as may be limited by them in writing.

(b) Binding Nature. The decision and award of a majority of the arbitrators, or of such sole arbitrator, shall be binding upon both Employee and Company and shall be enforceable in any court of competent jurisdiction. Such decision and award may allocate the costs of such arbitration to one of the Parties or disproportionately between the Parties. The arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association.

(c) Damages; Injunctive Relief. (i) Employee's obligations under this Agreement have a unique and substantial value to Company and Employee remains obligated even if he or she voluntarily or involuntarily leaves Company's employment. Employee understands that if Employee violates this Agreement during or after his or her employment Company may be able to recover monetary damages from Employee and/or the other relief described below.

(ii) A violation or even a threatened violation of this Agreement is likely to result in irreparable harm to Company and monetary damages alone would not completely compensate Company for the harm. Accordingly, Company may obtain an injunction prohibiting Employee from violating Section 2 and Section 3 of Exhibit 1 of this Agreement, an order requiring Employee to render specific performance of the Agreement, and/or other appropriate equitable remedies.

(iii) If an arbitrator or court determines that Employee has breached or attempted or threatened to breach Section 2 or Section 3 of Exhibit 1 of this Agreement, Employee acknowledges that such a breach would cause irreparable harm to Company, and Employee consents to the granting of an injunction restraining Employee from further breaches or attempted or threatened breaches of this Agreement, compelling Employee to comply with this Agreement, and/or prescribing other equitable remedies.

10. Governing Law. This Agreement, and any other disputes or claims arising out of Employee's employment, including all arbitrated disputes, shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without regard to its conflict of laws provisions. Suit to enforce any provision of this Agreement or to obtain any remedy with respect hereto may be brought in a court of the State of Maryland for this purpose, Employee expressly consents to the jurisdiction of said courts.

11. Notices. All notices and other communications from one Party to the other shall be in writing and shall be deemed received upon (a) actual receipt when personally delivered, (b) electronic confirmation of receipt if sent by electronic mail, (c) electronic confirmation of receipt if sent by facsimile, (d) expiration of the 5th business day after being deposited in the United States mails, postage prepaid, certified or registered mail or (e) expiration of one business day after being deposited during the regular business hours for next-day delivery and prepaid for overnight delivery with a national overnight courier company, addressed to the other Party as set forth on the signature page. Each Party may change its address by giving the other Party notice thereof in conformity with this Section.

12. Definitions. For purposes of this Agreement:

(a) "Agreement" means the agreement, and each such exhibit, appendix, schedule, rider or addendum attached thereto as they may be amended, restated, supplemented or modified from time to time.

(b) "Confidential Information" means confidential, proprietary or trade secret information relating to Company's past, present or future (i) products, processes, formulas, patterns, compositions, compounds, projects, specifications, know how, research data, clinical data, personnel data, compilations, programs, devices, methods, techniques, inventions, software, and

improvements thereto, (ii) research and development activities, (iii) designs and technical data, (iv) marketing or business development activities, including without limitation prospective or actual bids or proposals, pricing information and financial information, (v) customers or suppliers or (vi) other administrative, management, planning, financial, marketing, purchasing or manufacturing activities. All of this type of information, whether it belongs to Company or was provided to Company by a third party with the understanding that it be kept confidential, and any documents, diskettes or other storage media, or other materials or items containing this type of information, are proprietary and confidential to Company.

(c) "Invention" means any invention, modification, design, program code, software, documentation, formula, data, know how, technique, process, method, device, discovery, improvement, developments, or works of authorship and all related patents, patent applications, copyrights and copyright applications whether patentable or not, created, made, conceived or reduced to practice, solely or jointly by Employee whether or not during normal working hours or on Employee's own time, using Employee's own equipment, on the premises of Company or elsewhere, or after termination of Employee's employment with or by Company that (i) is created using Company's facilities, supplies, information, trade secrets or time, (ii) relates directly or indirectly to or arises out of the actual or proposed business, including without limitation the research and development activities, of Company, (iii) relates directly or indirectly to or arises out of any task assigned to Employee or work Employee performs for Company or (iv) is based on Confidential Information.

(d) "Law" means any federal, state, local, municipal, foreign, international, multinational, or other administrative order, constitution, law, ordinance, principle of common law, regulation, statute, or treaty.

(e) "Person" means any individual, partnership, firm, corporation, limited liability company, joint venture, association, trust, unincorporated organization, or other entity.

13. Indemnification. Employee shall indemnify and hold Company harmless from:

(a) any and all damages, claims, costs and expenses based on, or arising from, the breach of any agreement or understanding between Employee and another person or company, and

(b) Employee's use or disclosure of any Confidential Information or trade secrets Employee obtained from sources other than Company.

14. Miscellaneous Provisions.

(a) Construction. Each Party has participated equally in the preparation and negotiation of this Agreement, and each Party hereby unconditionally and irrevocably waives to the fullest extent permitted by law any rule of interpretation or construction requiring that this Agreement be interpreted or construed against the drafting Party.

(b) Order of Precedence. In the event of any conflict between a provision or provisions set forth under the Basic Terms heading in this Agreement and any exhibit, appendix, schedule, rider or addendum, the provision or provisions set forth under such Basic Terms shall control unless the exhibit, appendix, schedule, rider or addendum specifically provides otherwise.

(c) Headings. The descriptive headings contained herein are for convenience of reference only and shall not affect in any way the meaning, construction, or interpretation of any term or provision hereof.

(d) Counterparts. This Agreement may be executed in any number of counterparts and by the different parties in separate counterparts, each of which when executed shall be deemed an original, and all of which taken together shall constitute one and the same Agreement with the same effect as if such signatures were upon the same document. Delivery of an executed counterpart hereof via facsimile shall be as effective as delivery of a manually executed counterpart hereof.

(e) Eligibility Documents. Employee shall provide Company with true and correct documents ("Eligibility Documents") identifying Employee's eligibility to work in the United States (see back of 1-9 form for list of acceptable documents) on or before the Commencement Date. Employee will need these documents to begin employment.

Employee Name: Camut Christopher C.

Last First Middle

SCHEDULE 2(d) TO EXHIBIT 1

PRIOR WORKS OR INVENTIONS

The following are Employee's Prior Works Or Inventions as defined in Section 3(d) of Exhibit 1 of this Agreement. If blank, then there are NONE.

Employee Name: Cook (Last) Francesca (First) Marie (Middle)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement"), dated as of November 3, 2003, ("Execution Date") is made by and between PharmAthene, Inc., a Delaware corporation ("Company"), and the individual identified herein ("Employee"). Company and Employee may each be referred as a "Party" and collectively as the "Parties" to this Agreement. The Parties hereby agree as follows:

BASIC TERMS

1. Employment. Company hereby employs Employee, and Employee hereby accepts Employment by Company. Employee shall initially serve as Vice President Policy & Government Affairs of Company.
- (Title of Employee)

2. Commencement Date. October 14, 2003 ("Commencement Date").

3. Term. Employee's employment with Company shall begin on the Commencement Date and shall end as provided in this Agreement. The period from the Commencement Date to the effective date of termination of this Agreement is called the "Term".

4. At Will Employment. Employee's employment with Company is at-will, meaning that either Employee or Company may terminate Employee's employment at any time, with or without cause, for any or no reason.

5. Duties. Employee shall have such powers and duties as are assigned or delegated to Employee by Company. Employee will devote his entire business time, attention, skill, and energy exclusively to the business of Company, will use his best efforts to promote the success of Company's business, and will cooperate fully with the Board of Directors in the advancement of the best interests of Company.

6. Salary. Employee shall be paid an annual salary of $150,000, subject to adjustment as provided below ("Salary"). The Salary is payable in equal periodic installments according to Company's customary payroll practices, but no less frequently than monthly. The Salary will be reviewed by Company not less frequently than annually, and may be adjusted upward or downward in the sole discretion of Company.

7. Benefits. Employee shall, during the Term, be permitted to participate in such pension, profit-sharing, bonus, life insurance, hospitalization, major medical, and other Company employee benefit plans that may be in effect from time to time, to the extent Employee is eligible under the terms of those plans (collectively, "Benefits"). Company reserves the right to modify, suspend or discontinue any and all such Benefits at any time without recourse by Employee, provided that any such modification, suspension or discontinuance shall also apply generally to other employees of Company.

8. Leave; Holidays. Employee will be entitled to 4 weeks paid vacation each fiscal year in accordance with Company's vacation policies in effect for its employees from time to time. Vacation must be taken by Employee at such time or times as approved by Company. Employee will also be entitled to the paid holidays and other paid leave set forth in Company's policies. Vacation days and holidays during any fiscal year that are not used by Employee during such fiscal year will be subject to any vacation days and holiday policy that Company may have in place from time to time.

9. Standard Terms and Conditions. THE STANDARD TERMS AND CONDITIONS ATTACHED HERETO AS EXHIBIT 1 SET FORTH CERTAIN DEFINITIONS TO CAPITALIZED TERMS, EMPLOYEE'S REQUIREMENT TO PROVIDE ELIGIBILITY DOCUMENTS, AND OTHER IMPORTANT PROVISIONS OF THIS AGREEMENT. SUCH STANDARD TERMS AND CONDITIONS AND ANY EXHIBITS, APPENDIXES, SCHEDULES, RIDERS OR ADDENDA HERETO ARE INCORPORATED HEREIN AND MADE A PART HEREOF BY THIS REFERENCE.

Employee Name: Cook (Last) Francesca (First) Marie (Middle)

10. Additional Provisions. The following provisions also apply to this Agreement (if blank, then there are NONE):

(a) Stock Options. Employee shall be granted a total of 100,000 stock options upon the Commencement Date, and such options shall be issued according to Company's stock option plan with Company as approved and voted on by the Board of Directors. These options will vest, subject to any stock option agreement between Company and Employee, 25% after one year following the Commencement Date ("First Anniversary Date"), and the remainder to vest on a pro-rata monthly basis over the next 36 months following the First Anniversary Date such that 100% of all such options shall be vested after four years from the Commencement Date. Employee will be eligible to receive further stock options, if any, as may be granted pursuant to any stock option plan the Board of Directors may have adopted from time to time.

(b) Severance. Subject to clauses (i) and (ii) below, Employee shall be granted a severance of 6 months ("Severance Period") of Employee's then current salary upon termination of employment, payable on a pro rata basis over the Severance Period beginning the first day of the first full calendar month following the effective date of Employee's termination, and payable in consideration for and only after Employee executes a Separation Agreement and General Release under terms specified by Company.

(i) Employee shall not receive severance if Employee voluntarily resigns employment.

(ii) Employee shall not receive severance if Employee is terminated for: (1) failure to perform his or her obligations or duties, or (2) any dishonesty detrimental to Company, or other act or omission by Employee detrimental to Company's business, financial condition, reputation or good will, or damaging to its relationships with its employees, business partners, or other third parties, including, without limitation: (A) any habitual use of alcohol or illegal drugs such as to interfere with the performance of Employee's obligations hereunder; and (B) any conviction of a felony or of any crime involving fraud, embezzlement, misappropriation, or theft.

BY EXECUTING THIS AGREEMENT BELOW, THE PARTIES INDICATE THAT THEY HAVE READ AND UNDERSTOOD ALL TERMS AND CONDITIONS HEREOF AND AGREE TO BE BOUND LEGALLY BY THEM, ALL AS OF THE EXECUTION DATE.

COMPANY	EMPLOYEE
PHARMATHENE, INC.	
By: /s/ David P. Wright	/s/ Francesca M. Cook
Name: David P. Wright	Name: Francesca Cook
Title: President & CEO	
175 Admiral Cochrane Drive, Suite 400	
Annapolis, MD 21401	
Telephone: 410-571-8920	Telephone:
Facsimile: 410-571-8927	Facsimile:
E-mail:	E-mail:

ATTACHMENTS

Exhibit 1	-	Standard Terms and Conditions
Schedule 2(d) to Exhibit 1	-	Prior Works Or Inventions

Employee Name: Cook Francesca Marie

Last First Middle

EXHIBIT 1

STANDARD TERMS AND CONDITIONS

1. Tax Matters; Expense Reimbursement. Payments to Employee of all compensation contemplated under this Agreement shall be subject to all applicable legal requirements with respect to the withholding of taxes. Employee shall be entitled to reimbursement by Company for all direct out-of-pocket expenditures made by him or her on Company's behalf in the performance of his or her services under this Agreement, subject to any reasonable record keeping, reporting and other requirements imposed from time to time by Company.

2. Confidentiality.

(a) Obligations. Employee shall preserve and protect the confidentiality of Confidential Information both during and after his or her employment with or by Company. In addition, Employee shall not to, at any time during the Term or thereafter, (i) disclose or disseminate Confidential Information to any third party, including without limitation employees or consultants of Company without a legitimate business need to know, (ii) remove Confidential Information from Company's premises or make copies of Confidential Information, except as required to perform Employee's job, or (iii) use Confidential Information for Employee's own benefit or for the benefit of any third party. Employee shall also take all actions necessary to avoid unauthorized disclosure and otherwise to maintain the confidential or proprietary nature of such Confidential Information. If Employee is not certain whether or not information is confidential, Employee will treat that information as Confidential Information until Employee has verification from Company's Personnel Officer that the information is not Confidential Information.

(b) Exceptions. The obligations in this Exhibit 1 - Section 2 do not apply to any information that Employee can establish (i) has become publicly known without a breach of this Agreement by Employee or a third party's breach of an agreement to maintain the confidentiality of the information or (ii) was developed by Employee prior to the Execution Date, and prior to the date any earlier Confidentiality Agreement of the Company was signed, if the date of development can be established by documentary evidence.

(c) Former Employer Information. Employee will not, during the Term, (i) improperly use or disclose any proprietary information or trade secrets of any former or current employer or any other person or entity or (ii) bring onto the premises of Company any unpublished document or proprietary information belonging to any such employer, person or entity unless consented to in writing by such employer, person or entity.

(d) Inventions and Works Retained and Licensed. Employee attaches hereto, as "Schedule 2(d) to Exhibit 1: Prior Works and Inventions", a list describing all Inventions, original works of authorship, developments, improvements, and trade secrets which were made by Employee prior to his or her employment with or by Company (collectively "Prior Works or Inventions"), which belong to Employee, which relate to Company's business, products, or research and development, and which are not assigned to Company hereunder, or, if no such list is attached or such list is blank, Employee represents that there are no such Prior Works or Inventions. If, in the course of employment with or by Company, Employee incorporates into a Company product, process or machine a Prior Work or Invention owned by Employee or in which Employee has an interest, Company is hereby granted and shall have a nonexclusive, royalty-free, assignable, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell such Prior Work or Invention as part of or in connection with such product, process or machine.

(e) Ownership of Works. Company owns all right, title and interest, including without limitation trade secrets, patents and copyrights, in the following works that Employee creates, makes, conceives or reduces to practice, solely or jointly (i) works that are created using Company's facilities, supplies, information, trade secrets or time, (ii) works that relate directly or indirectly to or arise out of the actual or proposed business of Company, including, without limitation the research and development activities of Company, (iii) works that relate directly or indirectly to or arise out of any task assigned to Employee or work Employee performs for Company or (iv) works that are based on Confidential Information (collectively "Works"). Because these Works will inevitably be based upon or somehow involve Company's business, products, services or methodologies, Employee agrees that the Works will belong to the Company even if Employee creates, makes, conceives or reduces them to practice on his or her own time, using his or her own equipment, on Company's premises or elsewhere or after termination of Employee's employment with or by Company. The Works belonging to Company, include, without limitation program code and documentation. Employee will promptly provide full written disclosure to an officer of Company of any Works Employee creates, makes, conceives or reduces to practice, solely or jointly. To the extent that the Works do not qualify as works made for hire under U.S. copyright law, Employee irrevocably assigns to Company the ownership of, and all rights of copyright in, the Works. Company will have the right to hold in its own name all rights in the Works, including without limitation all rights of copyright, trade secrets and trademark. Employee also waives all claims to moral rights in any Works. Employee acknowledges and agrees that any and all patents, patent applications or other intellectual property rights relating to the Works are to be the exclusive property of Company.

(f) Inventions; Ownership. (i) Employee shall irrevocably assign to Company Employee's entire right, title and interest in any Invention. Employee will promptly make full written disclosure to an officer of Company of any Inventions Employee creates, makes, conceives or reduces to practice, solely or jointly. Employee also waives all claims to moral rights in any Inventions. Employee acknowledges and agrees that any and all patents, patent applications or other intellectual property rights relating to the Inventions are the exclusive property of Company.

(ii) Employee shall cooperate fully with Company, both during and after Employee's employment with or by Company, with respect to the procurement, maintenance and enforcement of copyrights, patents and other intellectual property rights (both in the United States and foreign countries) relating to Works and/or Inventions. Employee shall execute and deliver all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignments of priority rights, and powers of attorney, which Company may deem necessary or desirable to protect its rights and interests in any Works and/or Inventions, and if Company is unable, after reasonable effort, to secure Employee's signature on any such papers, any executive officer of Company shall be entitled to execute any such papers as Employee's agent and attorney-in-fact. Employee hereby irrevocably designates and appoints each executive officer of Company as Employee's agent and attorney-

in-fact to execute any such papers on Employee's behalf, and to take any and all actions as Company may deem necessary or desirable to protect its rights and interests in any Works and/or Inventions, under the conditions described in the preceding sentence.

(g) Maintenance of Records. Employee shall keep and maintain adequate and current written records of all Works and Inventions made by Employee (solely or jointly with others) during the Term with or by Company. The records will be in the form of notes, sketches, drawings, and any other format that may be specified by Company. The records will be available to and remain the sole property of Company at all times.

(h) Return of Confidential Information. Employee shall return to Company all Confidential Information in Employee's possession, custody or control immediately upon Employee's termination from Company, or earlier if Company requests.

(i) Notification of New Employer. In the event Employee leaves the employ of Company or ceases to serve as a consultant to Company, Employee hereby grants consent to notification by Company to Employee's new employer about Employee's rights and obligations under this Agreement.

3. Noncompetition; Non-solicitation of Employees.

(a) Noncompetition. (i) Company is engaged an a unique and specialized industry, and faces competition on a worldwide basis. Employee, through his or her association with Company as an employee or consultant, will acquire a considerable amount of knowledge and goodwill with respect to the business of Company, which knowledge and goodwill are extremely valuable to Company and which would be extremely detrimental to Company if used by Employee to compete with Company. It is, therefore, understood and agreed by Employee and Company that, because of the nature of the business Company, it is necessary to afford fair protection to Company from such competition by Employee. Consequently, while Employee is employed with or by Company and for a period of 12 months after termination of such employment (for any reason whatsoever, whether voluntary or involuntarily), Employee will not, whether alone or as a partner, officer, director, consultant, agent, employee or stockholder of any company or their commercial enterprise, directly or indirectly engage in any business or other activity anywhere in the world which is competitive with, or render services to any firm or business organization which competes with, Company in the business of research, discovery and/or development of human therapeutics and vaccines for infectious diseases that are being actively researched, discovered or developed by Company at the time of termination of such employment. The foregoing prohibition shall not prevent Employee's employment or engagement after termination if such employment or engagement, in any capacity, does not involve work or matters related to the business of research, discovery and/or development of human therapeutics and vaccines for infectious diseases that are being actively researched, discovered or developed by Company at the time of termination of Employee's employment.

(ii) Nothing in Exhibit 1 - Section 3, however, will prevent Employee from engaging in additional activities in connection with personal investments and community affairs that are not inconsistent with Employee's duties under this Agreement. Employee shall be permitted to own securities of a public company not in excess of five percent (5%) of any class of such securities and to own stock partnership interests or other securities of any entity not in excess of five percent (5%) of any class of such securities and such ownership shall not be considered to be competition with Company.

(b) Reasonableness. Company and Employee agree and acknowledge that the noncompetition clause described in Exhibit 1 - Section 3(a) above is made in consideration of substantial compensation payable under this Agreement. In consequence of this Company and Employee agree and acknowledge that the duration, scope, and geographic area included in such covenant not to compete are fair, reasonable, necessary, and appropriate, and will not prevent Employee from engaging in profitable business activities or employment.

(c) Non-Solicitation. During and for 12 months after termination of Employee's employment for any reason, Employee shall not, directly or indirectly solicit, recruit or hire any employee of Company to work for a third party which competes with Company in the business of research, discovery and/or development of human therapeutics and vaccines for infectious diseases that are being actively researched, discovered or developed by Company at the time of termination, or engage in any activity that would cause any employee to violate any agreement with Company.

4. Representations and Warranties. Employee represents and warrants that (a) Employee is able to perform the duties of his or her position, (b) the execution and delivery of this Agreement, and the performance of Employee's duties and obligations hereunder, will not, with or without the giving of notice or the passage of time, or both, (i) conflict with, result in the breach of any provisions of or the termination of, or constitute a default under, any agreements or understandings between Employee and other persons or companies, or (ii) violate any judgment, writ, injunction, or order of any court, arbitrator, or governmental agency applicable to Employee, and (c) all information provided by Employee to Company is true and accurate.

5. Severability. If any term or other provision of this Agreement is determined by any arbitrator or court of competent jurisdiction to be invalid, illegal, or unenforceable in whole or in part by reason of any applicable law or public policy, and such determination becomes final and nonappealable, such term or other provision shall remain in full force and effect to the fullest extent permitted by Law, and all other terms and provisions shall remain in full force and effect in their entirety. Without limiting the generality of the foregoing, if the duration, scope, or area of restrictions set forth in Exhibit 1 - Section 3 are determined by arbitrator or any court of competent jurisdiction to be invalid, illegal, or unenforceable in whole or in part by reason of any applicable Law or public policy now or hereafter existing, such restrictions

shall be interpreted, modified, or rewritten to include as much of such duration, scope or areas as will render such restrictions valid and enforceable.

6. Assignment. Employee shall not assign all or any part of Employee's rights or delegate its obligations hereunder by operation of Law or otherwise without Company's express written consent (which consent may be granted or withheld in Company's sole and absolute discretion).

7. Entire Agreement; Amendment; Waivers.

(a) Entire Agreement. This Agreement constitutes the entire Agreement between the Parties with respect to the subject matter hereof, and supersedes all previous agreements, understandings, commitments or representations concerning the subject matter contained in this Agreement. Each Party acknowledges that the other Party has not made any representations other than those that are contained herein.

Employee Name: Cook Francesca Marie
Last First Middle

(b) Amendments; Waiver. Except for amendments or modifications in accordance with certain provisions of this Agreement, this Agreement may not be amended or modified in any way, except by a writing signed by an authorized officer of Company and by Employee, and none of its provisions may be waived, except by a written waiver signed by the waiving Party. No failure to act by Company will waive any right contained in this Agreement. Any waiver by Company must be in writing and signed by an officer of Company to be effective.

8. Successors and Assigns: No Third-Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of the Parties and their respective successors and permitted assigns. Nothing herein, whether express or implied, is intended to or shall confer upon any other Person any legal or equitable right, power, or remedy of any kind, nature, or description whatsoever under or by reason hereof.

9. Dispute Resolution.

(a) Arbitration. Any and all disputes or claims arising during the course of employment, or arising out of the termination of employment, or arising in the interpretation of this Agreement, between Employee and Company which cannot be resolved through good faith negotiation, shall be resolved in accordance with the provisions of this Section by mandatory arbitration, provided, however, that the arbitration requirement shall not apply to Company seeking damages or injunctive relief described in Exhibit 1 - Section 9(c), if such relief is available under applicable law. Except as otherwise provided in this Agreement, if any controversy should arise between the Parties in as a result of Employee's employment relationship with Company, or the performance, interpretation or application of this Agreement, either Party may serve upon the other a written notice stating that such Party desires to have such controversy reviewed by a board of three arbitrators and naming the person whom such Party has designated to act as an arbitrator. Within 10 days after receipt of such notice, the other Party shall designate an individual to act as arbitrator and shall notify the Party requesting arbitration of such designation and the name of the individual so designated. The two arbitrators so designated shall promptly select a third arbitrator, and if they are not able to agree on such third arbitrator within 10 days, then either arbitrator, on 10 days notice in writing to the other, or both arbitrators, shall apply to the American Arbitration Association to designate and appoint such third arbitrator. If the Party upon whom a written request for arbitration is served shall fail to designate its arbitrator within 10 days after receipt of such notice, then the arbitrator designated by the Party requesting arbitration shall act as the sole arbitrator and shall be deemed to be the single, mutually approved arbitrator to resolve such controversy. All documents, testimony, and records relating to any such arbitration will be maintained in secrecy and will be available for inspection by Company, Employee and their representative attorneys and experts, who will agree, in advance and in writing, to receive and maintain all such information in secrecy, except as may be limited by them in writing.

(b) Binding Nature. The decision and award of a majority of the arbitrators, or of such sole arbitrator, shall be binding upon both Employee and Company and shall be enforceable in any court of competent jurisdiction. Such decision and award may allocate the costs of such arbitration to one of the Parties or disproportionately between the Parties. The arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association.

(c) Damages; Injunctive Relief. (i) Employee's obligations under this Agreement have a unique and substantial value to Company and Employee remains obligated even if he or she voluntarily or involuntarily leaves Company's employment. Employee understands that if Employee violates this Agreement during or after his or her employment Company may be able to recover monetary damages from Employee and/or the other relief described below.

(ii) A violation or even a threatened violation of this Agreement is likely to result in irreparable harm to Company and monetary damages alone would not completely compensate Company for the harm. Accordingly, Company may obtain an injunction prohibiting Employee from violating Section 2 and Section 3 of Exhibit 1 of this Agreement, an order requiring Employee to render specific performance of the Agreement, and/or other appropriate equitable remedies.

(iii) If an arbitrator or court determines that Employee has breached or attempted or threatened to breach Section 2 or Section 3 of Exhibit 1 of this Agreement, Employee acknowledges that such a breach would cause irreparable harm to Company, and Employee consents to the granting of an injunction restraining Employee from further breaches or attempted or threatened breaches of this Agreement, compelling Employee to comply with this Agreement, and/or prescribing other equitable remedies.

10. Governing Law. This Agreement, and any other disputes or claims arising out of Employee's employment, including all arbitrated disputes, shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without regard to its conflict of laws provisions. Suit to enforce any provision of this Agreement or to obtain any remedy with respect hereto may be brought in a court of the State of Maryland for this purpose, Employee expressly consents to the jurisdiction of said courts.

11. Notices. All notices and other communications from one Party to the other shall be in writing and shall be deemed received upon (a) actual receipt when personally delivered, (b) electronic confirmation of receipt if sent by electronic mail, (c) electronic confirmation of receipt if sent by facsimile, (d) expiration of the 5th business day after being deposited in the United States mails, postage prepaid, certified or registered mail or (e) expiration of one business day after being deposited during the regular business hours for next-day delivery and prepaid for overnight delivery with a national overnight courier company, addressed to the other Party as set forth on the signature page. Each Party may change its address by giving the other Party notice thereof in conformity with this Section.

12. Definitions. For purposes of this Agreement:

(a) "Agreement" means the agreement, and each such exhibit, appendix, schedule, rider or addendum attached thereto as they may be amended, restated, supplemented or modified from time to time.

(b) "Confidential Information" means confidential, proprietary or trade secret information relating to Company's past, present or future (i) products, processes, formulas, patterns, compositions, compounds, projects, specifications, know how, research data, clinical data, personnel data, compilations, programs, devices, methods, techniques, inventions, software, and

improvements thereto, (ii) research and development activities, (iii) designs and technical data, (iv) marketing or business development activities, including without limitation prospective or actual bids or proposals, pricing information and financial information, (v) customers or suppliers or (vi) other administrative, management, planning, financial, marketing, purchasing or manufacturing activities. All of this type of information, whether it belongs to Company or was provided to Company by a third party with the understanding that it be kept confidential, and any documents, diskettes or other storage media, or other materials or items containing this type of information, are proprietary and confidential to Company.

(c) "Invention" means any invention, modification, design, program code, software, documentation, formula, data, know how, technique, process, method, device, discovery, improvement, developments, or works of authorship and all related patents, patent applications, copyrights and copyright applications whether patentable or not, created, made, conceived or reduced to practice, solely or jointly by Employee whether or not during normal working hours or on Employee's own time, using Employee's own equipment, on the premises of Company or elsewhere, or after termination of Employee's employment with or by Company that (i) is created using Company's facilities, supplies, information, trade secrets or time, (ii) relates directly or indirectly to or arises out of the actual or proposed business, including without limitation the research and development activities, of Company, (iii) relates directly or indirectly to or arises out of any task assigned to Employee or work Employee performs for Company or (iv) is based on Confidential Information.

(d) "Law" means any federal, state, local, municipal, foreign, international, multinational, or other administrative order, constitution, law, ordinance, principle of common law, regulation, statute, or treaty.

(e) "Person" means any individual, partnership, firm, corporation, limited liability company, joint venture, association, trust, unincorporated organization, or other entity.

13. Indemnification. Employee shall indemnify and hold Company harmless from:

(a) any and all damages, claims, costs and expenses based on, or arising from, the breach of any agreement or understanding between Employee and another person or company, and

(b) Employee's use or disclosure of any Confidential Information or trade secrets Employee obtained from sources other than Company.

14. Miscellaneous Provisions.

(a) Construction. Each Party has participated equally in the preparation and negotiation of this Agreement, and each Party hereby unconditionally and irrevocably waives to the fullest extent permitted by law any rule of interpretation or construction requiring that this Agreement be interpreted or construed against the drafting Party.

(b) Order of Precedence. In the event of any conflict between a provision or provisions set forth under the Basic Terms heading in this Agreement and any exhibit, appendix, schedule, rider or addendum, the provision or provisions set forth under such Basic Terms shall control unless the exhibit, appendix, schedule, rider or addendum specifically provides otherwise.

(c) Headings. The descriptive headings contained herein are for convenience of reference only and shall not affect in any way the meaning, construction, or interpretation of any term or provision hereof.

(d) Counterparts. This Agreement may be executed in any number of counterparts and by the different parties in separate counterparts, each of which when executed shall be deemed an original, and all of which taken together shall constitute one and the same Agreement with the same effect as if such signatures were upon the same document. Delivery of an executed counterpart hereof via facsimile shall be as effective as delivery of a manually executed counterpart hereof.

(e) Eligibility Documents. Employee shall provide Company with true and correct documents ("Eligibility Documents") identifying Employee's eligibility to work in the United States (see back of 1-9 form for list of acceptable documents) on or before the Commencement Date. Employee will need these documents to begin employment.

Employee Name: Cook Francesca Marie

Last First Middle

SCHEDULE 2(d) TO EXHIBIT 1

PRIOR WORKS OR INVENTIONS

The following are Employee's Prior Works Or Inventions as defined in Section 3(d) of Exhibit 1 of this Agreement. If blank, then there are NONE.

Employee Name: Richman Eric Ian
Last First Middle

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement"), dated as of November 3, 2003, ("Execution Date") is made by and between PharmAthene, Inc., a Delaware corporation ("Company"), and the individual identified herein ("Employee"). Company and Employee may each be referred as a "Party" and collectively as the "Parties" to this Agreement. The Parties hereby agree as follows:

BASIC TERMS

1. Employment. Company hereby employs Employee, and Employee hereby accepts Employment by Company. Employee shall initially serve as Vice President Business Development & Strategic Planning of Company.
Title of Employee

2. Commencement Date. November 17, 2003 ("Commencement Date").

3. Term. Employee's employment with Company shall begin on the Commencement Date and shall end as provided in this Agreement. The period from the Commencement Date to the effective date of termination of this Agreement is called the "Term".

4. At Will Employment. Employee's employment with Company is at-will, meaning that either Employee or Company may terminate Employee's employment at any time, with or without cause, for any or no reason.

5. Duties. Employee shall have such powers and duties as are assigned or delegated to Employee by Company. Employee will devote his entire business time, attention, skill, and energy exclusively to the business of Company, will use his best efforts to promote the success of Company's business, and will cooperate fully with the Board of Directors in the advancement of the best interests of Company.

6. Salary. Employee shall be paid an annual salary of $195,000, subject to adjustment as provided below ("Salary"). The Salary is payable in equal periodic installments according to Company's customary payroll practices, but no less frequently than monthly. The Salary will be reviewed by Company not less frequently than annually, and may be adjusted upward or downward in the sole discretion of Company.

7. Benefits. Employee shall, during the Term, be permitted to participate in such pension, profit-sharing, bonus, life insurance, hospitalization, major medical, and other Company employee benefit plans that may be in effect from time to time, to the extent Employee is eligible under the terms of those plans (collectively, "Benefits"). Company reserves the right to modify, suspend or discontinue any and all such Benefits at any time without recourse by Employee, provided that any such modification, suspension or discontinuance shall also apply generally to other employees of Company.

8. Leave; Holidays. Employee will be entitled to 4 weeks paid vacation each fiscal year in accordance with Company's vacation policies in effect for its employees from time to time. Vacation must be taken by Employee at such time or times as approved by Company. Employee will also be entitled to the paid holidays and other paid leave set forth in Company's policies. Vacation days and holidays during any fiscal year that are not used by Employee during such fiscal year will be subject to any vacation days and holiday policy that Company may have in place from time to time.

9. Standard Terms and Conditions. THE STANDARD TERMS AND CONDITIONS ATTACHED HERETO AS EXHIBIT 1 SET FORTH CERTAIN DEFINITIONS TO CAPITALIZED TERMS, EMPLOYEE'S REQUIREMENT TO PROVIDE ELIGIBILITY DOCUMENTS, AND OTHER IMPORTANT PROVISIONS OF THIS AGREEMENT. SUCH STANDARD TERMS AND CONDITIONS AND ANY EXHIBITS, APPENDIXES, SCHEDULES, RIDERS OR ADDENDA HERETO ARE INCORPORATED HEREIN AND MADE A PART HEREOF BY THIS REFERENCE.

Employee Name: Richman Eric Ian
Last First Middle

10. Additional Provisions. The following provisions also apply to this Agreement (if blank, then there are NONE):

(a) Stock Options. Employee shall be granted a total of 518,660 stock options upon the Commencement Date, and such options shall be issued according to Company's stock option plan with Company as approved and voted on by the Board of Directors. These options will vest, subject to any stock option agreement between Company and Employee, 25% after one year following the Commencement Date ("First Anniversary Date"), and the remainder to vest on a pro-rata monthly basis over the next 36 months following the First Anniversary Date such that 100% of all such options shall be vested after four years from the Commencement Date. Employee will be eligible to receive further stock options, if any, as may be granted pursuant to any stock option plan the Board of Directors may have adopted from time to time.

(b) Severance. Subject to clauses (i) and (ii) below, Employee shall be granted a severance of 12 months ("Severance Period") of Employee's then current salary upon termination of employment, payable on a pro rata basis over the Severance Period beginning the first day of the first full calendar month following the effective date of Employee's termination, and payable in consideration for and only after Employee executes a Separation Agreement and General Release under terms specified by Company.

(i) Employee shall not receive severance if Employee voluntarily resigns employment.

(ii) Employee shall not receive severance if Employee is terminated for: (1) failure to perform his or her obligations or duties, or (2) any dishonesty detrimental to Company, or other act or omission by Employee detrimental to Company's business, financial condition, reputation or good will, or damaging to its relationships with its employees, business partners, or other third parties, including, without limitation: (A) any habitual use of alcohol or illegal drugs such as to interfere with the performance of Employee's obligations hereunder; and (B) any conviction of a felony or of any crime involving fraud, embezzlement, misappropriation, or theft.

BY EXECUTING THIS AGREEMENT BELOW, THE PARTIES INDICATE THAT THEY HAVE READ AND UNDERSTOOD ALL TERMS AND CONDITIONS HEREOF AND AGREE TO BE BOUND LEGALLY BY THEM, ALL AS OF THE EXECUTION DATE.

COMPANY	EMPLOYEE
PHARMATHENE, INC.	
By: /s/ David P. Wright	/s/ Eric Richman
Name: David P. Wright	Name: Eric Richman
Title: President & CEO	
175 Admiral Cochrane Drive, Suite 400	
Annapolis, MD 21401	
Telephone: 410-571-8920	Telephone:
Facsimile: 410-571-8927	Facsimile:
E-mail:	E-mail:

ATTACHMENTS

Exhibit 1	-	Standard Terms and Conditions
Schedule 2(d) to Exhibit 1	-	Prior Works Or Inventions

Employee Name: Richman Eric Ian

Last First Middle

EXHIBIT 1

STANDARD TERMS AND CONDITIONS

1. Tax Matters; Expense Reimbursement. Payments to Employee of all compensation contemplated under this Agreement shall be subject to all applicable legal requirements with respect to the withholding of taxes. Employee shall be entitled to reimbursement by Company for all direct out-of-pocket expenditures made by him or her on Company's behalf in the performance of his or her services under this Agreement, subject to any reasonable record keeping, reporting and other requirements imposed from time to time by Company.

2. Confidentiality.

(a) Obligations. Employee shall preserve and protect the confidentiality of Confidential Information both during and after his or her employment with or by Company. In addition, Employee shall not to, at any time during the Term or thereafter, (i) disclose or disseminate Confidential Information to any third party, including without limitation employees or consultants of Company without a legitimate business need to know, (ii) remove Confidential Information from Company's premises or make copies of Confidential Information, except as required to perform Employee's job, or (iii) use Confidential Information for Employee's own benefit or for the benefit of any third party. Employee shall also take all actions necessary to avoid unauthorized disclosure and otherwise to maintain the confidential or proprietary nature of such Confidential Information. If Employee is not certain whether or not information is confidential, Employee will treat that information as Confidential Information until Employee has verification from Company's Personnel Officer that the information is not Confidential Information.

(b) Exceptions. The obligations in this Exhibit 1 - Section 2 do not apply to any information that Employee can establish (i) has become publicly known without a breach of this Agreement by Employee or a third party's breach of an agreement to maintain the confidentiality of the information or (ii) was developed by Employee prior to the Execution Date, and prior to the date any earlier Confidentiality Agreement of the Company was signed, if the date of development can be established by documentary evidence.

(c) Former Employer Information. Employee will not, during the Term, (i) improperly use or disclose any proprietary information or trade secrets of any former or current employer or any other person or entity or (ii) bring onto the premises of Company any unpublished document or proprietary information belonging to any such employer, person or entity unless consented to in writing by such employer, person or entity.

(d) Inventions and Works Retained and Licensed. Employee attaches hereto, as "Schedule 2(d) to Exhibit 1: Prior Works and Inventions", a list describing all Inventions, original works of authorship, developments, improvements, and trade secrets which were made by Employee prior to his or her employment with or by Company (collectively "Prior Works or Inventions"), which belong to Employee, which relate to Company's business, products, or research and development, and which are not assigned to Company hereunder, or, if no such list is attached or such list is blank, Employee represents that there are no such Prior Works or Inventions. If, in the course of employment with or by Company, Employee incorporates into a Company product, process or machine a Prior Work or Invention owned by Employee or in which Employee has an interest, Company is hereby granted and shall have a nonexclusive, royalty-free, assignable, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell such Prior Work or Invention as part of or in connection with such product, process or machine.

(e) Ownership of Works. Company owns all right, title and interest, including without limitation trade secrets, patents and copyrights, in the following works that Employee creates, makes, conceives or reduces to practice, solely or jointly (i) works that are created using Company's facilities, supplies, information, trade secrets or time, (ii) works that relate directly or indirectly to or arise out of the actual or proposed business of Company, including, without limitation the research and development activities of Company, (iii) works that relate directly or indirectly to or arise out of any task assigned to Employee or work Employee performs for Company or (iv) works that are based on Confidential Information (collectively "Works"). Because these Works will inevitably be based upon or somehow involve Company's business, products, services or methodologies, Employee agrees that the Works will belong to the Company even if Employee creates, makes, conceives or reduces them to practice on his or her own time, using his or her own equipment, on Company's premises or elsewhere or after termination of Employee's employment with or by Company. The Works belonging to Company, include, without limitation program code and documentation. Employee will promptly provide full written disclosure to an officer of Company of any Works Employee creates, makes, conceives or reduces to practice, solely or jointly. To the extent that the Works do not qualify as works made for hire under U.S. copyright law, Employee irrevocably assigns to Company the ownership of, and all rights of copyright in, the Works. Company will have the right to hold in its own name all rights in the Works, including without limitation all rights of copyright, trade secrets and trademark. Employee also waives all claims to moral rights in any Works. Employee acknowledges and agrees that any and all patents, patent applications or other intellectual property rights relating to the Works are to be the exclusive property of Company.

(f) Inventions; Ownership. (i) Employee shall irrevocably assign to Company Employee's entire right, title and interest in any Invention. Employee will promptly make full written disclosure to an officer of Company of any Inventions Employee creates, makes, conceives or reduces to practice, solely or jointly. Employee also waives all claims to moral rights in any Inventions. Employee acknowledges and agrees that any and all patents, patent applications or other intellectual property rights relating to the Inventions are the exclusive property of Company.

(ii) Employee shall cooperate fully with Company, both during and after Employee's employment with or by Company, with respect to the procurement, maintenance and enforcement of copyrights, patents and other intellectual property rights (both in the United States and foreign countries) relating to Works and/or Inventions. Employee shall execute and deliver all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignments of priority rights, and powers of attorney, which Company may deem necessary or desirable to protect its rights and interests in any Works and/or Inventions, and if Company is unable, after reasonable effort, to secure Employee's signature on any such papers, any executive officer of Company shall be entitled to execute any such papers as Employee's agent and attorney-in-fact. Employee hereby irrevocably designates and appoints each executive officer of Company as Employee's agent and attorney-

in-fact to execute any such papers on Employee's behalf, and to take any and all actions as Company may deem necessary or desirable to protect its rights and interests in any Works and/or Inventions, under the conditions described in the preceding sentence.

(g) Maintenance of Records. Employee shall keep and maintain adequate and current written records of all Works and Inventions made by Employee (solely or jointly with others) during the Term with or by Company. The records will be in the form of notes, sketches, drawings, and any other format that may be specified by Company. The records will be available to and remain the sole property of Company at all times.

(h) Return of Confidential Information. Employee shall return to Company all Confidential Information in Employee's possession, custody or control immediately upon Employee's termination from Company, or earlier if Company requests.

(i) Notification of New Employer. In the event Employee leaves the employ of Company or ceases to serve as a consultant to Company, Employee hereby grants consent to notification by Company to Employee's new employer about Employee's rights and obligations under this Agreement.

3. Noncompetition; Non-solicitation of Employees.

(a) Noncompetition. (i) Company is engaged an a unique and specialized industry, and faces competition on a worldwide basis. Employee, through his or her association with Company as an employee or consultant, will acquire a considerable amount of knowledge and goodwill with respect to the business of Company, which knowledge and goodwill are extremely valuable to Company and which would be extremely detrimental to Company if used by Employee to compete with Company. It is, therefore, understood and agreed by Employee and Company that, because of the nature of the business Company, it is necessary to afford fair protection to Company from such competition by Employee. Consequently, while Employee is employed with or by Company and for a period of 12 months after termination of such employment (for any reason whatsoever, whether voluntary or involuntarily), Employee will not, whether alone or as a partner, officer, director, consultant, agent, employee or stockholder of any company or their commercial enterprise, directly or indirectly engage in any business or other activity anywhere in the world which is competitive with, or render services to any firm or business organization which competes with, Company in the business of research, discovery and/or development of human therapeutics and vaccines for infectious diseases that are being actively researched, discovered or developed by Company at the time of termination of such employment. The foregoing prohibition shall not prevent Employee's employment or engagement after termination if such employment or engagement, in any capacity, does not involve work or matters related to the business of research, discovery and/or development of human therapeutics and vaccines for infectious diseases that are being actively researched, discovered or developed by Company at the time of termination of Employee's employment.

(ii) Nothing in Exhibit 1 - Section 3, however, will prevent Employee from engaging in additional activities in connection with personal investments and community affairs that are not inconsistent with Employee's duties under this Agreement. Employee shall be permitted to own securities of a public company not in excess of five percent (5%) of any class of such securities and to own stock partnership interests or other securities of any entity not in excess of five percent (5%) of any class of such securities and such ownership shall not be considered to be competition with Company.

(b) Reasonableness. Company and Employee agree and acknowledge that the noncompetition clause described in Exhibit 1 - Section 3(a) above is made in consideration of substantial compensation payable under this Agreement. In consequence of this Company and Employee agree and acknowledge that the duration, scope, and geographic area included in such covenant not to compete are fair, reasonable, necessary, and appropriate, and will not prevent Employee from engaging in profitable business activities or employment.

(c) Non-Solicitation. During and for 12 months after termination of Employee's employment for any reason, Employee shall not, directly or indirectly solicit, recruit or hire any employee of Company to work for a third party which competes with Company in the business of research, discovery and/or development of human therapeutics and vaccines for infectious diseases that are being actively researched, discovered or developed by Company at the time of termination, or engage in any activity that would cause any employee to violate any agreement with Company.

4. Representations and Warranties. Employee represents and warrants that (a) Employee is able to perform the duties of his or her position, (b) the execution and delivery of this Agreement, and the performance of Employee's duties and obligations hereunder, will not, with or without the giving of notice or the passage of time, or both, (i) conflict with, result in the breach of any provisions of or the termination of, or constitute a default under, any agreements or understandings between Employee and other persons or companies, or (ii) violate any judgment, writ, injunction, or order of any court, arbitrator, or governmental agency applicable to Employee, and (c) all information provided by Employee to Company is true and accurate.

5. Severability. If any term or other provision of this Agreement is determined by any arbitrator or court of competent jurisdiction to be invalid, illegal, or unenforceable in whole or in part by reason of any applicable law or public policy, and such determination becomes final and nonappealable, such term or other provision shall remain in full force and effect to the fullest extent permitted by Law, and all other terms and provisions shall remain in full force and effect in their entirety. Without limiting the generality of the foregoing, if the duration, scope, or area of restrictions set forth in Exhibit 1 - Section 3 are determined by arbitrator or any court of competent jurisdiction to be invalid, illegal, or unenforceable in whole or in part by reason of any applicable Law or public policy now or hereafter existing, such restrictions

shall be interpreted, modified, or rewritten to include as much of such duration, scope or areas as will render such restrictions valid and enforceable.

6. Assignment. Employee shall not assign all or any part of Employee's rights or delegate its obligations hereunder by operation of Law or otherwise without Company's express written consent (which consent may be granted or withheld in Company's sole and absolute discretion).

7. Entire Agreement; Amendment; Waivers.

(a) Entire Agreement. This Agreement constitutes the entire Agreement between the Parties with respect to the subject matter hereof, and supersedes all previous agreements, understandings, commitments or representations concerning the subject matter contained in this Agreement. Each Party acknowledges that the other Party has not made any representations other than those that are contained herein.

Employee Name: Richman Eric Ian

Last First Middle

(b) Amendments; Waiver. Except for amendments or modifications in accordance with certain provisions of this Agreement, this Agreement may not be amended or modified in any way, except by a writing signed by an authorized officer of Company and by Employee, and none of its provisions may be waived, except by a written waiver signed by the waiving Party. No failure to act by Company will waive any right contained in this Agreement. Any waiver by Company must be in writing and signed by an officer of Company to be effective.

8. Successors and Assigns: No Third-Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of the Parties and their respective successors and permitted assigns. Nothing herein, whether express or implied, is intended to or shall confer upon any other Person any legal or equitable right, power, or remedy of any kind, nature, or description whatsoever under or by reason hereof.

9. Dispute Resolution.

(a) Arbitration. Any and all disputes or claims arising during the course of employment, or arising out of the termination of employment, or arising in the interpretation of this Agreement, between Employee and Company which cannot be resolved through good faith negotiation, shall be resolved in accordance with the provisions of this Section by mandatory arbitration, provided, however, that the arbitration requirement shall not apply to Company seeking damages or injunctive relief described in Exhibit 1 - Section 9(c), if such relief is available under applicable law. Except as otherwise provided in this Agreement, if any controversy should arise between the Parties in as a result of Employee's employment relationship with Company, or the performance, interpretation or application of this Agreement, either Party may serve upon the other a written notice stating that such Party desires to have such controversy reviewed by a board of three arbitrators and naming the person whom such Party has designated to act as an arbitrator. Within 10 days after receipt of such notice, the other Party shall designate an individual to act as arbitrator and shall notify the Party requesting arbitration of such designation and the name of the individual so designated. The two arbitrators so designated shall promptly select a third arbitrator, and if they are not able to agree on such third arbitrator within 10 days, then either arbitrator, on 10 days notice in writing to the other, or both arbitrators, shall apply to the American Arbitration Association to designate and appoint such third arbitrator. If the Party upon whom a written request for arbitration is served shall fail to designate its arbitrator within 10 days after receipt of such notice, then the arbitrator designated by the Party requesting arbitration shall act as the sole arbitrator and shall be deemed to be the single, mutually approved arbitrator to resolve such controversy. All documents, testimony, and records relating to any such arbitration will be maintained in secrecy and will be available for inspection by Company, Employee and their representative attorneys and experts, who will agree, in advance and in writing, to receive and maintain all such information in secrecy, except as may be limited by them in writing.

(b) Binding Nature. The decision and award of a majority of the arbitrators, or of such sole arbitrator, shall be binding upon both Employee and Company and shall be enforceable in any court of competent jurisdiction. Such decision and award may allocate the costs of such arbitration to one of the Parties or disproportionately between the Parties. The arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association.

(c) Damages; Injunctive Relief. (i) Employee's obligations under this Agreement have a unique and substantial value to Company and Employee remains obligated even if he or she voluntarily or involuntarily leaves Company's employment. Employee understands that if Employee violates this Agreement during or after his or her employment Company may be able to recover monetary damages from Employee and/or the other relief described below.

(ii) A violation or even a threatened violation of this Agreement is likely to result in irreparable harm to Company and monetary damages alone would not completely compensate Company for the harm. Accordingly, Company may obtain an injunction prohibiting Employee from violating Section 2 and Section 3 of Exhibit 1 of this Agreement, an order requiring Employee to render specific performance of the Agreement, and/or other appropriate equitable remedies.

(iii) If an arbitrator or court determines that Employee has breached or attempted or threatened to breach Section 2 or Section 3 of Exhibit 1 of this Agreement, Employee acknowledges that such a breach would cause irreparable harm to Company, and Employee consents to the granting of an injunction restraining Employee from further breaches or attempted or threatened breaches of this Agreement, compelling Employee to comply with this Agreement, and/or prescribing other equitable remedies.

10. Governing Law. This Agreement, and any other disputes or claims arising out of Employee's employment, including all arbitrated disputes, shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without regard to its conflict of laws provisions. Suit to enforce any provision of this Agreement or to obtain any remedy with respect hereto may be brought in a court of the State of Maryland for this purpose, Employee expressly consents to the jurisdiction of said courts.

11. Notices. All notices and other communications from one Party to the other shall be in writing and shall be deemed received upon (a) actual receipt when personally delivered, (b) electronic confirmation of receipt if sent by electronic mail, (c) electronic confirmation of receipt if sent by facsimile, (d) expiration of the 5th business day after being deposited in the United States mails, postage prepaid, certified or registered mail or (e) expiration of one business day after being deposited during the regular business hours for next-day delivery and prepaid for overnight delivery with a national overnight courier company, addressed to the other Party as set forth on the signature page. Each Party may change its address by giving the other Party notice thereof in conformity with this Section.

12. Definitions. For purposes of this Agreement:

(a) "Agreement" means the agreement, and each such exhibit, appendix, schedule, rider or addendum attached thereto as they may be amended, restated, supplemented or modified from time to time.

(b) "Confidential Information" means confidential, proprietary or trade secret information relating to Company's past, present or future (i) products, processes, formulas, patterns, compositions, compounds, projects, specifications, know how, research data, clinical data, personnel data, compilations, programs, devices, methods, techniques, inventions, software, and

improvements thereto, (ii) research and development activities, (iii) designs and technical data, (iv) marketing or business development activities, including without limitation prospective or actual bids or proposals, pricing information and financial information, (v) customers or suppliers or (vi) other administrative, management, planning, financial, marketing, purchasing or manufacturing activities. All of this type of information, whether it belongs to Company or was provided to Company by a third party with the understanding that it be kept confidential, and any documents, diskettes or other storage media, or other materials or items containing this type of information, are proprietary and confidential to Company.

(c) "Invention" means any invention, modification, design, program code, software, documentation, formula, data, know how, technique, process, method, device, discovery, improvement, developments, or works of authorship and all related patents, patent applications, copyrights and copyright applications whether patentable or not, created, made, conceived or reduced to practice, solely or jointly by Employee whether or not during normal working hours or on Employee's own time, using Employee's own equipment, on the premises of Company or elsewhere, or after termination of Employee's employment with or by Company that (i) is created using Company's facilities, supplies, information, trade secrets or time, (ii) relates directly or indirectly to or arises out of the actual or proposed business, including without limitation the research and development activities, of Company, (iii) relates directly or indirectly to or arises out of any task assigned to Employee or work Employee performs for Company or (iv) is based on Confidential Information.

(d) "Law" means any federal, state, local, municipal, foreign, international, multinational, or other administrative order, constitution, law, ordinance, principle of common law, regulation, statute, or treaty.

(e) "Person" means any individual, partnership, firm, corporation, limited liability company, joint venture, association, trust, unincorporated organization, or other entity.

13. Indemnification. Employee shall indemnify and hold Company harmless from:

(a) any and all damages, claims, costs and expenses based on, or arising from, the breach of any agreement or understanding between Employee and another person or company, and

(b) Employee's use or disclosure of any Confidential Information or trade secrets Employee obtained from sources other than Company.

14. Miscellaneous Provisions.

(a) Construction. Each Party has participated equally in the preparation and negotiation of this Agreement, and each Party hereby unconditionally and irrevocably waives to the fullest extent permitted by law any rule of interpretation or construction requiring that this Agreement be interpreted or construed against the drafting Party.

(b) Order of Precedence. In the event of any conflict between a provision or provisions set forth under the Basic Terms heading in this Agreement and any exhibit, appendix, schedule, rider or addendum, the provision or provisions set forth under such Basic Terms shall control unless the exhibit, appendix, schedule, rider or addendum specifically provides otherwise.

(c) Headings. The descriptive headings contained herein are for convenience of reference only and shall not affect in any way the meaning, construction, or interpretation of any term or provision hereof.

(d) Counterparts. This Agreement may be executed in any number of counterparts and by the different parties in separate counterparts, each of which when executed shall be deemed an original, and all of which taken together shall constitute one and the same Agreement with the same effect as if such signatures were upon the same document. Delivery of an executed counterpart hereof via facsimile shall be as effective as delivery of a manually executed counterpart hereof.

(e) Eligibility Documents. Employee shall provide Company with true and correct documents ("Eligibility Documents") identifying Employee's eligibility to work in the United States (see back of 1-9 form for list of acceptable documents) on or before the Commencement Date. Employee will need these documents to begin employment.

Employee Name: Richman Eric Ian

Last First Middle

SCHEDULE 2(d) TO EXHIBIT 1

PRIOR WORKS OR INVENTIONS

The following are Employee's Prior Works Or Inventions as defined in Section 3(d) of Exhibit 1 of this Agreement. If blank, then there are NONE.

Employee Name: Riddle Valerie Dean
Last First Middle

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement"), dated as of November 3, 2003, ("Execution Date") is made by and between PharmAthene, Inc., a Delaware corporation ("Company"), and the individual identified herein ("Employee"). Company and Employee may each be referred as a "Party" and collectively as the "Parties" to this Agreement. The Parties hereby agree as follows:

BASIC TERMS

1. Employment. Company hereby employs Employee, and Employee hereby accepts Employment by Company. Employee shall initially serve as Vice President Medical Director of Company.
Title of Employee

2. Commencement Date. October 14, 2003 ("Commencement Date").

3. Term. Employee's employment with Company shall begin on the Commencement Date and shall end as provided in this Agreement. The period from the Commencement Date to the effective date of termination of this Agreement is called the "Term".

4. At Will Employment. Employee's employment with Company is at-will, meaning that either Employee or Company may terminate Employee's employment at any time, with or without cause, for any or no reason.

5. Duties. Employee shall have such powers and duties as are assigned or delegated to Employee by Company. Employee will devote his entire business time, attention, skill, and energy exclusively to the business of Company, will use his best efforts to promote the success of Company's business, and will cooperate fully with the Board of Directors in the advancement of the best interests of Company.

6. Salary. Employee shall be paid an annual salary of $225,000, subject to adjustment as provided below ("Salary"). The Salary is payable in equal periodic installments according to Company's customary payroll practices, but no less frequently than monthly. The Salary will be reviewed by Company not less frequently than annually, and may be adjusted upward or downward in the sole discretion of Company.

7. Benefits. Employee shall, during the Term, be permitted to participate in such pension, profit-sharing, bonus, life insurance, hospitalization, major medical, and other Company employee benefit plans that may be in effect from time to time, to the extent Employee is eligible under the terms of those plans (collectively, "Benefits"). Company reserves the right to modify, suspend or discontinue any and all such Benefits at any time without recourse by Employee, provided that any such modification, suspension or discontinuance shall also apply generally to other employees of Company.

8. Leave; Holidays. Employee will be entitled to 4 weeks paid vacation each fiscal year in accordance with Company's vacation policies in effect for its employees from time to time. Vacation must be taken by Employee at such time or times as approved by Company. Employee will also be entitled to the paid holidays and other paid leave set forth in Company's policies. Vacation days and holidays during any fiscal year that are not used by Employee during such fiscal year will be subject to any vacation days and holiday policy that Company may have in place from time to time.

9. Standard Terms and Conditions. THE STANDARD TERMS AND CONDITIONS ATTACHED HERETO AS EXHIBIT 1 SET FORTH CERTAIN DEFINITIONS TO CAPITALIZED TERMS, EMPLOYEE'S REQUIREMENT TO PROVIDE ELIGIBILITY DOCUMENTS, AND OTHER IMPORTANT PROVISIONS OF THIS AGREEMENT. SUCH STANDARD TERMS AND CONDITIONS AND ANY EXHIBITS, APPENDIXES, SCHEDULES, RIDERS OR ADDENDA HERETO ARE INCORPORATED HEREIN AND MADE A PART HEREOF BY THIS REFERENCE.

Employee Name: Riddle Valerie Dean
Last First Middle

10. Additional Provisions. The following provisions also apply to this Agreement (if blank, then there are NONE):

(a) Stock Options. Employee shall be granted a total of 345,772 stock options upon the Commencement Date, and such options shall be issued according to Company's stock option plan with Company as approved and voted on by the Board of Directors. These options will vest, subject to any stock option agreement between Company and Employee, 25% after one year following the Commencement Date ("First Anniversary Date"), and the remainder to vest on a pro-rata monthly basis over the next 36 months following the First Anniversary Date such that 100% of all such options shall be vested after four years from the Commencement Date. Employee will be eligible to receive further stock options, if any, as may be granted pursuant to any stock option plan the Board of Directors may have adopted from time to time.

(b) Severance. Subject to clauses (i) and (ii) below, Employee shall be granted a severance of 12 months ("Severance Period") of Employee's then current salary upon termination of employment, payable on a pro rata basis over the Severance Period beginning the first day of the first full calendar month following the effective date of Employee's termination, and payable in consideration for and only after Employee executes a Separation Agreement and General Release under terms specified by Company.

(i) Employee shall not receive severance if Employee voluntarily resigns employment.

(ii) Employee shall not receive severance if Employee is terminated for: (1) failure to perform his or her obligations or duties, or (2) any dishonesty detrimental to Company, or other act or omission by Employee detrimental to Company's business, financial condition, reputation or good will, or damaging to its relationships with its employees, business partners, or other third parties, including, without limitation: (A) any habitual use of alcohol or illegal drugs such as to interfere with the performance of Employee's obligations hereunder; and (B) any conviction of a felony or of any crime involving fraud, embezzlement, misappropriation, or theft.

BY EXECUTING THIS AGREEMENT BELOW, THE PARTIES INDICATE THAT THEY HAVE READ AND UNDERSTOOD ALL TERMS AND CONDITIONS HEREOF AND AGREE TO BE BOUND LEGALLY BY THEM, ALL AS OF THE EXECUTION DATE.

COMPANY	EMPLOYEE
PHARMATHENE, INC.	
By: /s/ David P. Wright	/s/ Valerie Riddle
Name: David P. Wright	Name: Valerie Riddle
Title: President & CEO	Vice President/ Medical Director
175 Admiral Cochrane Drive, Suite 400	
Annapolis, MD 21401	
Telephone: 410-571-8920	Telephone:
Facsimile: 410-571-8927	Facsimile:
E-mail:	E-mail:

ATTACHMENTS

Exhibit 1	-	Standard Terms and Conditions
Schedule 2(d) to Exhibit 1	-	Prior Works Or Inventions

Employee Name: Riddle Valerie Dean

Last First Middle

EXHIBIT 1

STANDARD TERMS AND CONDITIONS

1. Tax Matters; Expense Reimbursement. Payments to Employee of all compensation contemplated under this Agreement shall be subject to all applicable legal requirements with respect to the withholding of taxes. Employee shall be entitled to reimbursement by Company for all direct out-of-pocket expenditures made by him or her on Company's behalf in the performance of his or her services under this Agreement, subject to any reasonable record keeping, reporting and other requirements imposed from time to time by Company.

2. Confidentiality.

(a) Obligations. Employee shall preserve and protect the confidentiality of Confidential Information both during and after his or her employment with or by Company. In addition, Employee shall not to, at any time during the Term or thereafter, (i) disclose or disseminate Confidential Information to any third party, including without limitation employees or consultants of Company without a legitimate business need to know, (ii) remove Confidential Information from Company's premises or make copies of Confidential Information, except as required to perform Employee's job, or (iii) use Confidential Information for Employee's own benefit or for the benefit of any third party. Employee shall also take all actions necessary to avoid unauthorized disclosure and otherwise to maintain the confidential or proprietary nature of such Confidential Information. If Employee is not certain whether or not information is confidential, Employee will treat that information as Confidential Information until Employee has verification from Company's Personnel Officer that the information is not Confidential Information.

(b) Exceptions. The obligations in this Exhibit 1 - Section 2 do not apply to any information that Employee can establish (i) has become publicly known without a breach of this Agreement by Employee or a third party's breach of an agreement to maintain the confidentiality of the information or (ii) was developed by Employee prior to the Execution Date, and prior to the date any earlier Confidentiality Agreement of the Company was signed, if the date of development can be established by documentary evidence.

(c) Former Employer Information. Employee will not, during the Term, (i) improperly use or disclose any proprietary information or trade secrets of any former or current employer or any other person or entity or (ii) bring onto the premises of Company any unpublished document or proprietary information belonging to any such employer, person or entity unless consented to in writing by such employer, person or entity.

(d) Inventions and Works Retained and Licensed. Employee attaches hereto, as "Schedule 2(d) to Exhibit 1: Prior Works and Inventions", a list describing all Inventions, original works of authorship, developments, improvements, and trade secrets which were made by Employee prior to his or her employment with or by Company (collectively "Prior Works or Inventions"), which belong to Employee, which relate to Company's business, products, or research and development, and which are not assigned to Company hereunder, or, if no such list is attached or such list is blank, Employee represents that there are no such Prior Works or Inventions. If, in the course of employment with or by Company, Employee incorporates into a Company product, process or machine a Prior Work or Invention owned by Employee or in which Employee has an interest, Company is hereby granted and shall have a nonexclusive, royalty-free, assignable, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell such Prior Work or Invention as part of or in connection with such product, process or machine.

(e) Ownership of Works. Company owns all right, title and interest, including without limitation trade secrets, patents and copyrights, in the following works that Employee creates, makes, conceives or reduces to practice, solely or jointly (i) works that are created using Company's facilities, supplies, information, trade secrets or time, (ii) works that relate directly or indirectly to or arise out of the actual or proposed business of Company, including, without limitation the research and development activities of Company, (iii) works that relate directly or indirectly to or arise out of any task assigned to Employee or work Employee performs for Company or (iv) works that are based on Confidential Information (collectively "Works"). Because these Works will inevitably be based upon or somehow involve Company's business, products, services or methodologies, Employee agrees that the Works will belong to the Company even if Employee creates, makes, conceives or reduces them to practice on his or her own time, using his or her own equipment, on Company's premises or elsewhere or after termination of Employee's employment with or by Company. The Works belonging to Company, include, without limitation program code and documentation. Employee will promptly provide full written disclosure to an officer of Company of any Works Employee creates, makes, conceives or reduces to practice, solely or jointly. To the extent that the Works do not qualify as works made for hire under U.S. copyright law, Employee irrevocably assigns to Company the ownership of, and all rights of copyright in, the Works. Company will have the right to hold in its own name all rights in the Works, including without limitation all rights of copyright, trade secrets and trademark. Employee also waives all claims to moral rights in any Works. Employee acknowledges and agrees that any and all patents, patent applications or other intellectual property rights relating to the Works are to be the exclusive property of Company.

(f) Inventions; Ownership. (i) Employee shall irrevocably assign to Company Employee's entire right, title and interest in any Invention. Employee will promptly make full written disclosure to an officer of Company of any Inventions Employee creates, makes, conceives or reduces to practice, solely or jointly. Employee also waives all claims to moral rights in any Inventions. Employee acknowledges and agrees that any and all patents, patent applications or other intellectual property rights relating to the Inventions are the exclusive property of Company.

(ii) Employee shall cooperate fully with Company, both during and after Employee's employment with or by Company, with respect to the procurement, maintenance and enforcement of copyrights, patents and other intellectual property rights (both in the United States and foreign countries) relating to Works and/or Inventions. Employee shall execute and deliver all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignments of priority rights, and powers of attorney, which Company may deem necessary or desirable to protect its rights and interests in any Works and/or Inventions, and if Company is unable, after reasonable effort, to secure Employee's signature on any such papers, any executive officer of Company shall be entitled to execute any such papers as Employee's agent and attorney-in-fact. Employee hereby irrevocably designates and appoints each executive officer of Company as Employee's agent and attorney-

in-fact to execute any such papers on Employee's behalf, and to take any and all actions as Company may deem necessary or desirable to protect its rights and interests in any Works and/or Inventions, under the conditions described in the preceding sentence.

(g) Maintenance of Records. Employee shall keep and maintain adequate and current written records of all Works and Inventions made by Employee (solely or jointly with others) during the Term with or by Company. The records will be in the form of notes, sketches, drawings, and any other format that may be specified by Company. The records will be available to and remain the sole property of Company at all times.

(h) Return of Confidential Information. Employee shall return to Company all Confidential Information in Employee's possession, custody or control immediately upon Employee's termination from Company, or earlier if Company requests.

(i) Notification of New Employer. In the event Employee leaves the employ of Company or ceases to serve as a consultant to Company, Employee hereby grants consent to notification by Company to Employee's new employer about Employee's rights and obligations under this Agreement.

3. Noncompetition; Non-solicitation of Employees.

(a) Noncompetition. (i) Company is engaged an a unique and specialized industry, and faces competition on a worldwide basis. Employee, through his or her association with Company as an employee or consultant, will acquire a considerable amount of knowledge and goodwill with respect to the business of Company, which knowledge and goodwill are extremely valuable to Company and which would be extremely detrimental to Company if used by Employee to compete with Company. It is, therefore, understood and agreed by Employee and Company that, because of the nature of the business Company, it is necessary to afford fair protection to Company from such competition by Employee. Consequently, while Employee is employed with or by Company and for a period of 12 months after termination of such employment (for any reason whatsoever, whether voluntary or involuntarily), Employee will not, whether alone or as a partner, officer, director, consultant, agent, employee or stockholder of any company or their commercial enterprise, directly or indirectly engage in any business or other activity anywhere in the world which is competitive with, or render services to any firm or business organization which competes with, Company in the business of research, discovery and/or development of human therapeutics and vaccines for infectious diseases that are being actively researched, discovered or developed by Company at the time of termination of such employment. The foregoing prohibition shall not prevent Employee's employment or engagement after termination if such employment or engagement, in any capacity, does not involve work or matters related to the business of research, discovery and/or development of human therapeutics and vaccines for infectious diseases that are being actively researched, discovered or developed by Company at the time of termination of Employee's employment.

(ii) Nothing in Exhibit 1 - Section 3, however, will prevent Employee from engaging in additional activities in connection with personal investments and community affairs that are not inconsistent with Employee's duties under this Agreement. Employee shall be permitted to own securities of a public company not in excess of five percent (5%) of any class of such securities and to own stock partnership interests or other securities of any entity not in excess of five percent (5%) of any class of such securities and such ownership shall not be considered to be competition with Company.

(b) Reasonableness. Company and Employee agree and acknowledge that the noncompetition clause described in Exhibit 1 - Section 3(a) above is made in consideration of substantial compensation payable under this Agreement. In consequence of this Company and Employee agree and acknowledge that the duration, scope, and geographic area included in such covenant not to compete are fair, reasonable, necessary, and appropriate, and will not prevent Employee from engaging in profitable business activities or employment.

(c) Non-Solicitation. During and for 12 months after termination of Employee's employment for any reason, Employee shall not, directly or indirectly solicit, recruit or hire any employee of Company to work for a third party which competes with Company in the business of research, discovery and/or development of human therapeutics and vaccines for infectious diseases that are being actively researched, discovered or developed by Company at the time of termination, or engage in any activity that would cause any employee to violate any agreement with Company.

4. Representations and Warranties. Employee represents and warrants that (a) Employee is able to perform the duties of his or her position, (b) the execution and delivery of this Agreement, and the performance of Employee's duties and obligations hereunder, will not, with or without the giving of notice or the passage of time, or both, (i) conflict with, result in the breach of any provisions of or the termination of, or constitute a default under, any agreements or understandings between Employee and other persons or companies, or (ii) violate any judgment, writ, injunction, or order of any court, arbitrator, or governmental agency applicable to Employee, and (c) all information provided by Employee to Company is true and accurate.

5. Severability. If any term or other provision of this Agreement is determined by any arbitrator or court of competent jurisdiction to be invalid, illegal, or unenforceable in whole or in part by reason of any applicable law or public policy, and such determination becomes final and nonappealable, such term or other provision shall remain in full force and effect to the fullest extent permitted by Law, and all other terms and provisions shall remain in full force and effect in their entirety. Without limiting the generality of the foregoing, if the duration, scope, or area of restrictions set forth in Exhibit 1 - Section 3 are determined by arbitrator or any court of competent jurisdiction to be invalid, illegal, or unenforceable in whole or in part by reason of any applicable Law or public policy now or hereafter existing, such restrictions

shall be interpreted, modified, or rewritten to include as much of such duration, scope or areas as will render such restrictions valid and enforceable.

6. Assignment. Employee shall not assign all or any part of Employee's rights or delegate its obligations hereunder by operation of Law or otherwise without Company's express written consent (which consent may be granted or withheld in Company's sole and absolute discretion).

7. Entire Agreement; Amendment; Waivers.

(a) Entire Agreement. This Agreement constitutes the entire Agreement between the Parties with respect to the subject matter hereof, and supersedes all previous agreements, understandings, commitments or representations concerning the subject matter contained in this Agreement. Each Party acknowledges that the other Party has not made any representations other than those that are contained herein.

Employee Name: Riddle Valerie Dean
Last First Middle

(b) Amendments; Waiver. Except for amendments or modifications in accordance with certain provisions of this Agreement, this Agreement may not be amended or modified in any way, except by a writing signed by an authorized officer of Company and by Employee, and none of its provisions may be waived, except by a written waiver signed by the waiving Party. No failure to act by Company will waive any right contained in this Agreement. Any waiver by Company must be in writing and signed by an officer of Company to be effective.

8. Successors and Assigns: No Third-Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of the Parties and their respective successors and permitted assigns. Nothing herein, whether express or implied, is intended to or shall confer upon any other Person any legal or equitable right, power, or remedy of any kind, nature, or description whatsoever under or by reason hereof.

9. Dispute Resolution.

(a) Arbitration. Any and all disputes or claims arising during the course of employment, or arising out of the termination of employment, or arising in the interpretation of this Agreement, between Employee and Company which cannot be resolved through good faith negotiation, shall be resolved in accordance with the provisions of this Section by mandatory arbitration, provided, however, that the arbitration requirement shall not apply to Company seeking damages or injunctive relief described in Exhibit 1 - Section 9(c), if such relief is available under applicable law. Except as otherwise provided in this Agreement, if any controversy should arise between the Parties in as a result of Employee's employment relationship with Company, or the performance, interpretation or application of this Agreement, either Party may serve upon the other a written notice stating that such Party desires to have such controversy reviewed by a board of three arbitrators and naming the person whom such Party has designated to act as an arbitrator. Within 10 days after receipt of such notice, the other Party shall designate an individual to act as arbitrator and shall notify the Party requesting arbitration of such designation and the name of the individual so designated. The two arbitrators so designated shall promptly select a third arbitrator, and if they are not able to agree on such third arbitrator within 10 days, then either arbitrator, on 10 days notice in writing to the other, or both arbitrators, shall apply to the American Arbitration Association to designate and appoint such third arbitrator. If the Party upon whom a written request for arbitration is served shall fail to designate its arbitrator within 10 days after receipt of such notice, then the arbitrator designated by the Party requesting arbitration shall act as the sole arbitrator and shall be deemed to be the single, mutually approved arbitrator to resolve such controversy. All documents, testimony, and records relating to any such arbitration will be maintained in secrecy and will be available for inspection by Company, Employee and their representative attorneys and experts, who will agree, in advance and in writing, to receive and maintain all such information in secrecy, except as may be limited by them in writing.

(b) Binding Nature. The decision and award of a majority of the arbitrators, or of such sole arbitrator, shall be binding upon both Employee and Company and shall be enforceable in any court of competent jurisdiction. Such decision and award may allocate the costs of such arbitration to one of the Parties or disproportionately between the Parties. The arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association.

(c) Damages; Injunctive Relief. (i) Employee's obligations under this Agreement have a unique and substantial value to Company and Employee remains obligated even if he or she voluntarily or involuntarily leaves Company's employment. Employee understands that if Employee violates this Agreement during or after his or her employment Company may be able to recover monetary damages from Employee and/or the other relief described below.

(ii) A violation or even a threatened violation of this Agreement is likely to result in irreparable harm to Company and monetary damages alone would not completely compensate Company for the harm. Accordingly, Company may obtain an injunction prohibiting Employee from violating Section 2 and Section 3 of Exhibit 1 of this Agreement, an order requiring Employee to render specific performance of the Agreement, and/or other appropriate equitable remedies.

(iii) If an arbitrator or court determines that Employee has breached or attempted or threatened to breach Section 2 or Section 3 of Exhibit 1 of this Agreement, Employee acknowledges that such a breach would cause irreparable harm to Company, and Employee consents to the granting of an injunction restraining Employee from further breaches or attempted or threatened breaches of this Agreement, compelling Employee to comply with this Agreement, and/or prescribing other equitable remedies.

10. Governing Law. This Agreement, and any other disputes or claims arising out of Employee's employment, including all arbitrated disputes, shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without regard to its conflict of laws provisions. Suit to enforce any provision of this Agreement or to obtain any remedy with respect hereto may be brought in a court of the State of Maryland for this purpose, Employee expressly consents to the jurisdiction of said courts.

11. Notices. All notices and other communications from one Party to the other shall be in writing and shall be deemed received upon (a) actual receipt when personally delivered, (b) electronic confirmation of receipt if sent by electronic mail, (c) electronic confirmation of receipt if sent by facsimile, (d) expiration of the 5th business day after being deposited in the United States mails, postage prepaid, certified or registered mail or (e) expiration of one business day after being deposited during the regular business hours for next-day delivery and prepaid for overnight delivery with a national overnight courier company, addressed to the other Party as set forth on the signature page. Each Party may change its address by giving the other Party notice thereof in conformity with this Section.

12. Definitions. For purposes of this Agreement:

(a) "Agreement" means the agreement, and each such exhibit, appendix, schedule, rider or addendum attached thereto as they may be amended, restated, supplemented or modified from time to time.

(b) "Confidential Information" means confidential, proprietary or trade secret information relating to Company's past, present or future (i) products, processes, formulas, patterns, compositions, compounds, projects, specifications, know how, research data, clinical data, personnel data, compilations, programs, devices, methods, techniques, inventions, software, and

improvements thereto, (ii) research and development activities, (iii) designs and technical data, (iv) marketing or business development activities, including without limitation prospective or actual bids or proposals, pricing information and financial information, (v) customers or suppliers or (vi) other administrative, management, planning, financial, marketing, purchasing or manufacturing activities. All of this type of information, whether it belongs to Company or was provided to Company by a third party with the understanding that it be kept confidential, and any documents, diskettes or other storage media, or other materials or items containing this type of information, are proprietary and confidential to Company.

(c) "Invention" means any invention, modification, design, program code, software, documentation, formula, data, know how, technique, process, method, device, discovery, improvement, developments, or works of authorship and all related patents, patent applications, copyrights and copyright applications whether patentable or not, created, made, conceived or reduced to practice, solely or jointly by Employee whether or not during normal working hours or on Employee's own time, using Employee's own equipment, on the premises of Company or elsewhere, or after termination of Employee's employment with or by Company that (i) is created using Company's facilities, supplies, information, trade secrets or time, (ii) relates directly or indirectly to or arises out of the actual or proposed business, including without limitation the research and development activities, of Company, (iii) relates directly or indirectly to or arises out of any task assigned to Employee or work Employee performs for Company or (iv) is based on Confidential Information.

(d) "Law" means any federal, state, local, municipal, foreign, international, multinational, or other administrative order, constitution, law, ordinance, principle of common law, regulation, statute, or treaty.

(e) "Person" means any individual, partnership, firm, corporation, limited liability company, joint venture, association, trust, unincorporated organization, or other entity.

13. Indemnification. Employee shall indemnify and hold Company harmless from:

(a) any and all damages, claims, costs and expenses based on, or arising from, the breach of any agreement or understanding between Employee and another person or company, and

(b) Employee's use or disclosure of any Confidential Information or trade secrets Employee obtained from sources other than Company.

14. Miscellaneous Provisions.

(a) Construction. Each Party has participated equally in the preparation and negotiation of this Agreement, and each Party hereby unconditionally and irrevocably waives to the fullest extent permitted by law any rule of interpretation or construction requiring that this Agreement be interpreted or construed against the drafting Party.

(b) Order of Precedence. In the event of any conflict between a provision or provisions set forth under the Basic Terms heading in this Agreement and any exhibit, appendix, schedule, rider or addendum, the provision or provisions set forth under such Basic Terms shall control unless the exhibit, appendix, schedule, rider or addendum specifically provides otherwise.

(c) Headings. The descriptive headings contained herein are for convenience of reference only and shall not affect in any way the meaning, construction, or interpretation of any term or provision hereof.

(d) Counterparts. This Agreement may be executed in any number of counterparts and by the different parties in separate counterparts, each of which when executed shall be deemed an original, and all of which taken together shall constitute one and the same Agreement with the same effect as if such signatures were upon the same document. Delivery of an executed counterpart hereof via facsimile shall be as effective as delivery of a manually executed counterpart hereof.

(e) Eligibility Documents. Employee shall provide Company with true and correct documents ("Eligibility Documents") identifying Employee's eligibility to work in the United States (see back of 1-9 form for list of acceptable documents) on or before the Commencement Date. Employee will need these documents to begin employment.

Employee Name: Riddle Valerie Dean

Last First Middle

SCHEDULE 2(d) TO EXHIBIT 1

PRIOR WORKS OR INVENTIONS

The following are Employee's Prior Works Or Inventions as defined in Section 3(d) of Exhibit 1 of this Agreement. If blank, then there are NONE.

Employee Name: Morges Wayne
Last First Middle

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement"), dated as of January 31, 2005, ("Execution Date") is made by and between PharmAthene, Inc., a Delaware corporation ("Company"), and the individual identified herein ("Employee"). Company and Employee may each be referred as a "Party" and collectively as the "Parties" to this Agreement. The Parties hereby agree as follows:

BASIC TERMS

1. Employment. Company hereby employs Employee, and Employee hereby accepts Employment by Company. Employee shall initially serve as Vice President Regulatory Affairs & Quality of Company.
Title of Employee

2. Commencement Date. January 31, 2005 ("Commencement Date").

3. Term. Employee's employment with Company shall begin on the Commencement Date and shall end as provided in this Agreement. The period from the Commencement Date to the effective date of termination of this Agreement is called the "Term".

4. At Will Employment. Employee's employment with Company is at-will, meaning that either Employee or Company may terminate Employee's employment at any time, with or without cause, for any or no reason.

5. Duties. Employee shall have such powers and duties as are assigned or delegated to Employee by Company. Employee will devote his entire business time, attention, skill, and energy exclusively to the business of Company, will use his best efforts to promote the success of Company's business, and will cooperate fully with the Board of Directors in the advancement of the best interests of Company.

6. Salary. Employee shall be paid an annual salary of $205,000 subject to adjustment as provided below ("Salary"). The Salary is payable in equal periodic installments according to Company's customary payroll practices, but no less frequently than monthly. The Salary will be reviewed by Company not less frequently than annually, and may be adjusted upward or downward in the sole discretion of Company.

7. Benefits. Employee shall, during the Term, be permitted to participate in such pension, profit-sharing, bonus, life insurance, hospitalization, major medical, and other Company employee benefit plans that may be in effect from time to time, to the extent Employee is eligible under the terms of those plans (collectively, "Benefits"). Company reserves the right to modify, suspend or discontinue any and all such Benefits at any time without recourse by Employee, provided that any such modification, suspension or discontinuance shall also apply generally to other employees of Company.

8. Leave; Holidays. Employee will be entitled to 4 weeks paid vacation each fiscal year in accordance with Company's vacation policies in effect for its employees from time to time. Vacation must be taken by Employee at such time or times as approved by Company. Employee will also be entitled to the paid holidays and other paid leave set forth in Company's policies. Vacation days and holidays during any fiscal year that are not used by Employee during such fiscal year will be subject to any vacation days and holiday policy that Company may have in place from time to time.

9. Standard Terms and Conditions. THE STANDARD TERMS AND CONDITIONS ATTACHED HERETO AS EXHIBIT 1 SET FORTH CERTAIN DEFINITIONS TO CAPITALIZED TERMS, EMPLOYEE'S REQUIREMENT TO PROVIDE ELIGIBILITY DOCUMENTS, AND OTHER IMPORTANT PROVISIONS OF THIS AGREEMENT. SUCH STANDARD TERMS AND CONDITIONS AND ANY EXHIBITS, APPENDIXES, SCHEDULES, RIDERS OR ADDENDA HERETO ARE INCORPORATED HEREIN AND MADE A PART HEREOF BY THIS REFERENCE.

Employee Name: Morges Wayne
Last First Middle

10. Additional Provisions. The following provisions also apply to this Agreement (if blank, then there are NONE):

(a) Stock Options. Employee shall be granted a total of 275,000 stock options upon the Commencement Date, and such options shall be issued according to Company's stock option plan with Company as approved and voted on by the Board of Directors. These options will vest, subject to any stock option agreement between Company and Employee, 25% after one year following the Commencement Date ("First Anniversary Date"), and the remainder to vest on a pro-rata monthly basis over the next 36 months following the First Anniversary Date such that 100% of all such options shall be vested after four years from the Commencement Date. Employee will be eligible to receive further stock options, if any, as may be granted pursuant to any stock option plan the Board of Directors may have adopted from time to time.

(b) Severance. Subject to clauses (i) and (ii) below, Employee shall be granted a severance of 6 months ("Severance Period") of Employee's then current salary upon termination of employment, payable on a pro rata basis over the Severance Period beginning the first day of the first full calendar month following the effective date of Employee's termination, and payable in consideration for and only after Employee executes a Separation Agreement and General Release under terms specified by Company.

(i) Employee shall not receive severance if Employee voluntarily resigns

employment.

(ii) Employee shall not receive severance if Employee is terminated for: (1) failure to perform his or her obligations or duties, or (2) any dishonesty detrimental to Company, or other act or omission by Employee detrimental to Company's business, financial condition, reputation or good will, or damaging to its relationships with its employees, business partners, or other third parties, including, without limitation: (A) any habitual use of alcohol or illegal drugs such as to interfere with the performance of Employee's obligations hereunder; and (B) any conviction of a felony or of any crime involving fraud, embezzlement, misappropriation, or theft.

BY EXECUTING THIS AGREEMENT BELOW, THE PARTIES INDICATE THAT THEY HAVE READ AND UNDERSTOOD ALL TERMS AND CONDITIONS HEREOF AND AGREE TO BE BOUND LEGALLY BY THEM, ALL AS OF THE EXECUTION DATE.

COMPANY	EMPLOYEE
PHARMATHENE, INC.	
By: /s/ David P. Wright	/s/ Wayne Morges
Name: David P. Wright	Name: Wayne Morges
Title: President & CEO	
175 Admiral Cochrane Drive, Suite 101	
Annapolis, MD 21401	
Telephone: 410-571-8920	Telephone:
Facsimile: 410-571-8927	Facsimile:
E-mail:	E-mail:

ATTACHMENTS

Exhibit 1	-	Standard Terms and Conditions
Schedule 2(d) to Exhibit 1	-	Prior Works Or Inventions

Employee Name: Morges Wayne

Last First Middle

EXHIBIT 1

STANDARD TERMS AND CONDITIONS

1. Tax Matters; Expense Reimbursement. Payments to Employee of all compensation contemplated under this Agreement shall be subject to all applicable legal requirements with respect to the withholding of taxes. Employee shall be entitled to reimbursement by Company for all direct out-of-pocket expenditures made by him or her on Company's behalf in the performance of his or her services under this Agreement, subject to any reasonable record keeping, reporting and other requirements imposed from time to time by Company.

2. Confidentiality.

(a) Obligations. Employee shall preserve and protect the confidentiality of Confidential Information both during and after his or her employment with or by Company. In addition, Employee shall not to, at any time during the Term or thereafter, (i) disclose or disseminate Confidential Information to any third party, including without limitation employees or consultants of Company without a legitimate business need to know, (ii) remove Confidential Information from Company's premises or make copies of Confidential Information, except as required to perform Employee's job, or (iii) use Confidential Information for Employee's own benefit or for the benefit of any third party. Employee shall also take all actions necessary to avoid unauthorized disclosure and otherwise to maintain the confidential or proprietary nature of such Confidential Information. If Employee is not certain whether or not information is confidential, Employee will treat that information as Confidential Information until Employee has verification from Company's Personnel Officer that the information is not Confidential Information.

(b) Exceptions. The obligations in this Exhibit 1 - Section 2 do not apply to any information that Employee can establish (i) has become publicly known without a breach of this Agreement by Employee or a third party's breach of an agreement to maintain the confidentiality of the information or (ii) was developed by Employee prior to the Execution Date, and prior to the date any earlier Confidentiality Agreement of the Company was signed, if the date of development can be established by documentary evidence.

(c) Former Employer Information. Employee will not, during the Term, (i) improperly use or disclose any proprietary information or trade secrets of any former or current employer or any other person or entity or (ii) bring onto the premises of Company any unpublished document or proprietary information belonging to any such employer, person or entity unless consented to in writing by such employer, person or entity.

(d) Inventions and Works Retained and Licensed. Employee attaches hereto, as "Schedule 2(d) to Exhibit 1: Prior Works and Inventions", a list describing all Inventions, original works of authorship, developments, improvements, and trade secrets which were made by Employee prior to his or her employment with or by Company (collectively "Prior Works or Inventions"), which belong to Employee, which relate to Company's business, products, or research and development, and which are not assigned to Company hereunder, or, if no such list is attached or such list is blank, Employee represents that there are no such Prior Works or Inventions. If, in the course of employment with or by Company, Employee incorporates into a Company product, process or machine a Prior Work or Invention owned by Employee or in which Employee has an interest, Company is hereby granted and shall have a nonexclusive, royalty-free, assignable, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell such Prior Work or Invention as part of or in connection with such product, process or machine.

(e) Ownership of Works. Company owns all right, title and interest, including without limitation trade secrets, patents and copyrights, in the following works that Employee creates, makes, conceives or reduces to practice, solely or jointly (i) works that are created using Company's facilities, supplies, information, trade secrets or time, (ii) works that relate directly or indirectly to or arise out of the actual or proposed business of Company, including, without limitation the research and development activities of Company, (iii) works that relate directly or indirectly to or arise out of any task assigned to Employee or work Employee performs for Company or (iv) works that are based on Confidential Information (collectively "Works"). Because these Works will inevitably be based upon or somehow involve Company's business, products, services or methodologies, Employee agrees that the Works will belong to the Company even if Employee creates, makes, conceives or reduces them to practice on his or her own time, using his or her own equipment, on Company's premises or elsewhere or after termination of Employee's employment with or by Company. The Works belonging to Company, include, without limitation program code and documentation. Employee will promptly provide full written disclosure to an officer of Company of any Works Employee creates, makes, conceives or reduces to practice, solely or jointly. To the extent that the Works do not qualify as works made for hire under U.S. copyright law, Employee irrevocably assigns to Company the ownership of, and all rights of copyright in, the Works. Company will have the right to hold in its own name all rights in the Works, including without limitation all rights of copyright, trade secrets and trademark. Employee also waives all claims to moral rights in any Works. Employee acknowledges and agrees that any and all patents, patent applications or other intellectual property rights relating to the Works are to be the exclusive property of Company.

(f) Inventions; Ownership. (i) Employee shall irrevocably assign to Company Employee's entire right, title and interest in any Invention. Employee will promptly make full written disclosure to an officer of Company of any Inventions Employee creates, makes, conceives or reduces to practice, solely or jointly. Employee also waives all claims to moral rights in any Inventions. Employee acknowledges and agrees that any and all patents, patent applications or other intellectual property rights relating to the Inventions are the exclusive property of Company.

(ii) Employee shall cooperate fully with Company, both during and after Employee's employment with or by Company, with respect to the procurement, maintenance and enforcement of copyrights, patents and other intellectual property rights (both in the United States and foreign countries) relating to Works and/or Inventions. Employee shall execute and deliver all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignments of priority rights, and powers of attorney, which Company may deem necessary or desirable to protect its rights and interests in any Works and/or Inventions, and if Company is unable, after reasonable effort, to secure Employee's signature on any such papers, any executive officer of Company shall be entitled to execute any such papers as Employee's agent and attorney-in-fact. Employee hereby irrevocably designates and appoints each executive officer of Company as Employee's agent and attorney-

in-fact to execute any such papers on Employee's behalf, and to take any and all actions as Company may deem necessary or desirable to protect its rights and interests in any Works and/or Inventions, under the conditions described in the preceding sentence.

(g) Maintenance of Records. Employee shall keep and maintain adequate and current written records of all Works and Inventions made by Employee (solely or jointly with others) during the Term with or by Company. The records will be in the form of notes, sketches, drawings, and any other format that may be specified by Company. The records will be available to and remain the sole property of Company at all times.

(h) Return of Confidential Information. Employee shall return to Company all Confidential Information in Employee's possession, custody or control immediately upon Employee's termination from Company, or earlier if Company requests.

(i) Notification of New Employer. In the event Employee leaves the employ of Company or ceases to serve as a consultant to Company, Employee hereby grants consent to notification by Company to Employee's new employer about Employee's rights and obligations under this Agreement.

3. Noncompetition; Non-solicitation of Employees.

(a) Noncompetition. (i) Company is engaged an a unique and specialized industry, and faces competition on a worldwide basis. Employee, through his or her association with Company as an employee or consultant, will acquire a considerable amount of knowledge and goodwill with respect to the business of Company, which knowledge and goodwill are extremely valuable to Company and which would be extremely detrimental to Company if used by Employee to compete with Company. It is, therefore, understood and agreed by Employee and Company that, because of the nature of the business Company, it is necessary to afford fair protection to Company from such competition by Employee. Consequently, while Employee is employed with or by Company and for a period of 12 months after termination of such employment (for any reason whatsoever, whether voluntary or involuntarily), Employee will not, whether alone or as a partner, officer, director, consultant, agent, employee or stockholder of any company or their commercial enterprise, directly or indirectly engage in any business or other activity anywhere in the world which is competitive with, or render services to any firm or business organization which competes with, Company in the business of research, discovery and/or development of human therapeutics and vaccines for infectious diseases that are being actively researched, discovered or developed by Company at the time of termination of such employment. The foregoing prohibition shall not prevent Employee's employment or engagement after termination if such employment or engagement, in any capacity, does not involve work or matters related to the business of research, discovery and/or development of human therapeutics and vaccines for infectious diseases that are being actively researched, discovered or developed by Company at the time of termination of Employee's employment.

(ii) Nothing in Exhibit 1 - Section 3, however, will prevent Employee from engaging in additional activities in connection with personal investments and community affairs that are not inconsistent with Employee's duties under this Agreement. Employee shall be permitted to own securities of a public company not in excess of five percent (5%) of any class of such securities and to own stock partnership interests or other securities of any entity not in excess of five percent (5%) of any class of such securities and such ownership shall not be considered to be competition with Company.

(b) Reasonableness. Company and Employee agree and acknowledge that the noncompetition clause described in Exhibit 1 - Section 3(a) above is made in consideration of substantial compensation payable under this Agreement. In consequence of this Company and Employee agree and acknowledge that the duration, scope, and geographic area included in such covenant not to compete are fair, reasonable, necessary, and appropriate, and will not prevent Employee from engaging in profitable business activities or employment.

(c) Non-Solicitation. During and for 12 months after termination of Employee's employment for any reason, Employee shall not, directly or indirectly solicit, recruit or hire any employee of Company to work for a third party which competes with Company in the business of research, discovery and/or development of human therapeutics and vaccines for infectious diseases that are being actively researched, discovered or developed by Company at the time of termination, or engage in any activity that would cause any employee to violate any agreement with Company.

4. Representations and Warranties. Employee represents and warrants that (a) Employee is able to perform the duties of his or her position, (b) the execution and delivery of this Agreement, and the performance of Employee's duties and obligations hereunder, will not, with or without the giving of notice or the passage of time, or both, (i) conflict with, result in the breach of any provisions of or the termination of, or constitute a default under, any agreements or understandings between Employee and other persons or companies, or (ii) violate any judgment, writ, injunction, or order of any court, arbitrator, or governmental agency applicable to Employee, and (c) all information provided by Employee to Company is true and accurate.

5. Severability. If any term or other provision of this Agreement is determined by any arbitrator or court of competent jurisdiction to be invalid, illegal, or unenforceable in whole or in part by reason of any applicable law or public policy, and such determination becomes final and nonappealable, such term or other provision shall remain in full force and effect to the fullest extent permitted by Law, and all other terms and provisions shall remain in full force and effect in their entirety. Without limiting the generality of the foregoing, if the duration, scope, or area of restrictions set forth in Exhibit 1 - Section 3 are determined by arbitrator or any court of competent jurisdiction to be invalid, illegal, or unenforceable in whole or in part by reason of any applicable Law or public policy now or hereafter existing, such restrictions

shall be interpreted, modified, or rewritten to include as much of such duration, scope or areas as will render such restrictions valid and enforceable.

6. Assignment. Employee shall not assign all or any part of Employee's rights or delegate its obligations hereunder by operation of Law or otherwise without Company's express written consent (which consent may be granted or withheld in Company's sole and absolute discretion).

7. Entire Agreement; Amendment; Waivers.

(a) Entire Agreement. This Agreement constitutes the entire Agreement between the Parties with respect to the subject matter hereof, and supersedes all previous agreements, understandings, commitments or representations concerning the subject matter contained in this Agreement. Each Party acknowledges that the other Party has not made any representations other than those that are contained herein.

Employee Name: Morges Wayne
Last First Middle

(b) Amendments; Waiver. Except for amendments or modifications in accordance with certain provisions of this Agreement, this Agreement may not be amended or modified in any way, except by a writing signed by an authorized officer of Company and by Employee, and none of its provisions may be waived, except by a written waiver signed by the waiving Party. No failure to act by Company will waive any right contained in this Agreement. Any waiver by Company must be in writing and signed by an officer of Company to be effective.

8. Successors and Assigns: No Third-Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of the Parties and their respective successors and permitted assigns. Nothing herein, whether express or implied, is intended to or shall confer upon any other Person any legal or equitable right, power, or remedy of any kind, nature, or description whatsoever under or by reason hereof.

9. Dispute Resolution.

(a) Arbitration. Any and all disputes or claims arising during the course of employment, or arising out of the termination of employment, or arising in the interpretation of this Agreement, between Employee and Company which cannot be resolved through good faith negotiation, shall be resolved in accordance with the provisions of this Section by mandatory arbitration, provided, however, that the arbitration requirement shall not apply to Company seeking damages or injunctive relief described in Exhibit 1 - Section 9(c), if such relief is available under applicable law. Except as otherwise provided in this Agreement, if any controversy should arise between the Parties in as a result of Employee's employment relationship with Company, or the performance, interpretation or application of this Agreement, either Party may serve upon the other a written notice stating that such Party desires to have such controversy reviewed by a board of three arbitrators and naming the person whom such Party has designated to act as an arbitrator. Within 10 days after receipt of such notice, the other Party shall designate an individual to act as arbitrator and shall notify the Party requesting arbitration of such designation and the name of the individual so designated. The two arbitrators so designated shall promptly select a third arbitrator, and if they are not able to agree on such third arbitrator within 10 days, then either arbitrator, on 10 days notice in writing to the other, or both arbitrators, shall apply to the American Arbitration Association to designate and appoint such third arbitrator. If the Party upon whom a written request for arbitration is served shall fail to designate its arbitrator within 10 days after receipt of such notice, then the arbitrator designated by the Party requesting arbitration shall act as the sole arbitrator and shall be deemed to be the single, mutually approved arbitrator to resolve such controversy. All documents, testimony, and records relating to any such arbitration will be maintained in secrecy and will be available for inspection by Company, Employee and their representative attorneys and experts, who will agree, in advance and in writing, to receive and maintain all such information in secrecy, except as may be limited by them in writing.

(b) Binding Nature. The decision and award of a majority of the arbitrators, or of such sole arbitrator, shall be binding upon both Employee and Company and shall be enforceable in any court of competent jurisdiction. Such decision and award may allocate the costs of such arbitration to one of the Parties or disproportionately between the Parties. The arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association.

(c) Damages; Injunctive Relief. (i) Employee's obligations under this Agreement have a unique and substantial value to Company and Employee remains obligated even if he or she voluntarily or involuntarily leaves Company's employment. Employee understands that if Employee violates this Agreement during or after his or her employment Company may be able to recover monetary damages from Employee and/or the other relief described below.

(ii) A violation or even a threatened violation of this Agreement is likely to result in irreparable harm to Company and monetary damages alone would not completely compensate Company for the harm. Accordingly, Company may obtain an injunction prohibiting Employee from violating Section 2 and Section 3 of Exhibit 1 of this Agreement, an order requiring Employee to render specific performance of the Agreement, and/or other appropriate equitable remedies.

(iii) If an arbitrator or court determines that Employee has breached or attempted or threatened to breach Section 2 or Section 3 of Exhibit 1 of this Agreement, Employee acknowledges that such a breach would cause irreparable harm to Company, and Employee consents to the granting of an injunction restraining Employee from further breaches or attempted or threatened breaches of this Agreement, compelling Employee to comply with this Agreement, and/or prescribing other equitable remedies.

10. Governing Law. This Agreement, and any other disputes or claims arising out of Employee's employment, including all arbitrated disputes, shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without regard to its conflict of laws provisions. Suit to enforce any provision of this Agreement or to obtain any remedy with respect hereto may be brought in a court of the State of Maryland for this purpose, Employee expressly consents to the jurisdiction of said courts.

11. Notices. All notices and other communications from one Party to the other shall be in writing and shall be deemed received upon (a) actual receipt when personally delivered, (b) electronic confirmation of receipt if sent by electronic mail, (c) electronic confirmation of receipt if sent by facsimile, (d) expiration of the 5th business day after being deposited in the United States mails, postage prepaid, certified or registered mail or (e) expiration of one business day after being deposited during the regular business hours for next-day delivery and prepaid for overnight delivery with a national overnight courier company, addressed to the other Party as set forth on the signature page. Each Party may change its address by giving the other Party notice thereof in conformity with this Section.

12. Definitions. For purposes of this Agreement:

(a) "Agreement" means the agreement, and each such exhibit, appendix, schedule, rider or addendum attached thereto as they may be amended, restated, supplemented or modified from time to time.

(b) "Confidential Information" means confidential, proprietary or trade secret information relating to Company's past, present or future (i) products, processes, formulas, patterns, compositions, compounds, projects, specifications, know how, research data, clinical data, personnel data, compilations, programs, devices, methods, techniques, inventions, software, and

improvements thereto, (ii) research and development activities, (iii) designs and technical data, (iv) marketing or business development activities, including without limitation prospective or actual bids or proposals, pricing information and financial information, (v) customers or suppliers or (vi) other administrative, management, planning, financial, marketing, purchasing or manufacturing activities. All of this type of information, whether it belongs to Company or was provided to Company by a third party with the understanding that it be kept confidential, and any documents, diskettes or other storage media, or other materials or items containing this type of information, are proprietary and confidential to Company.

(c) "Invention" means any invention, modification, design, program code, software, documentation, formula, data, know how, technique, process, method, device, discovery, improvement, developments, or works of authorship and all related patents, patent applications, copyrights and copyright applications whether patentable or not, created, made, conceived or reduced to practice, solely or jointly by Employee whether or not during normal working hours or on Employee's own time, using Employee's own equipment, on the premises of Company or elsewhere, or after termination of Employee's employment with or by Company that (i) is created using Company's facilities, supplies, information, trade secrets or time, (ii) relates directly or indirectly to or arises out of the actual or proposed business, including without limitation the research and development activities, of Company, (iii) relates directly or indirectly to or arises out of any task assigned to Employee or work Employee performs for Company or (iv) is based on Confidential Information.

(d) "Law" means any federal, state, local, municipal, foreign, international, multinational, or other administrative order, constitution, law, ordinance, principle of common law, regulation, statute, or treaty.

(e) "Person" means any individual, partnership, firm, corporation, limited liability company, joint venture, association, trust, unincorporated organization, or other entity.

13. Indemnification. Employee shall indemnify and hold Company harmless from:

(a) any and all damages, claims, costs and expenses based on, or arising from, the breach of any agreement or understanding between Employee and another person or company, and

(b) Employee's use or disclosure of any Confidential Information or trade secrets Employee obtained from sources other than Company.

14. Miscellaneous Provisions.

(a) Construction. Each Party has participated equally in the preparation and negotiation of this Agreement, and each Party hereby unconditionally and irrevocably waives to the fullest extent permitted by law any rule of interpretation or construction requiring that this Agreement be interpreted or construed against the drafting Party.

(b) Order of Precedence. In the event of any conflict between a provision or provisions set forth under the Basic Terms heading in this Agreement and any exhibit, appendix, schedule, rider or addendum, the provision or provisions set forth under such Basic Terms shall control unless the exhibit, appendix, schedule, rider or addendum specifically provides otherwise.

(c) Headings. The descriptive headings contained herein are for convenience of reference only and shall not affect in any way the meaning, construction, or interpretation of any term or provision hereof.

(d) Counterparts. This Agreement may be executed in any number of counterparts and by the different parties in separate counterparts, each of which when executed shall be deemed an original, and all of which taken together shall constitute one and the same Agreement with the same effect as if such signatures were upon the same document. Delivery of an executed counterpart hereof via facsimile shall be as effective as delivery of a manually executed counterpart hereof.

(e) Eligibility Documents. Employee shall provide Company with true and correct documents ("Eligibility Documents") identifying Employee's eligibility to work in the United States (see back of 1-9 form for list of acceptable documents) on or before the Commencement Date. Employee will need these documents to begin employment.

Employee Name: Morges Wayne

Last First Middle

SCHEDULE 2(d) TO EXHIBIT 1

PRIOR WORKS OR INVENTIONS

The following are Employee's Prior Works Or Inventions as defined in Section 3(d) of Exhibit 1 of this Agreement. If blank, then there are NONE.

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (this "Agreement") dated as of March 30, 2007 (the "Effective Date") between SILICON VALLEY BANK, a California corporation and with a loan production office located at 8020 Tower Crescent Drive, Suite 475, Vienna, Virginia 22182 ("SVB"), as agent (the "Agent"), and the Lenders listed on Schedule 1.1 thereof and otherwise party hereto, including without limitation, SVB and OXFORD FINANCE CORPORATION ("Oxford"), and PHARMATHENE, INC., a Delaware corporation ("Borrower"), provides the terms on which Lenders shall lend to Borrower and Borrower shall repay Lenders. The parties agree as follows:

1 ACCOUNTING AND OTHER TERMS

Accounting terms not defined in this Agreement shall be construed following GAAP. Calculations and determinations must be made following GAAP. Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in Section 13. All other terms contained in this Agreement, unless otherwise indicated, shall have the meaning provided by the Code to the extent such terms are defined therein.

2 LOAN AND TERMS OF PAYMENT

2.1 Promise to Pay. Borrower hereby unconditionally promises to pay Lenders the outstanding principal amount of all Credit Extensions and accrued and unpaid interest thereon as and when due in accordance with this Agreement.

2.1.1 Growth Capital Facility.

(a) Availability. Subject to the terms and conditions of this Agreement, on the Effective Date, Lenders agree, severally and not jointly, to make one (1) loan (the "Growth Capital Loan") available to Borrower in an amount up to the Growth Capital Loan Amount, according to each Lender's pro-rata share of the Growth Capital Loan Amount (based upon the respective Commitment Percentage of each Lender). When repaid, the Growth Capital Loan may not be re-borrowed.

(b) Interest Payments. Commencing on the first Payment Date of the month following the month in which the Funding Date occurs, Borrower shall make monthly payments of interest at the rate set forth in Section 2.2(a).

(c) Repayment. Commencing on October 1, 2007 (the first Payment Date which is six (6) months from the Effective Date) (the "Amortization Date"), and continuing on the Payment Date of each month thereafter, the Growth Capital Loan shall be repaid, in advance, in (i) thirty (30) equal monthly installments of principal, plus (ii) monthly payments of accrued interest at the rate set forth in Section 2.2(a). The final payment of all unpaid principal and accrued interest is due and payable in full on the Growth Capital Loan Maturity Date.

2.2 Payment of Interest on the Credit Extensions.

(a) Interest Rate. Subject to Section 2.2(b), the principal amount outstanding under the Growth Capital Loan shall accrue interest at a fixed per annum rate equal to the Basic Rate, determined by Agent as of the Effective Date, which interest shall be payable monthly in accordance with Section 2.2.(e).

(b) Default Rate. Immediately upon the occurrence and during the continuance of an Event of Default, Obligations shall bear interest at a rate per annum which is five percentage points above the rate that is otherwise applicable thereto (the "Default Rate"). Payment or acceptance of the increased interest rate provided in this Section 2.2(b) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Agent.

(c) 360-Day Year. Interest shall be computed on the basis of a 360-day year for the actual number of days elapsed.

(d) Debit of Accounts. Agent may debit any of Borrower's deposit accounts, including the Designated Deposit Account, for principal and interest payments or any other amounts Borrower owes Lenders when due. These debits shall not constitute a set-off.

(e) Payments. Unless otherwise provided, interest is payable monthly on the Payment Date of each month. Payments of principal and/or interest received after 12:00 noon Eastern time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment is due the next Business Day and additional fees or interest, as applicable, shall continue to accrue.

(f) Permitted Prepayment. Borrower may not make any partial prepayments of principal hereunder at any time prior to the Amortization Date. At any time after the Amortization Date, so long as no Event of Default has occurred and is continuing, Borrower shall have the option to prepay all, but not less than all, of the Growth Capital Loan advanced by Lenders under this Agreement, provided Borrower (i) delivers written notice to Agent of its election to prepay the Growth Capital Loan at least five (5) days prior to such prepayment, and (ii) pays, on the date of such prepayment: (x) all outstanding principal plus accrued and unpaid interest, (y) the Prepayment Fee, and (z) all other sums, if any, that shall have become due and payable, including interest at the Default Rate with respect to any past due amounts.

2.3 Fees. Borrower shall pay to Agent:

(a) Commitment Fee. A fully earned, non-refundable commitment fee of Fifty Thousand Dollars ($50,000.00) to be shared between the Lenders pursuant to their respective Commitment Percentages on the Effective Date.

(b) Good Faith Deposit. Borrower has paid to Agent, prior to the Effective Date, a good faith deposit of Twenty-Five Thousand Dollars

($25,000.00) (the "Good Faith Deposit") to initiate Lenders' due diligence review process, and such amounts shall be applied towards the Commitment Fee as set forth in 2.3(a) hereof.

(c) Prepayment Fee. The Prepayment Fee, when due hereunder; and

(d) Lenders' Expenses. All Lenders' Expenses (including reasonable attorneys' fees and expenses, plus expenses, for documentation and negotiation of this Agreement) incurred through and after the Effective Date, when due.

2.4 Additional Costs. If any new law or regulation increases Lender's costs or reduces its income for any loan, Borrower shall pay the increase in cost or reduction in income or additional expense; provided, however, that Borrower shall not be liable for any amount attributable to any period before 180 days prior to the date Agent notifies Borrower of such increased costs. Each Lender agrees that it shall allocate any increased costs among its customers similarly affected in good faith and in a manner consistent with such Lender's customary practice.

3 CONDITIONS OF LOANS

3.1 Conditions Precedent to Initial Credit Extension. Each Lender's obligation to make the initial Credit Extension is subject to the condition precedent that Borrower shall consent to or shall have delivered, in form and substance satisfactory to Lenders, such documents, and completion of such other matters, as Lenders may reasonably deem necessary or appropriate, including, without limitation:

(a) duly executed original signatures to the Loan Documents to which Borrower is a party;

(b) duly executed original signatures to the Control Agreement[s];

(c) Operating Documents and a good standing certificate of Borrower certified by the Secretary of State of the State of Delaware as of a date no earlier than thirty (30) days prior to the Effective Date;

(d) duly executed original signatures to the completed Borrowing Resolutions for Borrower;

(e) Agent shall have received certified copies, dated as of a recent date, of financing statement searches, as Agent shall request, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements either constitute Permitted Liens or have been or, in connection with the initial Credit Extension, will be terminated or released;

(f) a legal opinion of Borrower's and Guarantor's counsel dated as of the Effective Date together with the duly executed original signatures thereto;

(g) Borrower shall have delivered the duly executed original signatures to the Guaranty, together with the completed Borrowing Resolutions for Guarantor;

(h) Borrower shall deliver the Guarantor's duly executed original signatures to the movable Hypothec;

(i) duly executed Subordination Agreements executed by the holders of Subordinated Debt in favor of Agent, for the ratable benefit of the Lenders;

(j) evidence satisfactory to Agent that the insurance policies required by Section 6.5 hereof are in full force and effect, together with appropriate evidence showing loss payable and/or additional insured clauses or endorsements in favor of Agent, for the ratable benefit of the Lenders; and

(k) payment of the fees and Lenders' Expenses then due as specified in Section 2.3 hereof.

3.2 Conditions Precedent to all Credit Extensions. The obligation of each Lender to make each Credit Extension, including the initial Credit Extension, is subject to the following:

(a) timely receipt of an executed Payment/Advance Form;

(b) the representations and warranties in Section 5 shall be true in all material respects on the date of the Payment/Advance Form and on the Funding Date of each Credit Extension; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, and no Default or Event of Default shall have occurred and be continuing or result from the Credit Extension. Each Credit Extension is Borrower's representation and warranty on that date that the representations and warranties in Section 5 remain true in all material respects; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date; and

(c) in such Lender's sole discretion, there has not been any material impairment in the general affairs, management, results of operation, financial condition or the prospect of repayment of the Obligations, nor has there been any material adverse deviation by Borrower from the most recent business plan of Borrower presented to and accepted by Agent.

3.3 Covenant to Deliver. Borrower agrees to deliver to Agent each item required to be delivered to Agent under this Agreement as a condition to any Credit Extension. Borrower expressly agrees that the extension of a Credit Extension prior to the receipt by Agent of any such item shall not constitute a waiver by Lenders of Borrower's obligation to deliver such item, and any such extension in the absence of a required item shall be in Agent's sole discretion.

4 CREATION OF SECURITY INTEREST

4.1 Grant of Security Interest. Borrower hereby grants Agent, for the ratable benefit of the Lenders, and to each Lender, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges to Agent, for the ratable benefit of the Lenders, and to each Lender, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof. Borrower represents, warrants, and covenants that the security interest granted herein is and shall at all times continue to be a first priority perfected security interest in the Collateral (subject only to Permitted Liens). If Borrower shall acquire a commercial tort claim (as defined in the Code), Borrower shall promptly notify Agent in a writing signed by Borrower of the general details thereof (and further details as may be required by Agent) and grant to Agent, for the ratable benefit of the Lenders, and to each Lender in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Agent.

If this Agreement is terminated, Agent's and each Lender's Lien in the Collateral shall continue until the Obligations are repaid in full in cash. Upon payment in full in cash of the Obligations and at such time as the Lenders' obligation to make Credit Extensions has terminated, the Agent, and if appropriate, each Lender shall, at Borrower's sole cost and expense, release its Liens in the Collateral and all rights therein shall revert to Borrower.

4.2 Authorization to File Financing Statements. Borrower hereby authorizes Agent to file financing statements, without notice to Borrower, with all appropriate jurisdictions to perfect or protect Agent's and each Lender's interest or rights hereunder, including a notice that any disposition of the Collateral, except as permitted hereunder, by either Borrower or any other Person, shall be deemed to violate the rights of the Agent and the Lenders under the Code.

5 REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants as follows:

5.1 Due Organization, Authorization: Power and Authority. Borrower and each of its Subsidiaries, if any, are duly existing and in good standing, as Registered Organizations in their respective jurisdictions of formation and are qualified and licensed to do business and are in good standing in any jurisdiction in which the conduct of their business or their ownership of property requires that they be qualified except where the failure to do so could not reasonably be expected to have a material adverse effect on Borrower's business. In connection with this Agreement, Borrower has delivered to Agent a completed perfection certificate signed by Borrower (the "Perfection Certificate"). Borrower represents and warrants that (a) Borrower's exact legal name is that indicated on the Perfection Certificate and on the signature page hereof; (b) Borrower is an organization of the type and is organized in the jurisdiction set forth in the Perfection Certificate; (c) the Perfection Certificate accurately sets forth Borrower's organizational identification number or accurately states that Borrower has none; (d) the Perfection Certificate accurately sets forth Borrower's place of business, or, if more than one, its chief executive office as well as Borrower's mailing address (if different than its chief executive office); (e) Borrower (and each of its predecessors) has not, in the past five (5) years, changed its jurisdiction of formation, organizational structure or type, or any organizational number assigned by its jurisdiction; and (f) all other information set forth on the Perfection Certificate pertaining to Borrower and each of its Subsidiaries is accurate and complete (it being understood and agreed that Borrower may from time to time update certain information in the Perfection Certificate after the Effective Date to the extent permitted by one or more specific provisions in this Agreement). If Borrower is not now a Registered Organization but later becomes one, Borrower shall promptly notify Agent of such occurrence and provide Agent with Borrower's organizational identification number.

The execution, delivery and performance by Borrower of the Loan Documents to which it is a party have been duly authorized, and do not (i) conflict with any of Borrower's organizational documents, except to the extent that any such conflict has been waived or otherwise resolved simultaneous with entering into this Agreement, (ii) contravene, conflict with, constitute a default under or violate any Requirement of Law in any material respect, (iii) contravene, conflict or violate any applicable order, writ, judgment, injunction, decree, determination or award of any Governmental Authority by which Borrower or any of its Subsidiaries or any of their property or assets may be bound or affected, (iv) require any action by, filing, registration, or qualification with, or

Governmental Approval from, any Governmental Authority (except such Governmental Approvals which have already been obtained and are in full force and effect) or are being obtained pursuant to Section 6.1(b), or (v) constitute an event of default under any material agreement by which Borrower is bound, except to the extent that any such event of default has been waived or otherwise resolved simultaneous with entering into this Agreement . Borrower is not in default under any agreement to which it is a party or by which it is bound in which the default could reasonably be expected to have a material adverse effect on Borrower's business.

5.2 Collateral. Borrower has good title to, has rights in, and the power to transfer each item of the Collateral upon which it purports to grant a Lien hereunder, free and clear of any and all Liens except Permitted Liens. Borrower has no deposit accounts other than the deposit accounts with Agent, the deposit accounts, if any, described in the Perfection Certificate, or of which Borrower has given Agent notice and taken such actions as are necessary to give Agent a perfected security interest therein.

The Collateral is not in the possession of any third party bailee (such as a warehouse) except as otherwise provided in the Perfection Certificate. None of the components of the Collateral shall be maintained at locations other than as provided in the Perfection Certificate or as Borrower has given Agent notice pursuant to Section 7.2. In the event that Borrower, after the date hereof, intends to store or otherwise deliver any portion of the Collateral to a bailee, then Borrower will first receive the written consent of Agent and such bailee must execute and deliver a bailee agreement in form and substance satisfactory to Agent.

Except as noted on the Perfection Certificate, Borrower is not a party to, nor is bound by, any material license or other agreement with respect to which Borrower is a licensee that (a) prohibits or otherwise restricts Borrower from granting a security interest in Borrower's interest in such license or agreement or any other property, or (b) for which a default under or termination of could interfere with Agent's right to sell any Collateral. Borrower shall provide written notice to Agent within ten (10) days of entering or becoming bound by any such license or agreement which is reasonably likely to have a material impact on Borrower's business or financial condition (other than over-the-counter software that is commercially available to the public). Borrower shall take such steps as Agent requests to obtain the consent of, or waiver by, any person whose consent or waiver is necessary for (x) all such licenses or agreements to be deemed "Collateral" and for Agent and each Lender to have a security interest in it that might otherwise be restricted or prohibited by law or by the terms of any such license or, whether now existing or entered into in the future, and (y) Agent shall have the ability in the event of a liquidation of any Collateral to dispose of such Collateral in accordance with Agent's rights and remedies under this Agreement and the other Loan Documents.

5.3 Litigation. There are no actions or proceedings pending or, to the knowledge of the Responsible Officers, threatened in writing by or against Borrower or any of its Subsidiaries involving more than One Hundred Thousand Dollars ($100,000.00).

5.4 No Material Deviation in Financial Statements. All consolidated financial statements for Borrower and any of its Subsidiaries delivered to Agent fairly present, in all material respects Borrower's consolidated financial condition and Borrower's consolidated results of operations. There has not been any material deterioration in Borrower's consolidated financial condition since the date of the most recent financial statements submitted to Agent.

5.5 Solvency. Borrower is able to pay its debts (including trade debts) as they mature.

5.6 Regulatory Compliance. Borrower is not an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act of 1940. Borrower is not engaged as one of its important activities in extending credit for margin stock (under Regulations T and U of the Federal Reserve Board of Governors). Borrower has complied in all material respects with the Federal Fair Labor Standards Act. Borrower has not violated any laws, ordinances or rules, the violation of which could reasonably be expected to have a material adverse effect on its business. None of Borrower's or any of its Subsidiaries' properties or assets has been used by Borrower or any Subsidiary or, to the best of Borrower's knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than legally. Borrower and each of its Subsidiaries have obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all Governmental Authorities that are necessary to continue their respective businesses as currently conducted.

5.7 Subsidiaries; Investments. Borrower does not own any stock, partnership interest or other equity securities except for Permitted Investments and its Subsidiary.

5.8 Tax Returns and Payments; Pension Contributions. Borrower has timely filed all required tax returns and reports, and Borrower and its Subsidiaries have timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower. Borrower may defer payment of any contested taxes, provided that Borrower (a) in good faith contests its obligation to pay the taxes by appropriate proceedings promptly and diligently instituted and conducted, (b) notifies Agent in writing of the commencement of, and any material development in, the proceedings, (c) posts bonds or takes any other steps required to prevent the governmental authority levying such contested taxes from obtaining a Lien upon any of the Collateral that is other than a "Permitted Lien". Borrower is unaware of any claims or adjustments proposed for any of Borrower's prior tax years which could result in additional taxes becoming due and payable by Borrower. Borrower has paid all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms, and Borrower has not withdrawn from participation in, and has not permitted partial or complete termination of, or permitted the occurrence of any other event with respect to, any such plan which could reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

5.9 Use of Proceeds. Borrower shall use the proceeds of the Credit Extensions solely to fund its general business requirements and not for personal, family, household or agricultural purposes.

5.10 Full Disclosure. No written representation, warranty or other statement of Borrower in any certificate or written statement given to Agent or any Lender, as of the date such representation, warranty, or other statement was made, taken together with all such written certificates and written statements given to Agent or any Lender, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading (it being recognized that the projections and forecasts provided by Borrower in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

6 AFFIRMATIVE COVENANTS

Borrower shall do all of the following:

6.1 Government Compliance.

(a) Maintain its and all its Subsidiaries' legal existence and good standing in their respective jurisdictions of formation and maintain qualification in each jurisdiction in which the failure to so qualify would reasonably be expected to have a material adverse effect on Borrower's business or operations. Borrower shall comply, and have each Subsidiary comply, with all laws, ordinances and regulations to which it is subject, the noncompliance with which could have a material adverse effect on Borrower's business.

(b) Use commercially reasonably efforts to obtain all of the Governmental Approvals necessary for the performance by Borrower of its obligations under the Loan Documents to which it is a party and the grant of a security interest to Agent for the ratable benefit of the Lenders, in all of its property. Borrower shall promptly provide copies of any such obtained Governmental Approvals to Agent.

6.2 Financial Statements, Reports, Certificates. Deliver to Agent: (i) as soon as available, but no later than thirty (30) days after the last day of each month, a company prepared consolidated balance sheet and income statement covering Borrower's consolidated operations for such month certified by a Responsible Officer and in a form acceptable to Agent; (ii) as soon as available, but no later than one hundred eighty (180) days after the last day of Borrower's fiscal year, audited consolidated financial statements prepared under GAAP, consistently applied, together with an unqualified opinion on the financial statements from an independent certified public accounting firm

acceptable to Agent in its reasonable discretion; (iii) as soon as available, but no later than forty-five (45) days after the last day of Borrower's fiscal year, Borrower's financial projections for current fiscal year as approved by Borrower's Board of Directors; (iv) within ten (10) days of delivery, copies of all statements, reports and notices made generally available to Borrower's security holders or to any holders of Subordinated Debt in such capacity; (v) in the event that Borrower becomes subject to the reporting requirements under the Securities Exchange Act of 1934, as amended, within five (5) days of filing, all reports on Form 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission or a link thereto on Borrower's or another website on the Internet; (vi) a prompt report of any legal actions pending or threatened against Borrower or any of its Subsidiaries that could result in damages or costs to Borrower or any of its Subsidiaries of Two Hundred Thousand Dollars ($200,000) or more; and (vii) other financial information reasonably requested by Agent.

6.3 Inventory; Returns. Returns and allowances between Borrower and its Account Debtors shall follow Borrower's customary practices as they exist at the Effective Date. Borrower must promptly notify Agent of all returns, recoveries, disputes and claims that involve more than One Hundred Thousand Dollars ($100,000).

6.4 Taxes; Pensions. Make, and cause each of its Subsidiaries to make, timely payment of all foreign, federal, state, and local taxes or assessments (other than taxes and assessments which Borrower is contesting pursuant to the terms of Section 5.8 hereof) and shall deliver to Agent, on demand, appropriate certificates attesting to such payments, and pay all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms.

6.5 Insurance. Keep its business and the Collateral insured for risks and in amounts standard for companies in Borrower's industry and location and as Agent may reasonably request. Insurance policies shall be in a form, with companies, and in amounts that are satisfactory to Agent. All property policies shall have a lender's loss payable endorsement showing Agent as lender loss payee and waive subrogation against Agent, and all liability policies shall show, or have endorsements showing, the Agent, as an additional insured. All policies (or the loss payable and additional insured endorsements) shall provide that the insurer must give Agent at least twenty (20) days notice before canceling, amending, or declining to renew its policy. At Agent's request, Borrower shall deliver certified copies of policies and evidence of all premium payments. Proceeds payable under any policy shall, at Agent's option, be payable to Agent on behalf of the Lenders on account of the Obligations. Notwithstanding the foregoing, (a) so long as no Event of Default has occurred and is continuing, Borrower shall have the option of applying the proceeds of any casualty policy up to $500,000 with respect to any loss, but not exceeding $500,000, in the aggregate for all losses under all casualty policies in any one year, toward the replacement or repair of destroyed or damaged property; provided that any such replaced or repaired property (i) shall be of equal or like value as the replaced or repaired Collateral and (ii) shall be deemed Collateral in which Agent and Lenders have been granted a first priority security interest, and (b) after the occurrence and during the continuance of an Event of Default, all proceeds payable under such casualty policy shall, at the option of Agent, be payable to Agent, for the ratable benefit of the Lenders, on account of the Obligations. If Borrower fails to obtain insurance as required under this Section 6.5 or to pay any amount or furnish any required proof of payment to third persons and Agent, Agent may make all or part of such payment or obtain such insurance policies required in this Section 6.5, and take any action under the policies Agent deems prudent.

6.6 Operating Accounts.

(a) Maintain its primary operating accounts with Agent and Agent's affiliates.

(b) Provide Agent five (5) days prior written notice before establishing any Collateral Account at or with any bank or financial institution other than Agent or its Affiliates. In addition, for each Collateral Account that Borrower at any time maintains, Borrower shall cause the applicable bank or financial institution (other than Agent) at or with which any Collateral Account is maintained to execute and deliver a Control Agreement or other appropriate instrument with respect to such Collateral Account to perfect Agent's Lien in such Collateral Account in accordance with the terms hereunder. The provisions of the previous sentence shall not apply to deposit accounts exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of Borrower's employees and identified to Agent by Borrower as such.

6.7 Protection of Intellectual Property Rights. Borrower shall: (a) protect, defend and maintain the validity and enforceability of the intellectual property material to Borrower's business; (b) promptly advise Agent in writing of material infringements of its intellectual property; and (c) not allow any intellectual property material to Borrower's business to be abandoned, forfeited or dedicated to the public without Agent's written consent.

6.8 SPAC Closing. In the event that the SPAC Closing has not occurred prior to August 3, 2007, the Borrower shall deliver to Agent, on or before August 31, 2007, the Additional Closing Documents, each in form and substance acceptable to the Lenders, at Borrower's sole cost and expense.

6.9 Litigation Cooperation. From the date hereof and continuing through the termination of this Agreement, make available to Agent, without expense to Agent, Borrower and its officers, employees and agents and Borrower's books and records, to the extent that Agent may deem them reasonably necessary to prosecute or defend any third-party suit or proceeding instituted by or against Agent with respect to any Collateral or relating to Borrower.

6.10 Further Assurances. Execute any further instruments and take further action as Agent reasonably requests to perfect or continue Agent's and Lenders' Lien in the Collateral or to effect the purposes of this Agreement. Deliver to Agent, within five (5) days after the same are sent or received, copies of all correspondence, reports, documents and other filings with any Governmental Authority regarding compliance with or maintenance of Governmental Approvals or Requirements of Law or that could reasonably be expected to have a material effect on any of the Governmental Approvals or otherwise on the operations of Borrower or any of its Subsidiaries.

6.10 Notices of Litigation and Default. Borrower will give prompt written notice to Agent of any litigation or governmental proceedings pending or threatened (in writing) against Borrower which would reasonably be expected to have a material adverse effect with respect to Borrower. Without limiting or contradicting any other more specific provision of this Agreement, promptly (and in any event within three (3) Business Days) upon Borrower becoming aware of the existence of any Event of Default or event which, with the giving of notice or passage of time, or both, would constitute an Event of Default, Borrower shall give written notice to Agent of such occurrence, which such notice shall include a reasonably detailed description of such Event of Default or event which, with the giving of notice or passage of time, or both, would constitute an Event of Default.

7 NEGATIVE COVENANTS

Borrower shall not do any of the following without Agent's prior written consent:

7.1 Dispositions. Convey, sell, lease, transfer, assign, or otherwise dispose of (collectively, "Transfer"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for Transfers (a) of Inventory in the ordinary course of business; (b) of worn-out or obsolete Equipment; and (c) in connection with Permitted Joint Ventures, Permitted Liens and Permitted Investments; and (d) of non-exclusive licenses for the use of the property, of Borrower or its Subsidiaries in the ordinary course of business.

7.2 Changes in Business, Management, Ownership, or Business Locations. (a) Engage in or permit any of its Subsidiaries to engage in any business other than the businesses currently engaged in by Borrower and such Subsidiary, as applicable, or reasonably related thereto; (b) liquidate or dissolve; or (c) (i) if the Key Person ceases to hold such office with Borrower and a replacement reasonably satisfactory to Lenders is not made within 90 days thereafter, or (ii) except in connection with the SPAC Closing, enter into any transaction or series of related transactions in which the stockholders of Borrower who were not stockholders immediately prior to the first such transaction or immediately after the SPAC Closing, own more than 40% of the voting stock of Borrower immediately after giving effect to such transaction or related series of such transactions (other than by the sale of Borrower's equity securities in a public offering or to venture capital investors so long as Borrower identifies to Agent the venture capital investors prior to the closing of the transaction). Borrower shall not, without at least thirty (30) days prior written notice to Agent: (1) add any new offices or business locations, including warehouses (unless such new offices or business locations contain less than Ten Thousand Dollars ($10,000) in Borrower's assets or property), (2) change its jurisdiction of organization, (3) change its organizational structure or type, (4) change its legal name, or (5) change any organizational number (if any) assigned by its jurisdiction of organization.

7.3 Mergers or Acquisitions. Except in connection with the SPAC Closing or a Permitted Acquisition, merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person. A Subsidiary may merge or consolidate into another Subsidiary or into Borrower.

7.4 Indebtedness. Create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness.

7.5 Encumbrance. Create, incur, allow, or suffer any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, or permit any Collateral not to be subject to the first priority security interest granted herein, or enter into any agreement, document, instrument or other arrangement (except with or in favor of Agent) with any Person which directly or indirectly prohibits or has the effect of prohibiting Borrower or any Subsidiary from assigning, mortgaging, pledging, granting a security interest in or upon, or encumbering any of Borrower's or any Subsidiary's intellectual property, except as is otherwise permitted in Section 7.1 hereof and the definition of "Permitted Liens" herein.

7.6 Maintenance of Collateral Accounts. Maintain any Collateral Account except pursuant to the terms of Section 6.6(b) hereof.

7.7 Distributions; Investments. (a) Pay any dividends or make any distribution or payment or redeem, retire or purchase any capital stock, or (b) directly or indirectly make any Investment other than Permitted Investments, or permit any of its Subsidiaries to do so.

7.8 Transactions with Affiliates. Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower, except for transactions that are in the ordinary course of Borrower's business, upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person.

7.9 Subordinated Debt. (a) Make or permit any payment on any Subordinated Debt, except under the terms of the subordination, intercreditor, or other similar agreement to which such Subordinated Debt is subject, or (b) amend any provision in any document relating to the Subordinated Debt which would increase the principal amount thereof or adversely affect the subordination thereof to Obligations owed to the Lenders.

7.10 Compliance. Become an "investment company" or a company controlled by an "investment company", under the Investment Company Act of 1940 or undertake as one of its important activities extending credit to purchase or carry margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System), or use the proceeds of any Credit Extension for that purpose; fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation could reasonably be expected to have a material adverse effect on Borrower's business, or permit any of its Subsidiaries to do so; withdraw or permit any Subsidiary to withdraw from participation in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any present pension, profit sharing and deferred compensation plan which could reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

8 EVENTS OF DEFAULT

Any one of the following shall constitute an event of default (an "Event of Default") under this Agreement:

8.1 Payment Default. Borrower fails to make any payment of principal or interest on any Credit Extension on its due date, or pay any other Obligations within three (3) Business Days after such Obligations are due and payable (which three (3) Business Day grace period shall not apply to payments due on the Growth Capital Loan Maturity Date). During the cure period, the failure to cure the payment default is not an Event of Default (but no Credit Extension will be made during the cure period);

8.2 Covenant Default.

(a) Borrower fails or neglects to perform any obligation in Sections 6.2, 6.4, 6.5, 6.6, 6.7, 6.8, or violates any covenant in Section 7; or

(b) Borrower fails or neglects to perform, keep, or observe any other term, provision, condition, covenant or agreement contained in this Agreement or any Loan Documents, and as to any default (other than those specified in this Section 8) under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure the default within ten (10) days after the occurrence thereof; provided, however, that if the default cannot by its nature be cured within the ten (10) day period or cannot after diligent attempts by Borrower be cured within such ten (10) day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional period (which shall not in any case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to cure the default shall not be deemed an Event of Default (but no Credit Extensions shall be made during such cure period). Grace periods provided under this Section shall not apply, among other things, to financial covenants or any other covenants set forth in subsection (a) above;

8.3 Material Adverse Change. A Material Adverse Change occurs;

8.4 Attachment. (a) Any material portion of Borrower's assets is attached, seized, levied on, or comes into possession of a trustee or receiver and the attachment, seizure or levy is not removed in ten (10) days; (b) the service of process seeking to attach, by trustee or similar process, any funds of Borrower, or of any entity under control of Borrower (including a Subsidiary), on deposit with the Lenders and/or Agent or an Affiliate; (c) Borrower is enjoined, restrained, or prevented by court order from conducting a material part of its business; (d) a judgment or other claim in excess of Fifty Thousand Dollars ($50,000.00) becomes a Lien on any of Borrower's assets; or (e) a notice of lien, levy, or assessment is filed against any of Borrower's assets by any government agency and not paid within ten (10) days after Borrower receives notice. These are not Events of Default if stayed or if a bond is posted pending contest by Borrower (but no Credit Extensions shall be made during the cure period);

8.5 Insolvency (a) Borrower is unable to pay its debts (including trade debts) as they become due or otherwise becomes insolvent; (b) Borrower begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against Borrower and not dismissed or stayed within forty-five (45) days (but no Credit Extensions shall be made while of any of the conditions described in clause (a) exist and/or until any Insolvency Proceeding is dismissed);

8.6 Other Agreements. There is a default which remains uncured in any agreement to which Borrower is a party with a third party or parties resulting in a right by such third party or parties (other than any agreement relating to the Subordinated Debt), whether or not exercised, to accelerate the maturity of any Indebtedness in an amount in excess of Two Hundred Fifty Thousand Dollars ($250,000) or that could have a material adverse effect on Borrower's or Guarantor's business.

8.7 Judgments. One or more judgments, orders, or decrees for the payment of money in an amount, individually or in the aggregate, of at least Fifty Thousand Dollars ($50,000) (not covered by independent third-party insurance as to which liability has been accepted by such insurance carrier) shall be rendered against Borrower and shall remain unsatisfied, unvacated, or unstayed for a period of ten (10) days after the entry thereof (provided that no Credit Extensions will be made prior to the satisfaction, vacation, or stay of such judgment, order, or decree);

8.8 Misrepresentations. Borrower or any Person acting for Borrower makes any representation, warranty, or other statement now or later in this Agreement, any Loan Document or in any writing delivered to Agent and/or Lenders or to induce Agent and/or Lenders to enter this Agreement or any Loan Document, and such representation, warranty, or other statement is incorrect in any material respect when made; or

8.9 Intentionally Deleted.

8.10 Governmental Approvals. Any Governmental Approval shall have been revoked, rescinded, suspended, modified in an adverse manner or not renewed in the ordinary course for a full term.

8.11 Guaranty. (a) Any guaranty of any Obligations terminates or ceases for any reason to be in full force and effect and is not restored within three (3) Business Days thereafter; (b) any Guarantor does not perform any obligation or covenant under any guaranty of the Obligations within any applicable period of grace or cure, if any; (c) any circumstance described in Sections 8.3, 8.4, 8.5, 8.7, or 8.8. occurs with respect to any Guarantor that can be cured, has failed to be cured within three (3) Business Days after the occurrence thereof; (d) the liquidation, winding up, or termination of existence of any Guarantor; or (e) a material impairment in the perfection or priority of Bank's Lien in the collateral provided by Guarantor or in the value of such collateral.

9 RIGHTS AND REMEDIES

9.1 Rights and Remedies. While an Event of Default occurs and continues Agent may, without notice or demand, do any or all of the following:

(a) declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs all Obligations are immediately due and payable without any action by Agent or Lenders);

(b) stop advancing money or extending credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Agent and/or Lenders;

(c) settle or adjust disputes and claims directly with Account Debtors for amounts on terms and in any order that Agent considers advisable, notify any Person owing Borrower money of Agent's and Lenders' security interest in such funds, and verify the amount of such account;

(d) make any payments and do any acts it considers necessary or reasonable to protect the Collateral and/or its security interest in the Collateral. Borrower shall assemble the Collateral if Agent requests and make it available as Agent designates. Agent may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Agent a license to enter and occupy any of its premises, without charge, to exercise any of Agent's rights or remedies;

(e) apply to the Obligations any (i) balances and deposits of Borrower it holds, or (ii) any amount held by Agent or Lenders owing to or for the credit or the account of Borrower;

(f) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral. Agent is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, Borrower's labels, patents, copyrights, mask works, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Agent's exercise of its rights under this Section, Borrower's rights under all licenses and all franchise agreements inure to Agent for the benefit of the Lenders;

(g) place a "hold" on any account maintained with Agent or Lenders and/or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any Control Agreement or similar agreements providing control of any Collateral;

(h) demand and receive possession of Borrower's Books; and

(i) exercise all rights and remedies available to Agent under the Loan Documents or at law or equity, including all remedies provided under the Code (including disposal of the Collateral pursuant to the terms thereof).

9.2 Power of Attorney. Borrower hereby irrevocably appoints Agent as its lawful attorney-in-fact, exercisable only upon the occurrence and during the continuance of an Event of Default, to: (a) endorse Borrower's name on any checks or other forms of payment or security; (b) sign Borrower's name on any invoice or bill of lading for any Account or drafts against Account Debtors; (c) settle and adjust disputes and claims about the Accounts directly with Account Debtors, for amounts and on terms Agent determines reasonable; (d) make, settle,

and adjust all claims under Borrower's insurance policies; (e) pay, contest or settle any Lien, charge, encumbrance, security interest, and adverse claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; and (f) transfer the Collateral into the name of Agent or a third party as the Code permits. Borrower hereby appoints Agent as its lawful attorney-in-fact to sign Borrower's name on any documents necessary to perfect or continue the perfection of Agent's and Lenders' security interest in the Collateral regardless of whether an Event of Default has occurred until all Obligations have been satisfied in full and Agent and Lenders are under no further obligation to make Credit Extensions hereunder. Agent's foregoing appointment as Borrower's attorney in fact, and all of Agent's rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and Agent's and Lenders' obligation to provide Credit Extensions terminates.

9.3 Protective Payments. If Borrower fails to obtain the insurance called for by Section 6.5 or fails to pay any premium thereon or fails to pay any other amount which Borrower is obligated to pay under this Agreement or any other Loan Document, Agent may obtain such insurance or make such payment, and all amounts so paid by Agent are Lenders' Expenses and immediately due and payable, bearing interest at the then highest applicable rate, and secured by the Collateral. Agent will make reasonable efforts to provide Borrower with notice of Agent obtaining such insurance at the time it is obtained or within a reasonable time thereafter. No payments by Agent are deemed an agreement to make similar payments in the future or Agent's waiver of any Event of Default.

9.4 Application of Payments and Proceeds. Borrower shall have no right to specify the order or the accounts to which Agent shall allocate or apply any payments required to be made by Borrower to Agent or otherwise received by Agent under this Agreement when any such allocation or application is not specified elsewhere in this Agreement. If an Event of Default has occurred and is continuing, Agent and/or each Lender may apply any funds in its possession, whether from Borrower account balances, payments, proceeds realized as the result of any collection of Accounts or other disposition of the Collateral, or otherwise, to the Obligations in such order as the Lenders shall determine in their sole discretion. Any surplus shall be paid to Borrower or other Persons legally entitled thereto; Borrower shall remain liable to Lenders for any deficiency. If Agent, in its good faith business judgment, directly or indirectly enters into a deferred payment or other credit transaction with any purchaser at any sale of Collateral, Agent shall have the option, exercisable at any time, of either reducing the Obligations by the principal amount of the purchase price or deferring the reduction of the Obligations until the actual receipt by Agent of cash therefor.

9.5 Liability for Collateral. So long as the Agent and Lenders comply with reasonable banking practices regarding the safekeeping of the Collateral in the possession or under the control of the Agent and Lenders, the Agent and Lenders shall not be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other Person. Borrower bears all risk of loss, damage or destruction of the Collateral.

9.6 No Waiver; Remedies Cumulative. Agent's failure, at any time or times, to require strict performance by Borrower of any provision of this Agreement or any other Loan Document shall not waive, affect, or diminish any right of Agent thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by Agent and then is only effective for the specific instance and purpose for which it is given. Agent's rights and remedies under this Agreement and the other Loan Documents are cumulative. Agent has all rights and remedies provided under the Code, by law, or in equity. Agent's exercise of one right or remedy is not an election, and Agent's waiver of any Event of Default is not a continuing waiver. Agent's delay in exercising any remedy is not a waiver, election, or acquiescence.

9.7 Demand Waiver. Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Agent on which Borrower is liable.

9.8 Withholding. In the event any payments are received by Lenders from Borrower hereunder such payments will be made subject to applicable withholding for any taxes, levies, fees, deductions, withholding, restrictions or conditions of any nature whatsoever. Specifically, if at any time any governmental authority, applicable law, regulation or international agreement requires Borrower to make any such withholding or deduction from any such payment or other sum payment hereunder to the Lenders, Borrower hereby covenants and agrees that the amount due from Borrower with respect to such payment or other sum payable hereunder will be increased to the extent necessary to ensure that,

after the making of such required withholding or deduction, each Lender receives a net sum equal to the sum which it would have received had no withholding or deduction been required and Borrower shall pay the full amount withheld or deducted to the relevant governmental authority. Borrower will, upon request, furnish Lenders with proof satisfactory to Lenders indicating that Borrower has made such withholding payment provided, however, that Borrower need not make any withholding payment if the amount or validity of such withholding payment is contested in good faith by appropriate and timely proceedings and as to which payment in full is bonded or reserved against by Borrower. The agreements and obligations of Borrower contained in this Section shall survive the termination of this Agreement.

10 NOTICES

All notices, consents, requests, approvals, demands, or other communication (collectively, "Communication") by any party to this Agreement or any other Loan Document must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address, facsimile number, or email address indicated below. Either Agent, Lender or Borrower may change its address or facsimile number by giving the other party written notice thereof in accordance with the terms of this Section 10.

If to Borrower:	PharmAthene, Inc. 175 Admiral Cochrane Drive, Suite 101 Annapolis, Maryland 21401 Attn: Fax: Email:
If to Agent or SVB:	Silicon Valley Bank 8020 Tower Crescent Drive, Suite 475 Vienna, Virginia 22182 Attn: Ms. Megan Scheffel Fax: (703) 356-7643 Email: mscheffel@svbank.com
with a copy to:	Riemer & Braunstein LLP Three Center Plaza Boston, Massachusetts 02108 Attn: David A. Ephraim, Esquire Fax: (617) 880-3456 Email: DEphraim@riemerlaw.com
If to Oxford:	Oxford Finance Corporation 133 North Fairfax Street Alexandria, Virginia 22314 Attention: Ms. Barbara Holmes Fax: 703-519-5225 Email: bholmes@oxfordfinance.com

11 CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER

Massachusetts law governs the Loan Documents (other than the Warrant) without regard to principles of conflicts of law. Borrower, Lenders and Agent each submit to the exclusive jurisdiction of the State and Federal courts in Massachusetts. Notwithstanding the foregoing, nothing in this Agreement shall be deemed to operate to preclude Agent from bringing suit or taking other legal action in any other jurisdiction to realize on the Collateral or any other

security for the Obligations, or to enforce a judgment or other court order in favor of Agent and Lenders. Borrower expressly submits and consents in advance to such jurisdiction in any action or suit commenced in any such court, and Borrower hereby waives any objection that it may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens and hereby consents to the granting of such legal or equitable relief as is deemed appropriate by such court. Borrower hereby waives personal service of the summons, complaints, and other process issued in such action or suit and agrees that service of such summons, complaints, and other process may be made by registered or certified mail addressed to Borrower at the address set forth in Section 10 of this Agreement and that service so made shall be deemed completed upon the earlier to occur of Borrower's actual receipt thereof or three (3) days after deposit in the U.S. mails, proper postage prepaid.

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, BORROWER, LENDER AND AGENT EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BOTH PARTIES TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

12 GENERAL PROVISIONS

12.1 Successors and Assigns. This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign this Agreement or any rights or obligations under it without Agent's prior written consent (which may be granted or withheld in Agent's discretion). Lenders and Agent have the right, without the consent of or notice to Borrower, to sell, transfer, assign, negotiate, or grant participation in all or any part of, or any interest in, Lenders' obligations, rights, and benefits under this Agreement and the other Loan Documents, including without limitation, an assignment to any Affiliate or any related party.

12.2 Indemnification/Expenses. Borrower agrees to indemnify, defend and hold Agent and the Lenders and their respective directors, officers, employees, agents, attorneys, or any other Person affiliated with or representing Agent or the Lenders harmless against: (a) all obligations, demands, claims, and liabilities (collectively, "Claims") asserted by any other party in connection with the transactions contemplated by the Loan Documents; and (b) all losses or Lenders' Expenses incurred, or paid by Lenders and/or Agent from, following, or arising from transactions between Agent, and/or Lenders and Borrower (including reasonable attorneys' fees and expenses), except for Claims and/or losses directly caused by Agent's or Lenders' gross negligence or willful misconduct.

12.3 Time of Essence. Time is of the essence for the performance of all Obligations in this Agreement.

12.4 Severability of Provisions. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

12.5 Amendments in Writing; Integration. All amendments to this Agreement must be in writing signed by Agent, Lenders and Borrower. This Agreement and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Agreement and the Loan Documents merge into this Agreement and the Loan Documents.

12.6 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, are an original, and all taken together, constitute one Agreement.

12.7 Survival. All covenants, representations and warranties made in this Agreement continue in full force until this Agreement has terminated pursuant to its terms and all Obligations (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement) have been satisfied. The obligation of Borrower in Section 12.2 to indemnify each Lender and Agent shall survive until the statute of limitations with respect to such claim or cause of action shall have run.

12.8 Confidentiality. In handling any confidential information, Lenders and Agent shall exercise the same degree of care that it exercises for its own proprietary information, but disclosure of information may be made: (a) to Lenders' and Agent's Subsidiaries or Affiliates; (b) to prospective transferees or purchasers of any interest in the Credit Extensions (provided, however, Lenders and Agent shall use commercially reasonable efforts to obtain such prospective transferee's or purchaser's agreement to the terms of this provision); (c) as required by law, regulation, subpoena, or other order; (d) to regulators or as otherwise required in connection with an examination or audit; and (e) as Agent considers appropriate in exercising remedies under this Agreement. Confidential information does not include information that either: (i) is in the public domain or in Lenders' and/or Agent's possession when disclosed to Lenders and/or Agent, or becomes part of the public domain after disclosure to Lenders and/or Agent; or (ii) is disclosed to Lenders and/or Agent by a third party, if Lenders and/or Agent does not know that the third party is prohibited from disclosing the information.

12.9 Right of Set Off. Borrower hereby grants to Agent and to each Lender, a lien, security interest and right of set off as security for all Obligations to Agent and each Lender hereunder, whether now existing or hereafter arising upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Agent or Lenders or any entity under the control of Agent or Lenders (including an Agent affiliate) or in transit to any of them. At any time after the occurrence and during the continuance of an Event of Default, without demand or notice, Agent or Lenders may set off the same or any part thereof and apply the same to any liability or obligation of Borrower even though unmatured and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE AGENT TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWER ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

13 DEFINITIONS

13.1 Definitions. As used in this Agreement, the following terms have the following meanings:

"Account" is any "account" as defined in the Code with such additions to such term as may hereafter be made, and includes, without limitation, all accounts receivable and other sums owing to Borrower.

"Account Debtor" is any "account debtor" as defined in the Code with such additions to such term as may hereafter be made.

"Additional Closing Documents" shall mean the following documents, each in form and substance satisfactory to the Lenders:

(a) Officer's Certificate with respect to incumbency and authorizing resolution;

(b) Immovable Hypothec covering the real estate located at 320 Chemin St Georges, ST- Telephone (Quebec) J0P IYO and certain livestock;

(c) Mortgage Filings;

(d) Title Insurance;

(e) Legal Opinion as to Authority/Enforceability; and

(f) such other documents as the Lenders may reasonably request.

"Affiliate" of any Person is a Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person's managers and members.

"Agent" means, SVB, not in its individual capacity, but solely in its capacity as agent on behalf of and for the benefit of the Lenders.

"Agreement" is defined in the preamble hereof.

"Amortization Date" is defined in Section 2.1.1(c).

"Basic Rate" is the per annum rate of interest (based on a year of 360 days) equal to the greater of:

(i) 11.53%, and

(ii) the sum of:

(a) U.S. Treasury note yield to maturity for a term equal to the Treasury Note Maturity as reported in Federal Reserve Statistical Release H.15- Selected Interest Rates under the heading "U.S. Government Securities/Treasury Constant Maturities" on November 13, 2006, plus

(b) the Loan Margin. In the event Release H.15 is no longer published, Agent shall select a comparable publication to determine the U.S. Treasury note yield to maturity.

"Borrower" is defined in the preamble hereof.

"Borrower's Books" are all Borrower's books and records including ledgers, federal and state tax returns, records regarding Borrower's assets or liabilities, the Collateral, business operations or financial condition, and all computer programs or storage or any equipment containing such information.

"Borrowing Resolutions" are, with respect to any Person, those resolutions adopted by such Person's Board of Directors and delivered by such Person to Agent approving the Loan Documents to which such Person is a party and the transactions contemplated thereby, together with a certificate executed by its secretary on behalf of such Person certifying that (a) such Person has the authority to execute, deliver, and perform its obligations under each of the Loan Documents to which it is a party, (b) that attached as Exhibit A to such certificate is a true, correct, and complete copy of the resolutions then in full force and effect authorizing and ratifying the execution, delivery, and performance by such Person of the Loan Documents to which it is a party, (c) the name(s) of the Person(s) authorized to execute the Loan Documents on behalf of such Person, together with a sample of the true signature(s) of such Person(s), and (d) that Agent may conclusively rely on such certificate unless and until such Person shall have delivered to Agent a further certificate canceling or amending such prior certificate.

"Business Day" is any day that is not a Saturday, Sunday or a day on which Agent is closed.

"Cash Burn" is the average net reduction in Borrower's operating cash position for the three (3) prior months.

"Cash Equivalents" are (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than one (1) year from the date of acquisition; (b) commercial paper maturing no more than one (1) year after its creation and having the highest rating from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc., and (c) SVB's certificates of deposit issued maturing no more than one (1) year after issue.

"Claims" are defined in Section 12.2.

"Code" is the Uniform Commercial Code, as the same may, from time to time, be enacted and in effect in the Commonwealth of Massachusetts; provided, that, to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions

of the Code, the definition of such term contained in Article or Division 9 shall govern; provided further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, or priority of, or remedies with respect to, Agent's and Lenders' Lien on any Collateral is governed by the Uniform Commercial Code in effect in a jurisdiction other than the Commonwealth of Massachusetts, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes on the provisions thereof relating to such attachment, perfection, priority, or remedies and for purposes of definitions relating to such provisions.

"Collateral" is any and all properties, rights and assets of Borrower described on Exhibit A.

"Collateral Account" is any Deposit Account, Securities Account, or Commodity Account of the Borrower.

"Commitment Percentage" is set forth in Schedule 1.1, as amended from time to time.

"Commodity Account" is any "commodity account" as defined in the Code with such additions to such term as may hereafter be made.

"Communication" is defined in Section 10.

"Compliance Certificate" is that certain certificate in the form attached hereto as Exhibit C.

"Contingent Obligation" is, for any Person, any direct or indirect liability, contingent or not, of that Person for (a) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (b) any obligations for undrawn letters of credit for the account of that Person; and (c) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but "Contingent Obligation" does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under any guarantee or other support arrangement.

"Control Agreement" is any control agreement entered into among the depository institution at which Borrower maintains a Deposit Account or the securities intermediary or commodity intermediary at which Borrower maintains a Securities Account or a Commodity Account, Borrower, and Agent pursuant to which Agent obtains control (within the meaning of the Code) for the benefit of the Lenders over such Deposit Account, Securities Account, or Commodity Account.

"Credit Extension" is the Growth Capital Loan or any other extension of credit by Agent or Lenders for Borrower's benefit.

"Default" is any event which with notice or passage of time or both, would constitute an Event of Default.

"Default Rate" is defined in Section 2.2.(b).

"Deposit Account" is any "deposit account" as defined in the Code with such additions to such term as may hereafter be made.

"Designated Deposit Account" is Borrower's deposit account, account number 3300413584, maintained with SVB.

"Dollars," "dollars" and "$" each mean lawful money of the United States.

"Effective Date" is defined in the preamble of this Agreement.

"Equipment" is all "equipment" as defined in the Code with such additions to such term as may hereafter be made, and includes without limitation all machinery, fixtures, goods, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing.

"ERISA" is the Employee Retirement Income Security Act of 1974, and its regulations.

"Event of Default" is defined in Section 8.

"Funding Date" is any date on which a Credit Extension is made to or on account of Borrower which shall be a Business Day.

"GAAP" is generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other Person as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

"General Intangibles" is all "general intangibles" as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation, all copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents, trademarks, service marks and, to the extent permitted under applicable law, any applications therefor, whether registered or not, any trade secret rights, including any rights to unpatented inventions, payment intangibles, royalties, contract rights, goodwill, franchise agreements, purchase orders, customer lists, route lists, telephone numbers, domain names, claims, income and other tax refunds, security and other deposits, options to purchase or sell real or personal property, rights in all litigation presently or hereafter pending (whether in contract, tort or otherwise), insurance policies (including without limitation key man, property damage, and business interruption insurance), payments of insurance and rights to payment of any kind.

"Governmental Approval" is any consent, authorization, approval, order, license, franchise, permit, certificate, accreditation, registration, filing or notice, of, issued by, from or to, or other act by or in respect of, any Governmental Authority.

"Governmental Authority" is any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization

"Growth Capital Loan" is a loan made by Lenders pursuant to the terms of Section 2.1.1(a) hereof.

"Growth Capital Loan Amount" is an amount equal to Ten Million Dollars ($10,000,000.00).

"Growth Capital Loan Maturity Date" is, for the Growth Capital Loan, the Payment Date which is the twenty-ninth (29) month after the Amortization Date.

"Guarantor" is any present or future guarantor of the Obligations, including PharmAthene Canada, Inc.

"Indebtedness" is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations, and (d) Contingent Obligations.

"Insolvency Proceeding" is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief..

"Inventory" is all "inventory" as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation all merchandise, raw materials, parts, supplies,

packing and shipping materials, work in process and finished products, including without limitation such inventory as is temporarily out of Borrower's custody or possession or in transit and including any returned goods and any documents of title representing any of the above.

"Investment" is any beneficial ownership interest in any Person (including stock, partnership interest or other securities), and any loan, advance or capital contribution to any Person.

"Key Person" is the Borrower's Chief Executive Officer, who is David Wright, as of the Effective Date.

"Lender" is any one of the Lenders.

"Lenders" shall mean the Persons identified on Schedule 1.1 hereto and each assignee that becomes a party to this Agreement pursuant to Section 12.1.

"Lenders' Expenses" are all audit fees and expenses, costs, and expenses (including reasonable attorneys' fees and expenses) for preparing, amending, negotiating, defending and enforcing the Loan Documents (including, without limitation, those incurred in connection with appeals or Insolvency Proceedings) or otherwise incurred with respect to Borrower.

"Lien" is a claim, mortgage, deed of trust, levy, charge, pledge, security interest or other encumbrance of any kind, whether voluntarily incurred or arising by operation of law or otherwise against any property.

"Loan Documents" are, collectively, this Agreement, the Warrant, the Perfection Certificate, any note, or notes or guaranties executed by Borrower or any Guarantor, and any other present or future agreement between Borrower any Guarantor and/or for the benefit of Lenders and Agent in connection with this Agreement, all as amended, restated, or otherwise modified.

"Loan Margin" is 675 basis points.

"Material Adverse Change" is (a) a material impairment in the perfection or priority of Lenders' Lien in the Collateral or in the value of such Collateral; (b) a material adverse change in the business, operations, or condition (financial or otherwise) of Borrower and the Guarantor taken as a whole; or (c) a material impairment of the prospect of repayment of any portion of the Obligations.

"Obligations" are Borrower's obligation to pay when due any debts, principal, interest, Lenders' Expenses, Prepayment Fees, and other amounts Borrower owes Lenders now or later, whether under this Agreement, the Loan Documents, or including, without limitation, all obligations relating to letters of credit (including reimbursement obligations for drawn and undrawn letters of credit), cash management services, and foreign exchange contracts, if any, and including interest accruing after Insolvency Proceedings begin (whether or not allowed) and debts, liabilities, or obligations of Borrower assigned to Lenders and/or Agent, and the performance of Borrower's duties under the Loan Documents.

"Operating Documents" are, for any Person, such Person's formation documents, as certified with the Secretary of State of such Person's state of formation on a date that is no earlier than 30 days prior to the Effective Date, and (a) if such Person is a corporation, its bylaws in current form, (b) if such Person is a limited liability company, its limited liability company agreement (or similar agreement), and (c) if such Person is a partnership, its partnership agreement (or similar agreement), each of the foregoing with all current amendments or modifications thereto.

"Payment/Advance Form" is that certain form attached hereto as Exhibit B.

"Payment Date" is the first day of each calendar month.

"Perfection Certificate" is defined in Section 5.1.

"Permitted Acquisitions" are the acquisitions of the stock or assets of a Person ("Transactions"), where (a) the total cash consideration (inclusive of the assumption of Indebtedness) for all such Transactions does not exceed: (i) prior to the occurrence of the SPAC Closing, $500,000.00, in the aggregate (inclusive of the cash component set forth in the definition of Permitted Joint Ventures), and (ii) after the occurrence of the SPAC Closing, $5,000,000.00, in the aggregate, provided that, upon and immediately after the consummation of any such Transactions, Borrower shall have the lesser of :(x) unrestricted and unencumbered cash in an amount equal to or greater than $10,000,000, or (y) four (4) times the amount of Borrower's Cash Burn; (b) no Event of Default has occurred and is continuing or would exist after giving effect to the Transactions; and (c) Borrower is the surviving legal entity.

"Permitted Indebtedness" is:

(a) Borrower's Indebtedness to Lenders and Agent under this Agreement and the other Loan Documents;

(b) Indebtedness existing on the Effective Date and shown on the Perfection Certificate;

(c) Subordinated Debt;

(d) unsecured Indebtedness to trade creditors incurred in the ordinary course of business;

(e) Indebtedness secured by Permitted Liens; and

(f) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (e) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Borrower or its Subsidiary, as the case may be.

"Permitted Investments" are:

(a) Investments shown on the Perfection Certificate and existing on the Effective Date;

(b) Permitted Acquisitions;

(c) Permitted Joint Ventures; and

(d) Cash Equivalents.

"Permitted Joint Ventures" are joint ventures, co-development arrangements, licensing transactions pursuant to which the Borrower licenses technology from a third party on an exclusive or non-exclusive basis or other strategic alliances in the ordinary course of Borrower's business consisting of the licensing of technology (except that if any technology is licensed out by the Borrower, it will be on a non-exclusive basis, except for exclusive licenses for less than all or substantially all of the Borrower's intellectual property, provided that each such license is in the ordinary course of business, and further provided such licenses are limited to specific fields of use and/or products), the development of technology or the providing of technical support, provided that any cash investments by Borrower in connection with all Permitted Joint Ventures do not exceed $500,000.00 in the aggregate in any fiscal year (inclusive of the cash component set forth in the definition of "Permitted Acquisitions"). Notwithstanding the foregoing, cash investments which are contractually required to be reimbursed within 30 shall not be included for purposes of calculation hereunder.

"Permitted Liens" are:

(a) Liens existing on the Effective Date and shown on the Perfection Certificate or arising under this Agreement and the other Loan Documents;

(b) Liens for taxes, fees, assessments or other government charges or levies, either not delinquent or being contested in good faith and for which Borrower maintains adequate reserves on its Books, provided that no notice of any such Lien has been filed or recorded under the Internal Revenue Code of 1986, as amended , and the Treasury Regulations adopted thereunder;

(c) purchase money Liens (i) on Equipment acquired or held by Borrower incurred for financing the acquisition of the Equipment securing no more than Two Hundred Fifty Thousand Dollars ($250,000.00) in the aggregate amount outstanding, or (ii) existing on Equipment when acquired, if the Lien is confined to the property and improvements and the proceeds of the Equipment;

(d) pledges or deposits in the ordinary course of business in connection with workers' compensation, health and safety, employment or unemployment insurance and other social security legislation, other than any Lien imposed by ERISA or other applicable Canadian employee benefit or tax legislation;

(e) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described in (a) through (c), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase;

(f) leases or subleases of real property granted in the ordinary course of business, and leases, subleases, non-exclusive licenses or sublicenses of property (other than real property or intellectual property) granted in the ordinary course of Borrower's business, if the leases, subleases, licenses and sublicenses do not prohibit granting Agent a security interest;

(g) non-exclusive license of intellectual property granted to third parties in the ordinary course of business; and

(h) servitudes, easements, rights of way and similar encumbrances imposed by applicable law or incurred in the ordinary course of business and encumbrances consisting of zoning or building restrictions, easements, and similar restriction.

"Person" is any individual, sole proprietorship, partnership, limited liability company, joint venture, company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

"Prepayment Fee" shall be an amount equal to :

(i) for a prepayment made after the Amortization Date and on or prior to March 30, 2008, five percent (5.0%) of the principal amount of the Growth Capital Loan prepaid; or

(ii) for a prepayment made after March 30, 2008, and on or prior to March 22, 2009, four percent (4.0%) of the principal amount of the Growth Capital Loan prepaid; and

(iii) for a prepayment made after March 30, 2009, and on or prior to the Growth Capital Loan Maturity Date, two percent (2.0%) of the principal amount of the Growth Capital Loan prepaid.

"Registered Organization" is any "registered organization" as defined in the Code with such additions to such term as may hereafter be made

"Requirement of Law" is as to any Person, the organizational or governing documents of such Person, and any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer" is any of the Chief Executive Officer, President, Chief Financial Officer of Borrower.

"Securities Account" is any "securities account" as defined in the Code with such additions to such term as may hereafter be made.

"SPAC" means Special Purpose Acquisition Companies.

"SPAC Closing" means the raising of at least Sixty-Five Million ($65,000,000.00) through a SPAC traded on the American Stock Exchange.

"Subordinated Debt" is indebtedness incurred by Borrower subordinated to Borrower's indebtedness to Lenders in the manner and to the extent set forth in a subordination, intercreditor, or other similar agreement in form and substance satisfactory to Agent and Lenders entered into between Agent, the Borrower and the other creditor, on terms acceptable to Agent and Lenders.

"Subsidiary" means, with respect to any Person, any Person of which more than 50.0% of the voting stock or other equity interests (in the case of Persons other than corporations) is owned or controlled, directly or indirectly, by such Person or one or more of Affiliates of such Person.

"Transfer" is defined in Section 7.1.

"Treasury Note Maturity" is thirty six (36) months.

"Warrant" is that certain Warrants to Purchase Stock dated as of the Effective Date executed by Borrower in favor of each Lender.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as a sealed instrument under the laws of the Commonwealth of Massachusetts as of the Effective Date.

BORROWER:

PHARMATHENE, INC.

By /s/ David P. Wright

Name: David P. Wright
Title: President and CEO

LENDERS:

SILICON VALLEY BANK, as Agent and as a Lender

By /s/ Megan Scheffel

Name: Megan Scheffel
Title: Director

OXFORD FINANCE CORPORATION, as a Lender

By /s/ N.J. Altenburger

Name: N.J. Altenburger
Title: CFO

SCHEDULE 1.1

LENDERS AND COMMITMENTS

Lender	Commitment	Commitment Percentage
Silicon Valley Bank	$5,000,000.00	50.00%
Oxford Finance Corporation	$5,000,000.00	50.00%
TOTAL	$10,000,000.00	100.00%

EXHIBIT A

The Collateral consists of all of Borrower's right, title and interest in and to the following personal property:

All goods, Accounts (including health-care receivables), Equipment, Inventory, contract rights or rights to payment of money, leases, license agreements, franchise agreements, General Intangibles (except as provided below), commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, all certificates of deposit, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and

All Borrower's Books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Notwithstanding the foregoing, the Collateral does not include any of the following, whether now owned or hereafter acquired any copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents, licenses for the use of patent rights of a third party, with respect to which license Borrower is the licensee, patent applications and like protections, including improvements, divisions, continuations, renewals, reissues, extensions, and continuations-in-part of the same, trademarks, service marks and, to the extent permitted under applicable law, any applications therefor, whether registered or not, and the goodwill of the business of Borrower connected with and symbolized thereby, know-how, operating manuals, trade secret rights, rights to unpatented inventions, and any claims for damage by way of any past, present, or future infringement of any of the foregoing; provided, however, the Collateral shall include all Accounts, license and royalty fees and other revenues, proceeds, or income arising out of or relating to any of the foregoing.

Pursuant to the terms of a certain negative pledge arrangement with Agent and Lenders, except as may be permitted hereunder, Borrower has agreed not to encumber any of its copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents, licenses agreements solely for the use of patent rights of a third party, with respect to which license Borrower is the licensee, patent applications and like protections, including improvements, divisions, continuations, renewals, reissues, extensions, and continuations-in-part of the same, trademarks, service marks and, to the extent permitted under applicable law, any applications therefor, whether registered or not, and the goodwill of the business of Borrower connected with and symbolized thereby, know-how, operating manuals, trade secret rights, rights to unpatented inventions, and any claims for damage by way of any past, present, or future infringement of any of the foregoing, without Agent's prior written consent.

EXHIBIT B

Loan Payment/Advance Request Form

DEADLINE IS NOON E.S.T.*

Fax To: Date: _____

- ---

LOAN PAYMENT:

PHARMATHENE, INC.

From Account #_____ To Account #_____
(Deposit Account #) (Loan Account #)

Principal $_____ and/or Interest $_____

Authorized Signature: _____ Phone Number: _____

Print Name/Title: _____

- ---

- ---

LOAN ADVANCE:

Complete Outgoing Wire Request section below if all or a portion of the funds from this loan advance are for an outgoing wire.

From Account #_____ To Account #_____
(Loan Account #) (Deposit Account #)

Amount of Advance $_____

All Borrower's representations and warranties in the Loan and Security Agreement are true, correct and complete in all material respects on the date of the request for an advance; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date:

Authorized Signature: _____ Phone Number: _____

Print Name/Title: _____

- ---

- ---

OUTGOING WIRE REQUEST:

Complete only if all or a portion of funds from the loan advance above is to be wired. Deadline for same day processing is noon, E.S.T.

Beneficiary Name: _____ Amount of Wire: $ _____

Beneficiary Lender: _____ Account Number: _____

City and State: _____

Beneficiary Lender Transit (ABA) #: _____ Beneficiary Lender Code (Swift, Sort, Chip, etc.): _____
(For International Wire Only)

Intermediary Lender: _____ Transit (ABA) #: _____

For Further Credit to: _____

Special Instruction: _____

By signing below, I (we) acknowledge and agree that my (our) funds transfer request shall be processed in accordance with and subject to the terms and conditions set forth in the agreements(s) covering funds transfer service(s), which agreements(s) were previously received and executed by me (us).

Authorized Signature: _____ 2nd Signature (if required): _____

Print Name/Title: _____ Print Name/Title: _____

Telephone #: _____ Telephone #: _____

- ---

- ---

* Unless otherwise provided for an Advance bearing interest at LIBOR.

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT
HAS BEEN OMITTED AND FILED SEPARATELY WITH THE
SECURITIES AND EXCHANGE COMMISSION (THE "SEC")
PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT WITH RESPECT TO THE OMITTED
PORTIONS.
OMITTED PORTIONS ARE INDICATED BY [***].

AWARD/CONTRACT	1. THIS CONTRACT IS RATED ORDER UNDER DPAS(15 CFR 35)	RATING	PAGE OF PAGES
		DO	1 21

2. CONTRACT (Proc. Inst. Ident) NO.	3. EFFECTIVE DATE	4. REQUISITION/PURCHASE REQUEST/PROJECT NO.
W9113M-06-C-0189	22 Sep 2006	W90GXK62140117

5. ISSUED BY	CODE W9113M	6. ADMINISTERED BY (If other than Item 5)	CODE
US ARMY SPACE & MISSILE DEFENSE COMMAND SMDC-RDCM PO BOX 1500 HUNTSVILLE, AL 35807-3801		See Item 5	

7. NAME AND ADDRESS OF CONTRACTOR (No., street, city, county, state and zip code)	8. DELIVERY |X| FOB ORIGIN |_| OTHER (See below) 9. DISCOUNT FOR PROMPT PAYMENT Net 30 Days 10. SUBMIT INVOICES (4 copies unless otherwise specified) TO THE ADDRESS SHOWN IN:	ITEM Section G
PHARMATHENE, INC. 175 ADMIRAL COCHRANE DRIVE SUITE 101 ANNAPOLIS, MD 21401-7378 CODE: 1ZG60 FACILITY CODE		

11. SHIPTO/MARK FOR	CODE	12. PAYMENT WILL BE MADE BY	CODE HQ0302
PHARMATHENE, INC. 175 ADMIRAL COCHRANE DRIVE SUITE 101 ANNAPOLIS, MD 21401-7378		DFAS-ROME DFAS-RO-A, 325 BROOKS ROAD PHONE 800-553-0527 ROME NY 13441-4527	

13. AUTHORITY FOR USING OTHER THAN FULL AND OPEN COMPETITION:	14. ACCOUNTING AND APPROPRIATION DATA
|_| 10 U.S.C. 2304(c)( ) |_| 41 U.S.C. 253(c)( )	See Schedule

15A. ITEM NO.	15B. SUPPLIES/SERVICES	15C. QUANTITY	15D. UNIT	15E. UNIT PRICE	15F. AMOUNT
	SEE SCHEDULE				
		15G. TOTAL AMOUNT OF CONTRACT			$34,744,063.00

16. TABLE OF CONTENTS

|X|	SEC.	DESCRIPTION	PAGE(S)	|X|	SEC.	DESCRIPTION	PAGE(S)
		PART I - THE SCHEDULE				PART II - CONTRACT CLAUSES	
X	A	SOLICITATION/CONTRACT FORM	1 - 2	X	I	CONTRACT CLAUSES	15 - 22
X	B	SUPPLIES OR SERVICES AND PRICES/COSTS	3 - 6			PART III - LIST OF DOCUMENTS, EXHIBITS AND OTHER ATTACHMENTS	
X	C	DESCRIPTION/SPECS/WORK STATEMENT	7	X	J	LIST OF ATTACHMENTS	23
X	D	PACKAGING AND MARKING	8			PART IV - REPRESENTATIONS AND INSTRUCTIONS	
X	E	INSPECTION AND ACCEPTANCE	9		K	REPRESENTATIONS, CERTIFICATIONS AND OTHER STATEMENTS OF OFFERORS	
X	F	DELIVERIES OR PERFORMANCE	10 - 11				
X	G	CONTRACT ADMINISTRATION DATA	12		L	INSTRS, CONDS, AND NOTICES TO OFFERORS	
X	H	SPECIAL CONTRACT REQUIREMENTS	13 - 14		M	EVALUATION FACTORS FOR AWARD	

CONTRACTING OFFICER WILL COMPLETE ITEM 17 OR 18 AS APPLICABLE

17. |X| CONTRACTOR'S NEGOTIATED AGREEMENT (Contractor is required to sign this document and return [ ] copies to issuing office) Contractor agrees to furnish and deliver all items or perform all the services set forth or otherwise identified above and on any continuation sheets for the consideration stated herein. The rights and obligations of the parties to this contract shall be subject to and governed by the following documents: (a) this award/contract, (b) the solicitation, if any, and (c) such provisions, representations, certifications, and specifications, as are attached or incorporated by reference herein. (Attachments are listed herein)

18. |_| AWARD. (Contractor is not required to sign this document) Your offer on Solicitation Number _____ including the additions or changes made by you which additions or changes are set forth in full above, is hereby accepted as to the items listed above and on any continuation sheets. This award consummates the contract which consists of the following documents: (a) the Government's solicitation and your offer, and (b) this award/contract. No further contractual documents is necessary.

19A. NAME AND TITLE OF SIGNER (Type or Print)	20A. NAME AND TITLE OF CONTRACTING OFFICER
David P. Wright President & CEO	Lynn M. Selfridge Contracting Officer TEL: E-MAIL:

19B. NAME OF CONTRACTOR	19C. DATE SIGNED	20B. UNITED STATES OF AMERICA	20C. DATE SIGNED
PHARMATHENE			
BY /s/ David P. Wright (Signature of person authorized to sign)	9/21/06	BY /s/ Lynn M. Selfridge (Signature of authorized Officer)	Sept. 22, 2006

Section A - Solicitation/Contract Form

CONTINUATION OF FORM 26

Award is hereby made for the PharmAthene proposal dated 17 July 2006 and negotiation memorandum dated 23 August 2006 for the Development and Licensure of Bioscavanger Increment II (recombinant drug candidate).

The PharmAthene proposal is incorporated into contract number W9113M-06-C-0189 with the following revisions:

1. This contract is awarded excluding CLIN 0006.

2. The negotiation memorandum dated 23 August 2006 requests the Government accept CLIN 0002 as submitted by the contractor in the amount of $[***]. The Government accepts this request.

3. Per the negotiation memorandum dated 23 August 2006 regarding CLIN 0005, the contractor understands and agrees that there shall be no progress payments. Instructions for invoicing are located in Section G - Contract Administration of this contract.

4. CLIN 0005 - The Government will accept TED increments of [***]. The contractor may invoice for the increments upon Government acceptance.

- ----------
*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

Section B - Supplies or Services and Prices

SPECIAL NOTICE

B.1. During the Product Development and Licensure Application effort, the contractor may manufacture some number of doses of product, which will obviate the need to procure the entire initial stockpile requirement when the Food and Drug Administration approves the Licensure Application. Knowing that the number of doses, the Production Option will require the completion in which event the option CLIN 0005 would be renegotiated prior to being exercised. If exercised, the only remaining stockpile requirement, which may be less than 90,000 TED, and in some cases may be none.

The successful offeror's dated proposal will be inserted into CLIN 0003, if exercised by the Government.

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT LOT	UNIT PRICE	AMOUNT
0001	Product Development & Clinical Trial CPIF Perform all effort required for and incident to technology development and product delivery of Bioscavenger Increment II Recombinant human butyrylcholinestrease (HuBChE) (also rBioscavenger) suitable for eventual clinical use, filing of an Investigational New Drug Application, small scale manufacture, acute toxicity study, conduct of a phase I clinical trial, controlled storage of the product from date of manufacture through completion of Phase 1 clinical trial, and International Conference on Harmonization stability testing of the stored product. All efforts shall be in accordance with the contractor's Statement of Work dated July 17, 2006, and made a part of this contract as referenced in Section J. Delivery dated March 31, 2009. Includes data items as identified/attached in Section J. Contract Data Requirements List (CDRL), DD Form 1423, Data Items: A001 through A007. FOB: Origin PURCHASE REQUEST NUMBER: W90GXK62140117				
	TARGET COST				$[***]
	TARGET FEE				$[***]
	TOTAL TGT COST + FEE				$34,182,763.00
	MINIMUM FEE				$[***]
	MAXIMUM FEE				$[***]
	SHARE RATIO ABOVE TARGET				[***]
	SHARE RATIO BELOW TARGET				[***]
					$[***]

ACRN AA
CIN: 00000000000000000000000000000

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*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT LOT	UNIT PRICE	AMOUNT
0002	Earned Value Management System (EVMS)				
EXERCISED	CPIF				
OPTION	Includes data items as identified/attached in Section J. Contract Data Requirements List (CDRL), DD Form 1423, Data Items: B001. FOB: Origin PURCHASE REQUEST NUMBER: W90GXK62140117				
				TARGET COST	$[***]
				TARGET FEE	$[***]
				TOTAL TGT COST + FEE	$[***]
				MINIMUM FEE	$[***]
				MAXIMUM FEE	$[***]
				SHARE RATIO ABOVE TARGET	[***]
				SHARE RATIO BELOW TARGET	[***]
					$[***]

ACRNAA
CIN: 00000000000000000000000000000

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*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT LOT	UNIT PRICE	AMOUNT
0003	Advance Develop.& FDA Approval/Licensure				
OPTION	CPIF				
	Conduct advance development activities associated with drug/biologic development for approval or licensure through the FDA and deliver FDA approved licensed end item product. All efforts shall be in accordance with the contractor's Statement of Work dated July 17,2006 and made a part of this contract as referenced in Section J. Delivery date July 31,2015. Includes data items as identified/attached in Section J. Contract Data Requirements List (CDRL), DD Form 1423, Data Items: C00I through C005. FOB: Origin PURCHASE REQUEST NUMBER: W90GXK62140117				
			TARGET COST		$[***]
			TARGET FEE		$[***]
			TOTAL TGT COST + FEE		$[***]
			MINIMUM FEE		$[***]
			MAXIMUM FEE		$[***]
			SHARE RATIO ABOVE TARGET		[***]
			SHARE RATIO BELOW TARGET		[***]

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT LOT	UNIT PRICE	AMOUNT
00004	Technical Transfer Package	1		$[***]	$[***]
OPTION	FFP				
	Includes data items as identified/attached in Section J. Contract Data Requirements List (CDRL), DD Form 1423, Data Items: D00I. FOB: Origin PURCHASE REQUEST NUMBER: W90GXK62140117				
			NET AMT		$[***]

- ----------
*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT LOT	UNIT PRICE	AMOUNT
00005	Manufacture & Deliver up to 90,000 Doses	1		$[***]	$[***]
OPTION	FFP If unilaterally exercised by the Government, preliminary notice shall be issued within 150 calendar days of FDA approval/licensure of Bioscavenger Increment II. Delivery date is July 31,2019. Consistency lots doses may or may not be used to meet the 90,000 doses required. Includes data items as identified/attached in Section J. Contract Data Requirements List (CDRL), DD Form 1423, Data Items: E001. FOB: Origin PURCHASE REQUEST NUMBER: W90GXK62140117				
			NET AMT		$[***]

- ----------
*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

Section C - Descriptions and Specifications

STATEMENT OF WORK

The contractor's proposal dated 17 July 2006 and revised budget dated 23 August 2006 is incorporated (excluding all efforts associated with CLIN 0006) in its entirety and herein by reference.

Section D - Packaging and Marking

SECTION D

PACKAGING AND SHIPPING:

D.1. All product packaging and shipping shall be in strict accordance with FDA license product requirements. In addition, the contractor shall use approved shipping validation procedures.

Section E - Inspection and Acceptance

INSPECTION AND ACCEPTANCE TERMS

Supplies/services will be inspected/accepted at:

CLIN	INSPECT AT	INSPECTED BY	ACCEPT AT	ACCEPT BY
0001	Origin	Government	Origin	Government
0002	Origin	Government	Origin	Government
0003	Origin	Government	Origin	Government
0004	Origin	Government	Origin	Government
0005	Origin	Government	Origin	Government

CLAUSES INCORPORATED BY REFERENCE

52.246-2	Inspection Of Supplies-Fixed Price	AUG 1996
52.246-5	Inspection Of Services Cost-Reimbursement	APR 1984
52.246-7	Inspection Of Research And Development Fixed Price	AUG 1996
52.246-8	Inspection Of Research And Development Cost Reimbursement	MAY 2001
52.246-16	Responsibility For Supplies	APR 1984
252.246-7000	Material Inspection And Receiving Report	MAR 2003

Section F - Deliveries or Performance

CONTRACT DATA REQUIREMENT LIST

Contract Data Requirements List

The following deliverables apply to both SOOs.

F.1. Reports

F.1.1. Contractor's Status Report. CDRL Sequence No. A00l & C001, DD Form 1423. This report shall be submitted monthly and shall contain a summary description of the progress and accomplishments of the contract; problem areas and proposed action to resolve the problems; and funds status.

F.1.2. Earned Value Report: Contract Performance Report. CDRL Sequence No. B001, DD Form 1423. This report shall be submitted monthly and shall contain a Contract Performance Report (CPR), DJ-MGMT-81466 (DD Form 2734. The CPR shall at a minimum contain Formats 1, 3, and 5. Format 5 is a monthly Variance Analysis Report for cost, schedule, and at-completion variance deviations from agreed-to thresholds. These reports shall be integrated with the Contract Work Breakdown Structure (CWBS), DI-MGMT-81334A, and the Integrated Master Schedule (IMS), DI-MGMT-81650 (below).

F.1.3. Contract Funds Status Report. CDRL Sequence No. A002 & C002, DD Form 1423. The Contract Funds Status Report (CFSR), DI-MGMT-81468 (DD Form 1568) shall be submitted monthly.

F.1.4. Contract Work Breakdown Structure. CDRL Sequence No. A003 & C003, DD Form 1423. The Contract Work Breakdown Structure (CWBS), D1-MGMT-81334A, and the CWBS dictionary shall be updated quarterly.

F.1.5. Integrated Master Schedule. CDRL Sequence No. A004 & C004, DD Form 1423. The Integrated Master Schedule, Dl-MGMT-81650, shall be updated monthly.

F.1.6. Pre-Milestone B Data Package. CDRL Sequence No. A005, DD Form 1423. This data package shall be submitted after the Phase I clinical trial and shall contain information necessary to conduct the downselection process. These data shall include, but are not necessarily limited to, preclinical toxicology studies and Phase 1 clinical data and pharmacokinetic data and chemistry, manufacturing and control data, including product shelf life and projected production costs for doses.

F.1.7 Regulatory Submission File. CDRL Sequence No. A006 & C005, DD Form 1423. This data package shall contain copies of IND submissions, annual reports, NDA submissions and other communications with the FDA. The data package shall also contain all FDA-initiated correspondence, to include meeting minutes, requests for additional information, etc. The Government expects that it shall be included in all discussions with the FDA. The preferred format for these regulatory documents is electronic.

F.1.8. Letter of Cross-reference. CDRL Sequence No. A007, DD form 1423. The Contractor shall prepare for the Government a Letter of Cross-reference to the Sponsor's IND or Drug Master File that Government shall use to prepare an Emergency Use Authorization submission to submit to the FDA.

F.2. Optional

F.2.1. Technical Data Package. CDRL Sequence No. D001, DD Form 1423. Technical Data Package to include all necessary documentation to assist in technical transfer as determined by the Government.

F.2.2. Initial Operational Capability Doses. CDRL Sequence No. E001, DD Form 1423. The production and post-approval/licensure delivery of 90,000 doses of the product.

DELIVERY INFORMATION- SHIP IN PLACE

CLIN	DELIVERY DATE	QUANTITY	SHIP TO ADDRESS	UIC
0001	31-MAR-2009		PHARMATHENE, INC. 175 ADMIRAL COCHRANE DRIVE SUITE 101 ANNAPOLIS MD 21401-7378 FOB: Origin	
0002	31-JUL-2019		(SAME AS PREVIOUS LOCATION) FOB: Origin	
0003	31-JUL-2015		(SAME AS PREVIOUS LOCATION) FOB: Origin	
0004	31-JUL-2019	1	(SAME AS PREVIOUS LOCATION) FOB: Origin	
0005	31-JUL-2019	1	(SAME AS PREVIOUS LOCATION) FOB: Origin	

CLAUSES INCORPORATED BY REFERENCE

52.242-15 Alt I	Stop-Work Order (Aug 1989)- Alternate I	APR 1984
52.242-17	Government Delay Of Work	APR 1984
52.247-29	F.O.B. Origin	FEB 2006

Section G - Contract Administration Data

CONTRACT ADMINISTRATION DATA

G.1 INVOICING

The contractor shall submit bi-weekly vouchers using the Standard Form 1034 for CLINs 0001, 0002 and 0003 (if exercised). Vouchers shall be sent electronically via Wide Area Work Flow (WAWF) and cc: maryalice.woody@det.amedd.army.mil and susan.dell@det.amedd.army.mil.

The contractor shall submit DD250 forms for payment related to FFP CLINs 0004 and 0005 (if options are unilaterally exercised by the Government).

The cognizant Defense Finance and Accounting Office for this contract is identified on the SF 26, Block 12 of this contract.

The Contracting Officer's Representative (COR) and contact information is as follows:

Dr. Mary Alice Woody
64 Thomas Johnson Drive
Frederick MD 21702
Phone (301)619-3905
Email: maryalice.woody@det.amedd.army.mil

ACCOUNTING AND APPROPRIATION DATA

AA: 9760400260165Y5YCM406038BP000255Y12YMBSW90GXK62140117YMBS12044008
AMOUNT: $[***]
CIN 000000000000000000000000000000: $[***]

CLAUSES INCORPORATED BY FULL TEXT

252.201-7000 CONTRACTING OFFICER'S REPRESENTATIVE (DEC 1991)

(a) "Definition. Contracting officer's representative" means an individual designated in accordance with subsection 201.602-2 of the Defense Federal Acquisition Regulation Supplement and authorized in writing by the contracting officer to perform specific technical or administrative functions.

(b) If the Contracting Officer designates a contracting officer's representative (COR), the Contractor will receive a copy of the written designation. It will specify the extent of the COR's authority to act on behalf of the contracting officer. The COR is not authorized to make any commitments or changes that will affect price, quality, quantity, delivery, or any other term or condition of the contract.

(End of clause)

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*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

Section H - Special Contract Requirements

SPECIAL REQUIREMENTS

H.1 Downselection Process at Milestone B

The downselection process will focus on 1) technical data, as delineated below; 2) contractor performance; and 3) an affordability analysis. The safety of the product is of the utmost importance, followed by other technical considerations and contractor performance. If two products cannot be distinguished by product safety, technical considerations, and contractor performance, then an affordability analysis will be performed to determine which of two products has the lowest validated life cycle cost. The downselection determination will be by expert judgment, possibly from an outside contractor hired on for the specific purpose, based on evaluation of the data provided.

Pre-Milestone B Data package will include the following.

1. Technical data

    a. Acute toxicology study and Phase 1 clinical trial outcomes, to determine relative safety and tolerability of the product and risks in proceeding to approval or licensure
    b. Pharmacokinetic properties of product in animals and humans
    c. Chemistry, Manufacturing, and Control data to allow assessment of risks for scale-up to meet the production option requirements and for process validation

2. Contractor performance

    a. Adherence to contract cost and schedule
    b. Problem-solving and strategies for effective interaction with the Food and Drug Administration

3. Economy of product

    a. Costs to complete development through approval or licensure
    b. Projected costs of producing doses needed
    c. Support needed to effectively field the product

MITS will determine whether sufficient expertise exists in-house or select an outside contractor (independent of the contractors developing products) to perform the evaluation of the Pre-Milestone B Data Package. The contractor or contractors that are developing candidate Increment II products will prepare and submit the data package(s) by March 31, 2009. If a contractor should be delayed in completion of the Phase 1 clinical trial, MITS will examine the causes of the delay and decide if and for how long to postpone the downselection. Extensions are not automatically granted and might not be granted if poor contractor performance is determined to be a significant cause. Data packages will be reviewed independently and confidentially. MITS' decision will be final.

H.2 Insurance/Indemnification

Offerors shall seek commercial insurance coverage for contract performance as required. When seeking adequate insurance coverage and the cost of coverage is considered prohibitive, offerors may submit an application for relief under the Support Anti-terrorism in accordance with Fostering Effective Technologies Act of 2002 (Safety Act), Public Law 107-296, administered by the Department of Homeland Security. Applications may be sought at www.safetyact.gov. Application forms are also available by mail addressing to the Department of Homeland Security, ATTN: Safety Act, 245 Murray Land, Building 410, Washington, DC 20528.

H.3 Electronic Data Interchange

The contractor shall use a seamless Electronic Data Interchange (EDI) with the Government to facilitate electronic mail and scheduling, as well as to provide electronic access to, and updates of all CDRLS (DD 1423s).

Section I - Contract Clauses

CLAUSES INCORPORATED BY REFERENCE

52.202-1	Definitions	JUL 2004
52.203-3	Gratuities	APR 1984
52.203-5	Covenant Against Contingent Fees	APR 1984
52.203-6	Restrictions On Subcontractor Sales To The Government	JUL 1995
52.203-7	Anti-Kickback Procedures	JUL 1995
52.203-8	Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity	JAN 1997
52.203-10	Price Or Fee Adjustment For Illegal Or Improper Activity	JAN 1997
52.203-12	Limitation On Payments To Influence Certain Federal Transactions	SEP 2005
52.204-4	Printed or Copied Double-Sided on Recycled Paper	AUG 2000
52.204-7	Central Contractor Registration	OCT 2003
52.209-6	Protecting the Government's Interest When Subcontracting With Contractors Debarred, Suspended, or Proposed for Debarment	JAN 2005
52.211-15	Defense Priority And Allocation Requirements	SEP 1990
52.215-2	Audit and Records--Negotiation	JUN 1999
52.215-8	Order of Precedence--Uniform Contract Format	OCT 1997
52.215-11	Price Reduction for Defective Cost or Pricing Data--Modifications	OCT 1997
52.215-13	Subcontractor Cost or Pricing Data--Modifications	OCT 1997
52.216-7	Allowable Cost And Payment	DEC 2002
52.219-8	Utilization of Small Business Concerns	MAY 2004
52.219-9	Small Business Subcontracting Plan	JAN 2002
52.219-16	Liquidated Damages-Subcontracting Plan	JAN 1999
52.222-1	Notice To The Government Of Labor Disputes	FEB 1997
52.222-3	Convict Labor	JUN 2003
52.222-21	Prohibition Of Segregated Facilities	FEB 1999
52.222-26	Equal Opportunity	APR 2002
52.222-29	Notification Of Visa Denial	JUN 2003
52.222-35	Equal Opportunity For Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans	DEC 2001
52.222-36	Affirmative Action For Workers With Disabilities	JUN 1998
52.222-37	Employment Reports On Special Disabled Veterans, Veterans Of The Vietnam Era, and Other Eligible Veterans	DEC 2001
52.223-6	Drug-Free Workplace	MAY 2001
52.223-14	Toxic Chemical Release Reporting	AUG 2003
52.224-1	Privacy Act Notification	APR 1984
52.224-2	Privacy Act	APR 1984
52.225-13	Restrictions on Certain Foreign Purchases	MAR 2005
52.227-1 Alt I	Authorization And Consent (Jul 1995) - Alternate I	APR 1984
52.227-2	Notice And Assistance Regarding Patent And Copyright Infringement	AUG 1996
52.227-11	Patent Rights--Retention By The Contractor (Short Form)	JUN 1997
52.227-14	Rights in Data--General	JUN 1987
52.228-7	Insurance--Liability To Third Persons	MAR 1996
52.232-2	Payments Under Fixed-Price Research And Development Contracts	APR 1984
52.232-9	Limitation On Withholding Of Payments	APR 1984
52.232-17	Interest	JUN1996
52.232-22	Limitation Of Funds	APR 1984
52.232-23 Alt I	Assignment of Claims (Jan 1986) - Alternate I	APR 1984
52.232-25	Prompt Payment	OCT 2003
52.232-33	Payment by Electronic Funds Transfer--Central Contractor Registration	OCT 2003
52.232-35	Designation of Office for Government Receipt of Electronic Funds Transfer Information	MAY 1999
52.233-1	Disputes	JUL 2002

52.233-3 Alt I	Protest After Award (Aug 1996) - Alternate I	JUN 1985
52.233-4	Applicable Law for Breach of Contract Claim	OCT 2004
52.242-1	Notice of Intent to Disallow Costs	APR 1984
52.242-3	Penalties for Unallowable Costs	MAY 2001
52.242-13	Bankruptcy	JUL 1995
52.243-1	Changes--Fixed Price	AUG 1987
52.243-2 Alt V	Changes--Cost-Reimbursement (Aug 1987) - Alternate V	APR 1984
52.243-7	Notification Of Changes	APR 1984
52.244-2	Subcontracts	AUG 1998
52.244-5	Competition In Subcontracting	DEC 1996
52.244-6	Subcontracts for Commercial Items	FEB 2006
52.245-2, Alt I (Dev)	Government Property (Fixed Price Contracts Alt I) (Deviation)	APR 1998
52.245-17 (Dev)	Special Tooling (Deviation)	APR 1998
52.246-1	Contractor Inspection Requirements	APR 1984
52.249-6	Termination (Cost Reimbursement)	MAY 2004
52.249-14	Excusable Delays	APR 1984
52.252-4	Alterations in Contract	APR 1984
52.253-1	Computer Generated Forms	JAN 1991
252.203-7001	Prohibition On Persons Convicted of Fraud or Other Defense Contract-Related Felonies	DEC 2004
252.203-7002	Display Of DOD Hotline Poster	DEC 1991
252.204-7000	Disclosure Of Information	DEC 1991
252.204-7003	Control Of Government Personnel Work Product	APR 1992
252.204-7004 Alt A	Central Contractor Registration (52.204-7) Alternate A	NOV 2003
252.205-7000	Provision Of Information To Cooperative Agreement Holders	DEC 1991
252.209-7004	Subcontracting With Firms That Are Owned or Controlled By The Government of a Terrorist Country	MAR 1998
252.211-7000	Acquisition Streamlining	DEC 1991
252.211-7003	Item Identification and Valuation	JUN 2005
252.215-7000	Pricing Adjustments	DEC 1991
252.215-7002	Cost Estimating System Requirements	OCT 1998
252.219-7003	Small, Small Disadvantaged and Women-Owned Small Business Subcontracting Plan (DOD Contracts)	APR 1996
252.225-7000	Buy American Act--Balance Of Payments Program Certificate	JUN 2005
252.225-7001	Buy American Act And Balance Of Payments Program	JUN 2005
252.225-7002	Qualifying Country Sources As Subcontractors	APR 2003
252.225-7004	Reporting of Contract Performance Outside the United States and Canada--Submission after Award	JUN 2005
252.225-7006	Quarterly Reporting of Actual Contract Performance Outside the United States	JUN 2005
252.225-7013	Duty-Free Entry	JUN 2005
252.226-7001	Utilization of Indian Organizations and Indian-Owned Economic Enterprises, and Native Hawaiian Small Business Concerns	SEP 2004
252.227-7013	Rights in Technical Data--Noncommercial Items	NOV 1995
252.227-7015	Technical Data--Commercial Items	NOV 1995
252.227-7015	Technical Data--Commercial Items	NOV 1995
252.227-7016	Rights in Bid or Proposal Information	JUN 1995
252.227-7030	Technical Data--Withholding Of Payment	MAR 2000
252.227-7037	Validation of Restrictive Markings on Technical Data	SEP 1999
252.231-7000	Supplemental Cost Principles	DEC 1991
252.232-7003	Electronic Submission of Payment Requests	JAN 2004
252.232-7010	Levies on Contract Payments	SEP 2005
252.235-7010	Acknowledgment of Support and Disclaimer	MAY 1995
252.242-7002	Earned Value Management System	MAR 2005
252.242-7004	Material Management And Accounting System	NOV 2005

252.243-7001	Pricing Of Contract Modifications	DEC 1991
252.243-7002	Requests for Equitable Adjustment	MAR 1998
252.244-7000	Subcontracts for Commercial Items and Commercial Components (DoD Contracts)	NOV 2005
252.247-7024	Notification Of Transportation Of Supplies By Sea	MAR 2000
252.249-7002	Notification of Anticipated Program Termination or Reduction	DEC 1996

CLAUSES INCORPORATED BY FULL TEXT

52.216-10 INCENTIVE FEE (MAR 1997)

(a) General. The Government shall pay the Contractor for performing this contract a fee determined as provided in this contract.

(b) Target cost and target fee. The target cost and target fee specified in the Schedule are subject to adjustment if the contract is modified in accordance with paragraph (d) below.

(1) "Target cost," as used in this contract, means the estimated cost of this contract as initially negotiated, adjusted in accordance with paragraph (d) below.

(2) "Target fee," as used in this contract, means the fee initially negotiated on the assumption that this contract would be performed for a cost equal to the estimated cost initially negotiated, adjusted in accordance with paragraph (d) below.

(c) Withholding of payment. Normally, the Government shall pay the fee to the Contractor as specified in the Schedule. However, when the Contracting Officer considers that performance or cost indicates that the Contractor will not achieve target, the Government shall pay on the basis of an appropriate lesser fee. When the Contractor demonstrates that performance or cost clearly indicates that the Contractor will earn a fee significantly above the target fee, the Government may, at the sole discretion of the Contracting Officer, pay on the basis of an appropriate higher fee. After payment of 85 percent of the applicable fee, the Contracting Officer may withhold further payment of fee until a reserve is set aside in an amount that the Contracting Officer considers necessary to protect the Government's interest. This reserve shall not exceed 15 percent of the applicable fee or $100,000, whichever is less. The Contracting Officer shall release 75 percent of all fee withholds under this contract after receipt of the certified final indirect cost rate proposal covering the year of physical completion of this contract, provided the Contractor has satisfied all other contract terms and conditions, including the submission of the final patent and royalty reports, and is not delinquent in submitting final vouchers on prior years' settlements. The Contracting Officer may release up to 90 percent of the fee withholds under this contract based on the Contractor's past performance related to the submission and settlement of final indirect cost rate proposals.

(d) Equitable adjustments. When the work under this contract is increased or decreased by a modification to this contract or when any equitable adjustment in the target cost is authorized under any other clause, equitable adjustments in the target cost, target fee, minimum fee, and maximum fee, as appropriate, shall be stated in a supplemental agreement to this contract.

(e) Fee payable. (1) The fee payable under this contract shall be the target fee increased by 15 cents for every dollar that the total allowable cost is less than the target cost or decreased by 15 cents for every dollar that the total allowable cost exceeds the target cost. For CLIN 0001 in no event shall the fee be greater than 15 percent or less than 10 percent of the target costs. For CLIN 0002 in no event shall the fee be greater than 15 percent or less than 0 percent of the target costs. For CLIN 0003 in no event shall the fee be greater than 15 percent or less than 4.6 percent of the target costs.

(2) The fee shall be subject to adjustment, to the extent provided in paragraph (d) above, and within the minimum and maximum fee limitations in subparagraph (1) above, when the total allowable cost is increased or decreased as a consequence of (i) payments made under assignments or (ii) claims excepted from the release as required by paragraph (h)(2) of the Allowable Cost and Payment clause.

(3) If this contract is terminated in its entirety, the portion of the target fee payable shall not be subject to an increase or decrease as provided in this paragraph. The termination shall be accomplished in accordance with other applicable clauses of this contract.

(4) For the purpose of fee adjustment, "total allowable cost" shall not include allowable costs arising out of--

(i) Any of the causes covered by the Excusable Delays clause to the extent that they are beyond the control and without the fault or negligence of the Contractor or any subcontractor;

(ii) The taking effect, after negotiating the target cost, of a statute, court decision, written ruling, or regulation that results in the Contractor's being required to pay or bear the burden of any tax or duty or rate increase in a tax or duty;

(iii) Any direct cost attributed to the Contractor's involvement in litigation as required by the Contracting Officer pursuant to a clause of this contract, including furnishing evidence and information requested pursuant to the Notice and Assistance Regarding Patent and Copyright Infringement clause;

(iv) The purchase and maintenance of additional insurance not in the target cost and required by the Contracting Officer, or claims for reimbursement for liabilities to third persons pursuant to the Insurance Liability to Third Persons clause;

(v) Any claim, loss, or damage resulting from a risk for which the Contractor has been relieved of liability by the Government Property clause; or

(vi) Any claim, loss, or damage resulting from a risk defined in the contract as unusually hazardous or as a nuclear risk and against which the Government has expressly agreed to indemnify the Contractor.

(5) All other allowable costs are included in "total allowable cost" for fee adjustment in accordance with this paragraph (e), unless otherwise specifically provided in this contract.

(f) Contract modification, The total allowable cost and the adjusted fee determined as provided in this clause shall be evidenced by a modification to this contract signed by the Contractor and Contracting Officer.

(g) Inconsistencies. In the event of any language inconsistencies between this clause and provisioning documents or Government options under this contract, compensation for spare parts or other supplies and services ordered under such documents shall be determined in accordance with this clause.

(End of clause)

52.217-7 OPTION FOR INCREASED QUANTITY--SEPARATELY PRICED LINE ITEM (MAR 1989)

The Government may require the delivery of the numbered line item, identified in the Schedule as an option item, in the quantity and at the price stated in the Schedule. The Contracting Officer may exercise the option by written notice to the Contractor within sixty (60) days. Delivery of added items shall continue at the same rate that like items are called for under the contract, unless the parties otherwise agree.

(End of clause)

52.252-2 CLAUSES INCORPORATED BY REFERENCE (FEB 1998)

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this address:
http://acquisition.gov/far/index.html

(End of clause)

52.252-6 AUTHORIZED DEVIATIONS IN CLAUSES (APR 1984)

(a) The use in this solicitation or contract of any Federal Acquisition Regulation (48 CFR Chapter 1) clause with an authorized deviation is indicated by the addition of "(DEVIATION)" after the date of the clause.

(b) The use in this solicitation or contract of any Defense Federal Acquisition Regulation (48 CFR Chapter 2) clause with an authorized deviation is indicated by the addition of "(DEVIATION)" after the name of the regulation.

(End of clause)

252.247-7023 Transportation of Supplies by Sea (MAY 2002)

(a) Definitions. As used in this clause--

(1) "Components" means articles, materials, and supplies incorporated directly into end products at any level of manufacture, fabrication, or assembly by the Contractor or any subcontractor.

(2) "Department of Defense" (DoD) means the Army, Navy, Air Force, Marine Corps, and defense agencies.

(3) "Foreign flag vessel" means any vessel that is not a U.S.-flag vessel.

(4) "Ocean transportation" means any transportation aboard a ship, vessel, boat, barge, or ferry through international waters.

(5) "Subcontractor" means a supplier, materialman, distributor, or vendor at any level below the prime contractor whose contractual obligation to perform results from, or is conditioned upon, award of the prime contract and who is performing any part of the work or other requirement of the prime contract.

(6) "Supplies" means all property, except land and interests in land, that is clearly identifiable for eventual use by or owned by the DoD at the time of transportation by sea.

(i) An item is clearly identifiable for eventual use by the DoD if, for example, the contract documentation contains a reference to a DoD contract number or a military destination.

(ii) "Supplies" includes (but is not limited to) public works; buildings and facilities; ships, floating equipment and vessels of every character, type, and description, with parts, subassemblies, accessories, and equipment; machine tools; material; equipment; stores of all kinds; end items; construction materials; and components of the foregoing.

(7) "U.S.-flag vessel" means a vessel of the United States or belonging to the United States, including any vessel registered or having national status under the laws of the United States.

(b)(l) The Contractor shall use U.S.-flag vessels when transporting any supplies by sea under this contract.

(2) A subcontractor transporting supplies by sea under this contract shall use U.S.-flag vessels if--

(i) This contract is a construction contract; or

(ii) The supplies being transported are--

(A) Noncommercial items; or

(B) Commercial items that--

(1) The Contractor is reselling or distributing to the Government without adding value (generally, the Contractor does not add value to items that it contracts for f.o.b. destination shipment);

(2) Are shipped in direct support of U.S. military contingency operations, exercises, or forces deployed in humanitarian or peacekeeping operations; or

(3) Are commissary or exchange cargoes transported outside of the Defense Transportation System in accordance with 10 U.S.C. 2643.

(c) The Contractor and its subcontractors may request that the Contracting Officer authorize shipment in foreign-flag vessels, or designate available U.S.-flag vessels, if the Contractor or a subcontractor believes that--

(1) U.S.-flag vessels are not available for timely shipment;

(2) The freight charges are inordinately excessive or unreasonable; or

(3) Freight charges are higher than charges to private persons for transportation of like goods.

(d) The Contractor must submit any request for use of other than U.S.-flag vessels in writing to the Contracting Officer at least 45 days prior to the sailing date necessary to meet its delivery schedules. The Contracting Officer will process requests submitted after such date(s) as expeditiously as possible, but the Contracting Officer's failure to grant approvals to meet the shipper's sailing date will not of itself constitute a compensable delay under this or any other clause of this contract. Requests shall contain at a minimum--

(l) Type, weight, and cube of cargo;

(2) Required shipping date;

(3) Special handling and discharge requirements;

(4) Loading and discharge points;

(5) Name of shipper and consignee;

(6) Prime contract number; and

(7) A documented description of efforts made to secure U.S.-flag vessels, including points of contact (with names and telephone numbers) with at least two U.S.-flag carriers contacted. Copies of telephone notes, telegraphic and facsimile message or letters will be sufficient for this purpose.

(e) The Contractor shall, within 30 days after each shipment covered by this clause, provide the Contracting Officer and the Maritime Administration, Office of Cargo Preference, U.S. Department of Transportation, 400 Seventh Street SW., Washington, DC 20590, one copy of the rated on board vessel operating carrier's ocean bill of lading, which shall contain the following information:

(1) Prime contract number;

(2) Name of vessel;

(3) Vessel flag of registry;

(4) Date of loading;

(5) Port of loading;

(6) Port of final discharge;

(7) Description of commodity;

(8) Gross weight in pounds and cubic feet if available;

(9) Total ocean freight in U.S. dollars; and

(10) Name of the steamship company.

(f) The Contractor shall provide with its final invoice under this contract a representation that to the best of its knowledge and belief--

(1) No ocean transportation was used in the performance of this contract;

(2) Ocean transportation was used and only U.S.-flag vessels were used for all ocean shipments under the contract;

(3) Ocean transportation was used, and the Contractor had the written consent of the Contracting Officer for all non-U.S.-flag ocean transportation; or

(4) Ocean transportation was used and some or all of the shipments were made on non-U.S.-flag vessels without the written consent of the Contracting Officer. The Contractor shall describe these shipments in the following format:

ITEM DESCRIPTION	CONTRACT LINE ITEMS	QUANTITY
TOTAL		

(g) If the final invoice does not include the required representation, the Government will reject and return it to the Contractor as an improper invoice for the purposes of the Prompt Payment clause of this contract. In the event there has been unauthorized use of non-U.S.-flag vessels in the performance of this contract, the Contracting Officer is entitled to equitably adjust the contract, based on the unauthorized use.

(h) In the award of subcontracts for the types of supplies described in paragraph (b)(2) of this clause, the Contractor shall flow down the requirements of this clause as follows:

(1) The Contractor shall insert the substance of this clause, including this paragraph (h), in subcontracts that exceed the simplified acquisition threshold in part 2 of the Federal Acquisition Regulation.

(2) The Contractor shall insert the substance of paragraphs (a) through (e) of this clause, and this paragraph (h), in subcontracts that are at or below the simplified acquisition threshold in part 2 of the Federal Acquisition Regulation.

(End of clause)

Section J - List of Documents, Exhibits and Other Attachments

SECTION J

LIST OF ATTACHEMENTS:

Exhibit Number	Description	No. of Pages
1	Contract Data Requirements List DD Forms 1423 and continuation pages.	14
2	Disclosure of Lobbying Activities	2

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT WITH RESPECT TO THE OMITTED PORTIONS. OMITTED PORTIONS ARE INDICATED BY [***]

A COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENT

Between
PharmAthene, Inc.
175 Admiral Cochrane Dr., Suite 400, Annapolis, MD 21401
(Cooperator)

and

U. S. Army Medical Research
Institute of Infectious Diseases
Fort Derrick, Maryland 21702-5011
(Laboratory)

Article 1. Background

1.00 This Agreement is entered into under the authority of the Federal Technology Transfer Act of 1986,15 U.S.C. 3710a, et seq., between the Cooperator and the Laboratory, the parties to this Agreement.

1.01 Laboratory, on behalf of the U.S. Government, and Cooperator desire to cooperate in research and development on Evaluation of Valortim(TM), an Anti-toxin Monoclonal Antibody, in the African green monkey model for Inhalational Anthrax according to the attached Scope of Work (SOW) described in Appendix A.

1.02 Cooperator has entered into a Collaboration Agreement dated November 29, 2004 (the "Collaboration Agreement") with Medarex, Inc. ("Medarex") regarding the research and development of fully human antibodies with respect to the anthrax protective factor antigen (the "Collaboration").

1.03 Valortim (the "Compound") is one of the compounds that is being developed through the Collaboration and is subject to the terms of the Collaboration Agreement.

1.04 On behalf of Cooperator and pursuant to the terms of a Cooperative Research and Development Agreement for Material Transfer dated August 29th, 2006 (the "CRADA-M"), between Laboratory and Medarex, Medarex is providing Laboratory with [***] mg of the Compound.

NOW, THEREFORE, the parties agree as follows:

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*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

Article 2. Definitions

2.00 The following terms are defined for this Agreement as follows:

2.01 "Agreement" means this cooperative research and development agreement.

2.02 "Invention" and "Made" have the meanings set forth in Title 15 U.S.C. Section 3703(9) and (10).

2.03 "Proprietary Information" means information marked with a proprietary legend which embodies trade secrets developed at private expense or which is confidential business or financial information, provided that such information:

(i) is not generally known, or which becomes generally known or available during the period of this Agreement from other sources without obligations concerning their confidentiality;

(ii) has not been made available by the owners to others without obligation concerning its confidentiality; and

(iii) is not already available to the receiving party without obligation concerning its confidentiality.

(iv) is not independently developed by or on behalf of the receiving party, without reliance on the information received hereunder.

2.04 "Subject Data" means all recorded information first produced in the performance of this Agreement.

2.05 "Subject Invention" means any Invention Made as a consequence of, or in relation to, the performance of work under this Agreement.

Article 3. Research Scope and Administration

3.00 Scope of Work. Research performed under this Agreement shall be performed solely in accordance with the SOW incorporated as a part of this Agreement at Appendix A. It is agreed that any descriptions, statements, or specifications in the SOW shall be interpreted as goals and objectives of the services to be provided under this Agreement and not requirements or warranties. Laboratory and Cooperator will endeavor to achieve the goals and objectives of such services; however, each party acknowledges that such goals and objectives, or any anticipated schedule of performance, may not be achieved.

3.01 Review of Work. Periodic conferences shall be held between the parties for the purpose of reviewing the progress of work. It is understood that

the nature of this research is such that completion within the period of performance specified, or within the limits of financial support allocated, cannot be guaranteed. Accordingly, all research will be performed in good faith.

3.02 Principal Investigator. Any work required by the Laboratory under the SOW will be performed under the supervision of Elizabeth Leffel, PhD, M.P.H., elizabeth.leffel@us.army.mil, phone (301) 619-4459, fax (301)619-4625, who, as co-principal investigator has responsibility for the scientific and technical conduct of this project on behalf of the Laboratory. Any work required by the Cooperator under the SOW will be performed under the supervision of Valerie Riddle, MD, FACP, Vice President and Medical Director, PharmAthene, Inc., 175 Admiral Cochrane Dr., Suite 400, Annapolis, MD 21401,410-571-8923 (voice),410-571-8927 (fax), riddlev@pharmamene.com, who, as co-principal investigator has responsibility for the scientific and technical conduct of this project on behalf of the Cooperator.

3.03 Scope Change. If at any time the co-principal investigators determine that the research data dictates a substantial change in the direction of the work, the parties shall make a good faith effort to agree on any necessary change to the SOW and make the change by written notice to the addresses listed in section 13.04 Notices.

3.04 Final Report. The parties shall prepare a final report of the results of this project within six months after completing the SOW.

Article 4. Ownership and Use of Physical Property

4.01 Ownership of Materials or Equipment. All materials or equipment developed or acquired under this Agreement by the parties shall be the property of the party which developed or acquired the property, except that government equipment provided by Laboratory (1) which through mixed funding or mixed development must be integrated into a larger system, or (2) which through normal use at the termination of the Agreement has a salvage value that is less than the return shipping costs, shall become the property of Cooperator.

4.02 Use of Provided Materials. Both parties agree that any materials relating to them which were provided by one party to the other party will be used for research purposes only. The materials shall not be sold, offered for sale, used for commercial purposes, or be furnished to any other party without advance written approval from the Provider's official signing this Agreement or from another official to whom the authority has been delegated, and any use or furnishing of material shall be subject to the restrictions and obligations imposed by this Agreement.

Article 5. Financial Obligation

5.00 Advance Payment. The performance of research by Laboratory under this Agreement is conditioned on the advance payment by Cooperator of Laboratory's agreed upon costs for the performance of such research.

5.01 Deposit Account. Cooperator shall pay $[***] to Laboratory for the performance of the research specified by Article 3.00. $[***] of such funds shall be deposited in [Department of the Army, Special Collaborative Agreement Account No. _____] upon execution of this agreement. The check should be made payable to:

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*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

U.S. Treasury and sent to:
Ms. Elizabeth Dorsey
USAMRIID, Budget Office
1425 Porter Street
Fort Detrick, MD 21702-5011
Phone: 301-619-2148 Fax: 301-619-4619

Laboratory shall not be obligated to perform any of the research specified herein, or to take any other action required by this Agreement, if the agreed to funds are not deposited as required by this Article.

5.02 Insufficient and Excess Funds. Laboratory shall not be required to continue its research and development activities under this Agreement if the funds provided by Cooperator are insufficient to cover Laboratory's agreed upon costs for such continued activities. Funds not expended by Laboratory shall be returned to Cooperator upon Laboratory's submission of a final fiscal report to Cooperator.

5.03 Accounting Records. Laboratory shall maintain separate and distinct current accounts, records, and other evidence supporting all its expenditures under this Agreement. Laboratory shall provide Cooperator a semi-annual report accounting for the use of Cooperator's funds and a final fiscal report within four months after completing the SOW or ending its research activities under this Agreement. The accounts and records of Laboratory shall be available for reasonable inspection and copying by Cooperator and its authorized representative.

Article 6. Patent Rights

6.00 Reporting. The parties shall promptly report to each other all Subject Inventions reported to either party by its employees. All Subject Inventions Made during the performance of this Agreement shall be listed in the Final Report required by this Agreement.

6.01 Cooperator Employee Inventions. Laboratory waives any ownership rights the U.S. Government may have in Subject Inventions Made by Cooperator employees and agrees that Cooperator shall have the option to retain title in Subject Inventions Made by Cooperator employees. Cooperator shall notify Laboratory promptly upon making this election and agrees to timely file patent applications on Cooperator's Subject Invention at its own expense.

6.02 Laboratory Employee Inventions. Laboratory shall have the initial option to retain title to, and file patent application on, each Subject Invention Made by its employees ("Laboratory Inventions"). The Laboratory agrees to grant an exclusive license to any invention arising under this Agreement to which it has ownership to the Cooperator in accordance with Title 15 U.S. Code Section 3710a, on terms negotiated in good faith. Any invention arising under this Agreement is subject to the retention by the U.S. Government of nonexclusive, nontransferable, irrevocable, paid- up license to practice, or have practiced, the invention throughout the world by or on behalf of the U.S. Government. At the written request of Cooperator, Laboratory will grant to Cooperator a non exclusive, fully paid-up, royalty-free, worldwide license, with the right to sublicense, to use and practice such Laboratory Invention under Laboratory's rights in such Laboratory Invention and any and all patent applications, patents and other rights claiming or covering such Laboratory Invention.

6.03 Joint Inventions. Any Subject Invention patentable under U.S. patent law which is Made jointly by Laboratory employees and Cooperator employees under the Scope of Work of this Agreement shall be jointly owned by the parties. The parties shall discuss together a filing strategy and filing expenses related to the filing of the patent covering the Subject Invention. If a party decides not to retain its ownership rights to a jointly owned Subject Invention, it shall offer to assign such rights to the other party, pursuant to Paragraph 6.05, below.

6.04 Government Contractor Inventions. Laboratory represents that as of the date of this Agreement the only investigators for the Research Project shall be Laboratory's employees. Laboratory shall notify Cooperator, in advance, if Laboratory intends to use its contractors to perform services on the Research Project either (i) as investigators, or (ii) in any other capacity under which such contractors will conduct any substantive research, analysis, or evaluation of the Materials (collectively, "Key Personnel"). If any of Laboratory's contractors are to be Key Personnel for the Research Project, Laboratory shall suspend work on the Research Project until Cooperator provides its prior written consent to the use of the contractor as a Key Personnel. If Cooperator does not provide its written consent thereto, Laboratory shall cease all work on the Research Project and shall be entitled to terminate this Agreement immediately. Cooperator, nevertheless, acknowledges that Laboratory will use contractors to perform work on the Research Project other than as Key Personnel. In accordance with 37 Code of Federal Regulations 401.14, if one of Laboratory's contractors conceives of an invention while performing services at Laboratory's facilities to fulfill Laboratory's obligations under this Agreement, Laboratory may require the contractor to negotiate a separate agreement with Cooperator regarding allocation of rights to any Subject Invention the contractor makes, solely or jointly, under this Agreement.

6.05 Filing of Patent Applications. The party having the right to retain title to, and file patent applications on, a specific Subject Invention may elect not to file patent applications, provided it so advises the other party within 90 days from the date it reports the Subject Invention to the other party. Thereafter, the other party may elect to file patent applications on the Subject Invention and the party initially reporting the Subject Invention agrees to assign its ownership interest in the Subject Invention to the other party subject to the retention by the party assigning ownership of a nonexclusive, irrevocable, paid-up license to practice, or have practiced, the Subject Invention throughout the world.

6.06 Patent Expenses. The expenses attendant to the filing of patent applications shall be borne by the party filing the patent application. Each party shall provide the other party with copies of the patent applications it files on any Subject Invention, along with the power to inspect and make copies of all documents retained in the official patent application files by the applicable patent office. The parties agree to reasonably cooperate with each other in the preparation and filing of patent applications resulting from this Agreement.

6.07 Exception for Certain Subject Inventions. The parties hereto acknowledge and agree that the terms of Section 2 of that certain CRADA-M between Laboratory and Medarex, Inc., dated as of August 29th, 2006, pursuant to which Medarex will provide Laboratory with certain materials and information for

the performance of work hereunder, will supersede any conflicting term set forth in this Article 6 with respect to any inventions or discoveries made as a result of Laboratory's use of such materials or information in the performance of work hereunder.

Article 7. Exclusive License

7.00 Grant. The Laboratory agrees to grant to the Cooperator an exclusive license in each U.S. patent application, and patents issued thereon, covering a Subject Invention, which is filed by the Laboratory subject to the reservation of a nonexclusive, nontransferable, irrevocable, paid-up license to practice and have practiced the Subject Invention on behalf of the United States.

7.01 Exclusive License Terms. The Cooperator shall elect or decline to exercise its right to acquire an exclusive license to any Subject Invention within six months of being informed by the Laboratory of the Subject Invention. The specific royalty rate and other terms of license shall be negotiated promptly in good faith and in conformance with the laws of the United States.

Article 8. Background Patent(s)

8.00 Laboratory Background Patent(s): Laboratory has filed patent application(s), or is the assignee of issued patent(s), listed below which contain(s) claims that are related to research contemplated under this Agreement. No license(s) to this/these patent applications or issue patents is/are granted under this Agreement, and this/these application(s) and any continuations to it/them are specifically excluded front the definitions of "Subject Invention" contained in this Agreement:

8.01 Cooperator Background Patent(s): Cooperator has filed patent application(s), or is the assignee of issued patent(s), listed below which contain(s) claims that are related to research contemplated under this Agreement. No license(s) to this/these patent applications or issue patents is/are granted under this Agreement, and this/these application(s) and any continuations to it/them are specifically excluded from the definitions of "Subject Invention" contained in this Agreement:

[***]

Article 9. Subject Data and Proprietary Information

9.00 Subject Data Ownership. Subject Data shall be jointly owned by the parties. Either party shall have the right to review all Subject Data that has not been delivered to the other party, except to the extent that such Subject Data are subject to a claim of confidentiality or privilege by a third party. Subject Data shall not be disclosed by Laboratory except as set forth in Section 9.04 below.

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*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

9.01 Proprietary Information/Confidential Information. Each party shall place a proprietary notice on all information it delivers to the other party under this Agreement that it asserts is proprietary. The parties agree that any Proprietary Information or Confidential Information furnished by one party to the other party under this Agreement, or in contemplation of this Agreement, shall be used, reproduced and disclosed by the receiving party only for the purpose of carrying out this Agreement, and shall not be released by the receiving party to third parties unless consent to such release is obtained from the providing party.

9.02 Army limited-access database. Notwithstanding anything to the contrary in this Article, the existence of established CRADAs specifying areas of research and their total dollar amounts may be documented on limited access, password-protected websites of the U.S. Army Medical Research and Materiel Command (the parent organization of Laboratory), to provide the Command's leadership with a complete picture of military research efforts.

9.03 Laboratory Contractors. Cooperator acknowledges and agrees to allow Laboratory's disclosure of Cooperator's proprietary information to Laboratory's Contractors for the purposes of carrying out this Agreement. Laboratory agrees that it has or will ensure that its Contractors are under written obligation not to disclose Cooperator's proprietary information, except as required by law or court order, before Contractor employees have access to Cooperator's proprietary information under this Agreement.

9.04 Release Restrictions. Laboratory shall have the right to use all Subject Data for any Governmental purpose, but shall not release Subject Data publicly except: (i) subject to the last sentence of this Section 9.04, Laboratory in reporting on the results of research may publish Subject Data in technical articles and other documents to the extent it determines to be appropriate; and (ii) Laboratory may release Subject Data where release is required by law or court order. For the purpose of restricting any disclosure of Cooperator's confidential information, Laboratory will send proposed publications or presentations, whether oral, electronic, or written, to Cooperator for review at least sixty (60) calendar days prior to any such proposed publications or presentation. Cooperator will return comments or suggested revisions to the proposed publications to Laboratory within thirty (30) calendar days of their receipt by Laboratory. In the event a proposed publication or presentation contains patentable subject matter or Confidential Information of Cooperator, Laboratory agrees to delay such publication or presentation for an additional thirty (30) calendar days to allow Cooperator the opportunity to seek appropriate patent protection for such inventions or information or to request Recipient to delete any Confidential Information of Laboratory, which Information shall be deleted upon such request and prior to publication or presentation.

9.05 FDA Documents. If this Agreement involves a product regulated by the U.S. Food and Drug Administration (FDA), then the Cooperator or the U.S. Army Medical Research and Materiel Command, as appropriate, may file any required documentation with the FDA. In addition, the parties authorize and consent to allow each other or their contractors or agents access to, or to cross-reference, any documents filed with the FDA related to the product.

Article 10. Termination

10.00 Termination by Mutual Consent. Cooperator and Laboratory may elect to terminate this Agreement, or portions thereof, at any time by mutual consent.

10.01 Termination by Unilateral Action. Either party may unilaterally terminate this entire Agreement at any time by giving the other party written notice, not less than 30 days prior to the desired termination date.

10.02 Termination Procedures. In the event of termination, the parties shall specify the disposition of all property, patents and other results of work accomplished or in progress, arising from or performed under this Agreement by written notice. Upon receipt of a written termination notice, the parties shall not make any new commitments and shall, to the extent feasible, cancel all outstanding commitments that relate to this Agreement. Notwithstanding any other provision of this Agreement, any exclusive license entered into by the parties relating to this Agreement shall be simultaneously terminated unless the parties agree to retain such exclusive license.

Article 11. Disputes

11.00 Settlement. Any dispute arising under this Agreement which is not disposed of by agreement of the principal investigators shall be submitted jointly to the signatories of this Agreement. A joint decision of the signatories or their designees shall be the disposition of such dispute. However, nothing in this section shall prevent any party from pursuing any and all administrative and/or judicial remedies which may be allowable.

Article 12. Liability

12.00 Property. Neither party shall be responsible for damages to any property provided to, or acquired by, the other party pursuant to this Agreement.

12.01 Cooperator's Employees. Cooperator agrees to indemnify and hold harmless the U.S. Government for liability of any kind involving an employee of Cooperator arising in connection with this Agreement, and for all liabilities arising out of the use by Cooperator of Laboratory's research and technical developments, or out of any use, sale or other disposition by Cooperator of products made based on Laboratory's technical developments, except to the extent the liability is due to the negligence of Laboratory under the provisions of the Federal Torts Claims Act. This provision shall survive termination or expiration of this Agreement.

12.02 No Warranty. The parties make no express or implied warranty as to any matter whatsoever, including the conditions of the research or any Invention or product, whether tangible or intangible, Made, or developed under this agreement, or the ownership, merchantability, or fitness for a particular purpose of the research or any Invention or product.

Article 13. Miscellaneous

13.00 Governing Law. This Agreement shall be governed by the laws of the United States Government.

13.01 Export Control and Biological Select Agents and Toxins. The obligations of the parties to transfer technology to one or more other parties, provide technical information and reports to one or more other parties, and otherwise perform under this Agreement are contingent upon compliance with applicable United States export control laws and regulations. The transfer of certain technical data and commodities may require a license from a cognizant agency of the United States Government or written assurances by the Parties that the Parties shall not export technical data, computer software, or certain commodities to specified foreign countries without prior approval of an appropriate agency of the United States Government. The Parties do not, alone or collectively, represent that a license shall not be required, nor that, if required, it shall be issued. In addition, where applicable, the parties agree to fully comply with all laws, regulations, and guidelines governing biological select agents and toxins.

13.01 Independent Contractors. The relationship of the parties to this Agreement is that of independent contractors and not as agents of each other or as joint venturers or partners.

13.02 Use of Name or Endorsements. (a) The parties shall not use the name of the other party on any product or service which is directly or indirectly related to either this Agreement or any patent license or assignment agreement which implements this Agreement without the prior approval of the other party. (b) By entering into this Agreement, Laboratory does not directly or indirectly endorse any product or service provided, or to be provided, by Cooperator, its successors, assignees, or licensees. Cooperator shall not in any way imply that this Agreement is an endorsement of any such product or service. Press releases or other public releases of information shall be coordinated between the parties prior to release, except that the Laboratory may release the name of the Cooperator and the title of the research without prior approval from the Cooperator.

13.03 Survival of Specified Provisions. The rights specified in provisions of this Agreement covering Patent Rights, Subject Data and Proprietary Information, and Liability shall survive the termination or expiration of this Agreement.

13.04 Notices. All notices pertaining to or required by this Agreement shall be in writing and shall be signed by an authorized representative addressed as follows:

If to Cooperator: Valerie Riddle, MD, FACP
Vice President and Medical Director
PharmAthene, Inc.
175 Admiral Cochrane Dr., Suite 400
Annapolis, MD 21401
410-571-8923 (voice), 410-571-8927 (fax)

With a copy to: Ronald Kaiser
Vice President and Chief Financial Officer
PharmAthene, Inc.
175 Admiral Cochrane Dr., Suite 400
410-571-7813 (voice), 410-571-8927 (fax)

If to Laboratory: USAMRIID
Business Plans and Programs Office
1425 Porter Street
Fort Derrick, MD 21702-5011
Phone: 301-619-6886 Fax: 301-619-8379

Any party may change such address by notice given to the other in the manner set forth above.

Article 14. Article 14. Duration of Agreement and Effective Date

14.01 Effective Date. This Agreement shall enter into force as of the date it is signed by the last authorized representative of the parties.

14.02 Expiration Date. This Agreement will automatically expire l year from effective date unless it is revised by written notice and mutual agreement.

[remainder of page remains blank; signatures follow]

IN WITNESS WHEREOF, the Parties have caused this agreement to be executed by their duly authorized representatives as follows:

For the Cooperator:

PharmAthene Inc.

/s/ Valerie Riddle, MD

(Signature)

Valerie Riddle, MD
Vice-President & Medical Director

DATE 8/29/06

For the U.S. Government:

U.S. Army Medical Research Institute of Infectious Diseases

/s/ George W. Korch, Jr.

(Signature)

George W. Korch, Jr.
Colonel, U.S. Army
Commanding

DATE 12 Sep 06

For the USAMRIID Principal Investigator:

I hereby acknowledge the terms and conditions of this Agreement:

DATE 6 Sept 06

/s/ Elizabeth Leffel, Ph.D

(Signature)

Elizabeth Leffel, Ph.D

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT
HAS BEEN OMITTED AND FILED SEPARATELY WITH THE
SECURITIES AND EXCHANGE COMMISSION (THE "SEC")
PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT WITH RESPECT TO THE OMITTED PORTIONS.
OMITTED PORTIONS ARE INDICATED BY [***].

NOTICE OF GRANT AWARD

RESEARCH PROJECT COOPERATIVE AGREEMENT Issue Date:09/30/2006

Department of Health and Human Services
National Institutes of Health
NATIONAL INSTITUTE OF NEUROLOGICAL DISORDERS AND STROKE

Grant Number: 1 U01 NS058207-01
Principal Investigator: Troyer, John Karl Project Title:
Novel Therapeutic Agent to Treat
Nerve Agent Exposure after Civilian Attack

VP, POLICY & GOVT AFFAIRS
PHARMATHENE, INC
175 ADMIRAL COCHRANE DR, STE 101
ANNAPOLIS, MD 21401
UNITED STATES
Award e-mailed to: cookf@pharmathene.com

Budget Period: 09/30/2006 - 05/31/2007
Project Period: 09/30/2006 - 05/31/2011

Dear Business Official:

The National Institutes of Health hereby awards a grant in the amount of $329,739 (see "Award Calculation" in Section I) to PHARMATHENE, INC. in support of the above referenced project. This award is pursuant to the authority of 42 USC 241, 31 USC 6305 & 6306 and is subject to terms and conditions referenced below.

Acceptance of this award including the Terms and Conditions is acknowledged by the grantee when funds are drawn down or otherwise obtained from the grant payment system.

Award recipients are responsible for reporting inventions derived or reduced to practice in the performance of work under this grant. Rights to inventions vest with the grantee organization provided certain requirements are met and there is acknowledgement of NIH support. In addition, recipients must ensure that patent and license activities are consistent with their responsibility to make unique research resources developed under this award available to the scientific community, in accordance with NIH policy. For additional information, please visit http://www.iedison.gov.

If you have any questions about this award, please contact the individual(s) referenced in the information below.

Sincerely yours,

Maxine Davis-Vanlue
Grants Management Officer
NATIONAL INSTITUTE OF NEUROLOGICAL DISORDERS AND STROKE

See additional information below

SECTION I - AWARD DATA - 1 U01 NS058207-01

AWARD CALCULATION (U.S. Dollars):

Salaries and Wages	$[***]
Fringe Benefits	$[***]
Consultant Services	$[***]
Travel Costs	$[***]
Other Costs	$[***]
Federal Direct Costs	$[***]
Federal F&A Costs	$[***]
APPROVED BUDGET	$329,739
TOTAL FEDERAL AWARD AMOUNT	$329,739

Recommended future year total cost support, subject to the availability of funds and satisfactory progress of the project, is as follows.

02	$269,635
03	$434,637
04	$257,277
05	$434,995

FISCAL INFORMATION:

CFDA Number:	93.853
EIN:	1043560100A1
Document Number:	UNS058207A

IC	CAN	FY2006	FY2007	FY2008	FY2009	FY2010
OD	8470083	329,739	269,635	434,637	257,277	434,995

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***Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

NIH ADMINISTRATIVE DATA:
PCC: JETTD TD / OC: 41.4L /Processed: VANLUEM 060928 0928

SECTION II - PAYMENT/HOTLINE INFORMATION - 1 U01 NS058207-01

For Payment and HHS Office of Inspector General Hotline Information, see the NIH Home Page at http://grants.nih.gov/grants/policy/awardconditions.htm

SECTION III - TERMS AND CONDITIONS - 1 U01 NS058207-01

This award is based on the application submitted to, and as approved by, the NIH on the above-titled project and is subject to the terms and conditions incorporated either directly or by reference in the following:

a. The grant program legislation and program regulation cited in this Notice of Grant Award.
b. The restrictions on the expenditure of federal funds in appropriations acts, to the extent those restrictions are pertinent to the award.
c. 45 CFR Part 74 or 45 CFR Part 92 as applicable.
d. The NIH Grants Policy Statement, including addenda in effect as of the beginning date of the budget period.
e. This award notice, INCLUDING THE TERMS AND CONDITIONS CITED BELOW.

(see NIH Home Page at http://grants.nih.gov/grants/policy/awardconditions.htm for certain references cited above.)

Carry over of an unobligated balance into the next budget period requires Grants Management Officer prior approval.

Treatment of Program Income:
Additional Costs

SECTION IV - NINDS SPECIAL Terms and Conditions

RESTRICTION: Funds included in this award may not be used to support studies involving vertebrate animals until verification of IACUC approval for Charles River (Nevada) and DRDC (Canada) has been submitted to and accepted by NINDS. See NIH Office of Laboratory Animal Welfare (OLAW) web site: http://grants.nih.gov/grants/olaw.htm.

Restriction: UNDER GOVERNING PHS POLICY NO FUNDS MAY BE DRAWN DOWN FROM THE PAYMENT SYSTEM AND NO OBLIGATIONS MAY BE MADE AGAINST FEDERAL FUNDS FOR RESEARCH INVOLVING LIVE VERTEBRATE ANIMALS PRIOR TO SUBMISSION OF VALID INSTITUTIONAL ANIMAL CARE AND USE COMMITTEE APPROVAL IN ACCORDANCE WITH THE PHS POLICY ON HUMANE CARE AND USE OF LABORATORY ANIMALS. THIS RESTRICTION APPLIES TO THE APPLICANT ORGANIZATION AND ALL PERFORMANCE SITES (e.g., COLLABORATING INSTITUTIONS, SUBCONTRACTORS, SUBGRANTEES).

Facilities and administrative costs are awarded at a rate of 10 percent of salaries and wages. This applied rate is used for awards pending negotiation and acceptance of facilities and administrative cost rate proposal by the Division of Cost Allocation, DHHS, or other applicable negotiating office.

Although the budget period for this award is less than 12 months, this award includes funds for 12 months of support. Future year budget periods will cycle on June 1. Allowable preaward costs may be charged to this award, in accordance with the conditions outlined in the NIH Grants Policy Statement (revised December 2003) and with institutional requirements for prior approval. The NIH Grants Policy Statement can be found on the internet at http://grants1.nih.gov/grants/policy/nihgps_2003/index.htm .

This award is funded by the National Institutes of Health, Office of the Director (NIH/OD). Any papers published under the auspices of this award must cite the funding support of all institutes.

U01 Cooperative Agreement

This cooperative agreement award is awarded in the amount of $329,739.

Of this amount, 75% ($247,304) be restricted until the awardee has negotiated and finalized the project timeline, milestones, and deliverables with the designated NINDS Project Officer and Grants Management Branch. Once the timeline, milestones, and deliverables have been approved by the designated NINDS Project Officer and Grants Management Branch Staff, the Notice of Grant Award will be revised to allow the awardee access to additional funds for the this cooperative agreement project.

The following special terms of award are in addition to, and not in lieu of, otherwise applicable OMB administrative guidelines, HHS grant administration regulations at 45 CFR Parts 74 and 92 (Part 92 is applicable when State and local Governments are eligible to apply), and other HHS, PHS, and NIH grant administration policies.

The administrative and funding instrument used for this program will be the cooperative agreement (U01), CLU "assistance" mechanism (rather than an "acquisition" mechanism), in which substantial NIH programmatic involvement with the awardees is anticipated during the performance of the activities. Under the cooperative agreement, the NIH purpose is to support and stimulate the recipients' activities by involvement in and otherwise working jointly with the award recipients in a partnership role; it is not to assume direction, prime responsibility, or a dominant role in the activities. Consistent with this concept, the dominant role and prime responsibility resides with the awardees for the project as a whole, although specific tasks and activities may be shared among the awardees and the NIH as defined above.

Principal Investigator Rights and Responsibilities

The Principal Investigator will have the primary responsibility to define objectives and approaches, and to plan, conduct, analyze, and publish results, interpretations, and conclusions of their studies.

Awardees are responsible for identifying specific milestones toward development of medical countermeasures that will be achieved during the project period.

Awardees agree to participate in the overall coordination of NIH research efforts to develop medical countermeasures against chemical threats. This participation may include collaboration and consultation with other CounterACT research awardees, and the sharing of information, data, and research materials.

Awardees agree to participate in Annual CounterACT Network Research Symposiums during which research progress will be shared with other Network members and reviewed by NIH staff. The first Symposium will be held in the Spring of 2007.

Awardees will retain custody of and have primary rights to the data and software developed under these awards, subject to Government rights of access consistent with current HHS, PHS, and NIH policies.

NIH Responsibilities

An NIH Project Scientist will have substantial programmatic involvement that is above and beyond the normal stewardship role in awards, as described below.

Each project will have the support of one or more Project Scientists from NIH program staff who are assigned an administrative role for the countermeasure(s) being studied and have expertise in the implementation of the CounterACT research program.

The NIH Project Scientists will have substantial scientific-programmatic involvement during conduct of this activity, through technical assistance, advice, and coordination above and beyond normal program stewardship for grants.

NIH Project Scientists will be responsible for assessing the progress of the projects toward the accomplishment of specified milestones and deliverables, and for recommending if further funds should be released to the project. Milestones and deliverables will be reviewed once a year, as part of the non-competitive renewal process.

The NIH Project Scientists will facilitate the establishment of contacts and collaborations between awardees of the CounterACT research program and other persons or organizations whose participation will assist with the accomplishment of project goals. These persons or organizations may include the FDA, disease voluntary organizations, pharmaceutical companies, or research organizations that can provide essential services on contract.

An important part of the CounterACT research program is the coordination of research efforts across different funding mechanisms and research structures, and coordination among efforts aimed at different countermeasures. NIH Project Scientists will have the primary responsibility for this overall coordination.

The NINDS Project Officer will be responsible for normal stewardship of the award, and may also serve as a Project Scientist.

Arbitration Process

Any disagreements that may arise in scientific or programmatic matters (within the scope of the award) between award recipients and the NIH may be brought to arbitration. An Arbitration Panel composed of three members will be convened. It will have three members: a designee chosen by the awardee, one NIH designee, and a third designee with expertise in the relevant area who is chosen by the other two; in the case of individual disagreement, the first member may be chosen by the individual awardee. This special arbitration procedure in no way affects the awardee's right to appeal an adverse action that is otherwise appealable in accordance with PHS regulations 42 CFR Part 50, Subpart D and HHS regulations 45 CFR Part 16.

Non-competing applications must be submitted to the centralized mailing address:

Division of Extramural Activities Support, OER National Institutes of Health, 6705 Rockledge Drive, Room 2207, MSC 7987 Bethesda, MD 20892-7987 (for regular or US Postal Service Express mail) Bethesda, MD 20817 (for other courier/express mail delivery only).

Other documents applicable to this grant should be faxed to (301) 451-5635 or mailed to:

Grants Management Branch
National Institutes of Neurological Disorders and Stroke
6001 Executive Boulevard, Suite 3290, MSC 9537 Rockville, MD 20852(Express Mail)
Bethesda, MD 20892-9537(Regular Mail)

The Program Official is responsible for the scientific, programmatic and technical aspects of this project. The Grants Management Specialist is responsible for the negotiation, award and administration of this project and for interpretation of grants administration policies and provisions. These individuals work together in overall project administration. Prior approval requests (countersigned by the PI & authorized business official) should be submitted in writing to the Grants Management Specialist. Requests may be made via e-mail provided they are routed through these same officials (listed below.) For additional information, you may access the NIH home page at http://www.nih.gov/ and the NINDS Home Page at http://www.ninds.nih.gov.

DAVID JETT, Program Official
Phone: 301-496-6035 Email: jettd@ninds.nih.gov

Edward Myrbeck, Grants Specialist
Phone: 301-496-3938 Email: myrbecke@ninds.nih.gov Fax: 301-451-5635

SPREADSHEET
GRANT NUMBER: 1 U01 NS058207-01

P.I.: Troyer, John Karl
INSTITUTION: PHARMATHENE, INC.

	YEAR 01	YEAR 02	YEAR 03	YEAR 04	YEAR 05
Salaries and Wages	[***]	[***]	[***]	[***]	[***]
Fringe Benefits	[***]	[***]	[***]	[***]	[***]
Consultant Services	[***]	[***]	[***]	[***]	[***]
Travel Costs	[***]	[***]	[***]	[***]	[***]
Other Costs	[***]	[***]	[***]	[***]	[***]
TOTAL FEDERAL DC	[***]	[***]	[***]	[***]	[***]
TOTAL FEDERAL F&A	[***]	[***]	[***]	[***]	[***]
TOTAL COST	329,739	269,635	434,637	257,277	434,995

	YEAR 01	YEAR 02	YEAR 03	YEAR 04	YEAR 05
F&A Cost Rate 1	[***]	[***]	[***]	[***]	[***]
F&A Cost Base 1	[***]	[***]	[***]	[***]	[***]
F&A Costs 1	[***]	[***]	[***]	[***]	[***]

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CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT
HAS BEEN OMITTED AND FILED SEPARATELY WITH THE
SECURITIES AND EXCHANGE COMMISSION (THE "SEC")
PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT WITH RESPECT TO THE
OMITTED PORTIONS.
OMITTED PORTIONS ARE INDICATED BY [***].

COLLABORATION AGREEMENT

THIS COLLABORATION AGREEMENT ("Agreement") is made and entered into effective as of November 29, 2004 (the "Effective Date"), by and between PHARMATHENE, INC., having principal offices at 175 Admiral Cochrane Dr., Suite 400, Annapolis, MD 21401 ("PharmAthene") and MEDAREX, INC., having principal offices at 707 State Road, Princeton, New Jersey 08540-1437, on behalf of itself and its wholly owned subsidiary, GENPHARM INTERNATIONAL, INC., with principal offices at 521 Cottonwood Drive, Milpitas, California 95035 (collectively, "Medarex"). PharmAthene and Medarex each may be referred to herein individually as a "Party," or collectively as the "Parties."

WHEREAS, Medarex and PharmAthene desire to enter into a definitive agreement to collaborate in order to commercialize fully human antibodies with respect to the anthrax protective factor antigen, as more fully described in Appendix C attached hereto (the "Collaboration Target"), on the terms set forth below; and;

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

ARTICLE 1 -
SCOPE OF COLLABORATION; COLLABORATION ACTIVITIES

Section 1.1 Scope of Collaboration. The Parties have entered into this collaboration (such collective enterprise, the "Collaboration") to jointly

research, develop and commercialize Collaboration Products with respect to the Collaboration Target throughout the Territory as set forth in this Agreement. Any capitalized term used in this Agreement not otherwise defined herein shall have the meaning set forth on Appendix A.

Section 1.2 Research Activities.

1.2.1 General. Under the direction and supervision of the Steering Committee, the Parties shall use Commercially Reasonable Efforts to conduct their respective research activities in accordance with this Agreement, each Project Plan and each Project Budget.

1.2.2 Allocation of Costs. All costs associated with the immunization of the HuMAb Mice and the raising of the Collaboration Antibodies (as defined in Section 1.2.3(a) below) to the Collaboration Target that are in existence as of the Effective Date and the initial development work performed by Medarex prior to the Effective Date (the "Medarex Research Activities") shall be borne one-hundred percent (100%) by Medarex. All other costs and expenses incurred by the Parties with respect to the Project Plan and the Project Budget shall be borne by PharmAthene and shall be governed by Sections 4.1.1, 4.1.2 and/or 4.1.3, as applicable. PharmAthene will fund all Collaboration Activities contemplated under the first year Project Plan and Project Budget that are not covered in full by a Government Award received by either Party, and PharmAthene will be solely responsible for funding 100% of all research, development, and commercialization activities (on a fully-burdened basis in accordance with Section 4.1.1) not funded by a Government Award but included in any future Project Plan and Project Budget. PharmAthene shall also be responsible for funding 100% of all activities associated with securing and managing any Government Contract(s) (the "PharmAthene Activities").

1.2.3 Collaboration Antibodies.

(a) The list of antibodies set forth on Appendix D shall be the initial "Collaboration Antibodies". As the Parties gain greater understanding of the Collaboration Antibodies (including the amino acid sequence of such Collaboration Antibodies as described in Section 1.2.3(b), to the extent not already determined) and the potential utility of Antibody Products, or in the event that the Parties designate future Collaboration Antibodies, they shall

update, to the extent appropriate, the description of the Collaboration Antibodies on Appendix D to more accurately reflect the identity of the Collaboration Antibodies.

(b) The Parties shall determine the amino acid sequence of at least one heavy chain variable region corresponding to a contiguous portion spanning CDR1 through CDR3 and defining a complete antibody-heavy chain antigen binding domain (a "Binding Sequence") for each Collaboration Antibody for which such sequence has not been determined. Except with respect to the Lead Collaboration Antibody (as defined below), Medarex shall have the right to delete any such Collaboration Antibody from Appendix D, on written notice to PharmAthene within thirty (30) days of its receipt of the correct sequence data for any such Collaboration Antibody, if Medarex (i) is researching or developing, or has researched or developed, either alone or in collaboration with a Third Party, or (ii) has previously granted a Third Party rights with respect to, any Antibody that has the same Binding Sequence as such Collaboration Antibody, whereupon such Collaboration Antibody shall no longer be deemed a Collaboration Antibody, and all amounts of such Collaboration Antibody (and any cell lines expressing such Collaboration Antibody and other Biological Materials with respect to such Collaboration Antibody) produced pursuant to this Agreement will be destroyed.

(c) Once the amino acid sequence for a given Collaboration Antibody has been determined as provided in Section 1.2.3(b), Medarex shall use Commercially Reasonable Efforts to deliver to the Collaboration the Antibody Materials with respect to such Collaboration Antibody in such form as the Steering Committee may designate. Medarex shall have no obligation under this Agreement to provide PharmAthene with any Mice Materials or other Biological Materials other than the Collaboration Antibody (and Antibody Materials with respect thereto) as provided in this Section 1.2.3.

1.2.4 Lead Collaboration Antibody. The Parties agree that the Collaboration Antibody listed in Appendix D under the heading Lead Collaboration Antibody is the "Lead Collaboration Antibody" pursuant to this Agreement." It is understood that without the written consent of PharmAthene the Steering Committee shall not (i) select more than one Lead Collaboration Antibody, (ii) substitute one Lead Collaboration Antibody for another, or research, develop or

commercialize a Collaboration Antibody other than the Lead Collaboration Antibody without the written authorization of the Steering Committee and the written consent of PharmAthene and Medarex. With respect to the Lead Collaboration Antibody, the Steering Committee shall solicit bids from suppliers to perform the Production Process Development. Each Party shall have the right to submit a bid on such terms as it desires. The Steering Committee shall use Commercially Reasonable Efforts to enter into a development agreement with the supplier that is best able to meet the Parties' requirements, taking into consideration such factors as price, quality, capacity, quantity, reliability and reputation. In the event the Steering Committee selects a Party to perform Production Process Development pursuant to this Section 1.2.4, the price and other terms and conditions of such Production Process Development shall be based on arm's length negotiations with the Steering Committee

Section 1.3 Project Plan and Project Budget. From time to time, Medarex and PharmAthene shall jointly develop and implement a project plan (each a "Project Plan") and project budget (each a "Project Budget") for the research, development, manufacture and commercialization of Collaboration Products. It is understood and agreed by the Parties that:

1.3.1 an outline of the initial Project Plan with respect to the Lead Collaboration Antibody is set forth on Appendix E hereto;

1.3.2 within sixty (60) days of the Effective Date, Medarex and PharmAthene will agree to a Project Plan and a Project Budget with respect to the Lead Collaboration Antibody such Project Plan and Project Budget to address activities to be performed during the first calendar year of the Collaboration;

1.3.3 PharmAthene shall pay Two Million United States Dollars (US$2,000,000) (the "Initial PharmAthene Contribution") to Medarex within fifteen (15) days of the Effective Date, which amount shall be used by Medarex solely for purposes of funding activities specified in the initial Project Plan;

1.3.4 The components of each Project Plan and Project Budget will evolve as the applicable Collaboration Products move through the research, development, manufacture and commercialization life cycle, and no later than December 15th of each calendar year, or upon such date as the Steering Committee

otherwise determines, the Steering Committee shall agree upon an update to the Project Plan and Project Budget which will specify in greater detail the activities to be undertaken by the Parties during the next calendar year;

1.3.5 the Parties agree that the Project Plan for the Lead Collaboration Antibody will include, at a minimum, those research and development activities described in the two grant proposals submitted by Medarex to the National Institutes of Health/National Institute of Allergy and Infectious Disease (NIH/NIAID) and under which the NIH/NIAID has agreed to fund those activities as performed by Medarex pursuant to the specific activities and milestones outlined in such proposals and the budgets submitted therewith. Such research and development activities to be performed by Medarex under the Government Awards are set forth in Appendix E;

1.3.6 if the Parties disagree as to the nature and scope of any additional activities to be included in the initial Project Plan, then the Project Plan shall be subject to dispute resolution as set forth in Section 2.3; provided that, at a minimum, the activities described in the two grant proposals submitted by Medarex and funded by the NIH/NIAID shall be included in the initial Project Plan;

1.3.7 any changes or additions to a Project Plan that would alter the activities that Medarex has agreed to perform under the Government Awards awarded to Medarex prior to the Effective Date must be approved in advance by the NIH/NIAID and if approval is not given, then the activities described in the two grant proposals submitted by Medarex and funded by the NIH/NIAID shall be performed and shall be Collaboration Activities;

1.3.8 at each quarterly meeting of the Steering Committee, the Steering Committee shall review the activities of the Parties during the upcoming calendar quarter and shall adjust the Project Plan and Project Budget accordingly;

1.3.9 upon approval by the Parties of a Project Plan and a Project Budget, subject to Sections 1.2.2 and 2.3.5, PharmAthene shall fund all Collaboration activities agreed to in the Project Plan and Project Budget, and neither Party will commit to a Project Plan or Project Budget without the ability to undertake (and/or fund) its respective activities and, with respect to PharmAthene its funding obligations, under such Project Plan or Project Budget;

1.3.10 no research and development activities shall be conducted by a Party unless such activities are included in an approved Project Plan and Project Budget; and

1.3.11 Unless otherwise agreed to in writing by the Parties, the Project Plan(s) will provide that PharmAthene will be responsible for commercialization of Collaboration Product in the United States and in any other country of the Territory in which the Parties jointly agree to commercialize a Collaboration Product and will be responsible for securing and managing any Government Contract(s) for the procurement of Collaboration Products; provided that Medarex, through the Steering Committee, shall have the right to review and approve any such Government Contract(s). For the purposes of clarity, no contract for the sale of Collaboration Products (including without limitation a Government Contract) shall be entered into without the express written consent of both Parties, and any decision as to whether or not the Parties (or one of the Parties) shall enter into such a contract shall not be subject to the expedited arbitration procedures set forth in Section 2.3.4. If a Party is willing to enter into a Government Contract and the other Party does not consent to such Government Contract, then the non-consenting Party shall become an Opting-Out Party; provided, however, that PharmAthene, as the party responsible for securing a contract (including without limitation a Government Contract), shall have used best efforts to secure a contract under terms and conditions acceptable to Medarex, such terms and conditions including, but not limited to, terms and conditions that adequately address price, product liability, intellectual property ownership, and indemnification. In no event shall PharmAthene agree to enter into a contract (including without limitation a Government Contract) that would not result in Operating Profit for the Collaboration based upon the projected calculation of Operating Profit jointly determined and agreed to by the Parties.

Section 1.4 Performance Standards. Each Party shall perform, or cause to be performed, its respective activities hereunder in good scientific manner, and in compliance in all material respects with all Applicable Law and shall use Commercially Reasonable Efforts to (a) research, develop, obtain and maintain Regulatory Approval for and commercialize one or more Collaboration Products with respect to the Lead Collaboration Antibody, and (b) achieve the objectives

of each Project Plan in accordance with each Project Budget, in each case, efficiently and expeditiously by allocating sufficient time, effort, equipment and skilled personnel to complete such activities successfully and promptly.

Section 1.5 Product Trademarks. The Parties shall develop Product Trademarks for the Lead Collaboration Antibody that will be commercialized. Such Product Trademarks shall not be confusingly similar to, misleading or deceptive with respect to, or dilute any of the Trademarks owned or Controlled by either of the Parties, or any part of such Trademarks. No Party or any of its Affiliates or sublicensees shall commercialize the Lead Collaboration Antibody under any Trademark other than the Product Trademarks. No Party or any of its Affiliates or sublicensees shall use in its business any Trademark that is confusingly similar to, misleading or deceptive with respect to, or dilutes any of the Lead Collaboration Antibody or any other Trademarks used to identify or distinguish the Lead Collaboration Antibody, or any part of the foregoing. The Steering Committee shall oversee the filing, prosecution and maintenance of all Product Trademark registrations with respect to the Lead Collaboration Antibody. The Parties shall share equally (50%/50%) in the costs and expenses of such filing, prosecution and maintenance. Subject to Applicable Law, the label of the Lead Collaboration Antibody shall include, at PharmAthene's sole discretion, the name of PharmAthene and, at Medarex's sole discretion, the name of Medarex.

Section 1.6 Supply of Collaboration Products. With respect to clinical and commercial supplies of the Lead Collaboration Antibody, the Steering Committee shall solicit bids from suppliers to supply the Parties' requirements thereof. Each Party shall have the right to submit a bid on such terms as it desires. The Steering Committee shall use Commercially Reasonable Efforts to enter into a supply agreement with the supplier that is best able to meet the Parties' requirements, taking into consideration such factors as price, quality, capacity, quantity, reliability and reputation. In the event the Steering Committee selects a Party to produce clinical and/or commercial supplies pursuant to this Section 1.6, a definitive agreement consistent with the terms of the bid shall be negotiated by such Party (through individuals who are not members of the Steering Committee) and the other Party. If the Parties fail to execute a definitive agreement with respect to such clinical and/or commercial supply within ninety (90) days of the selection of such bid, or such longer period as the Steering Committee may decide, then the Steering Committee shall commence negotiations with respect to the next most favorable bid.

ARTICLE 2 -
OPERATION OF THE COLLABORATION

Section 2.1 Steering Committee.

2.1.1 Formation of Steering Committee. The Parties shall establish a joint committee (the "Steering Committee"), which shall oversee the research, development and commercialization activities hereunder. Each of PharmAthene and Medarex shall appoint an equal number of representatives with the requisite experience and seniority to enable them to make decisions on behalf of the Parties with respect to the Collaboration. From time to time, PharmAthene and Medarex each may substitute any of its representatives to the Steering Committee on written notice to the other Party.

2.1.2 Responsibilities. The Steering Committee shall, in addition to its other responsibilities described in this Agreement: (a) prioritize the research, development, manufacturing and commercialization activities with respect to Collaboration Antibodies and Collaboration Products; (b) subject to Section 1.3, allocate responsibility for such activities between PharmAthene and Medarex taking into consideration their relevant expertise and available resources; (c) develop and implement a strategy for researching, developing, manufacturing, obtaining and maintaining Regulatory Approvals for, and commercializing, the Lead Collaboration Antibody; (d) determine whether to enter into any agreements pursuant to Section 7.4 or otherwise that would give rise to Third-Party Payments; (e) establish such subcommittees as deemed appropriate by the Steering Committee; and (f) take such other actions as are set forth in this Article 2 or as the Parties may unanimously agree. The Steering Committee may evaluate additional technologies that may be necessary or beneficial to the Collaboration and may recommend the acquisition or in-licensing of these technologies to the Parties.

2.1.3 Procedural Rules for the Steering Committee.

Generally. Except as explicitly set forth in this Section 2.1.3, the Steering Committee shall establish its own procedural rules for its operation.

Voting. The Steering Committee shall take action by unanimous consent of PharmAthene and Medarex, with each such Party having a single vote, irrespective of the number of representatives actually in attendance at a meeting, or by a written resolution signed by the designated representatives of each of PharmAthene and Medarex.

Section 2.2 Progress Reports. Within thirty (30) days after the end of each calendar quarter, or as otherwise required by the Steering Committee, each Party shall provide to the other Party a written progress report, which shall (a) describe any research, development or commercialization activities, including any activities or communications regarding the securing of a Government Contract, with respect to Collaboration Products and any other work relating to the Collaboration Products that it has performed, or caused to be performed, since the last such report, (b) evaluate the work performed in relation to the goals of this Agreement and the applicable Project Plan, and (c) provide such other information as may be required by this Agreement and the applicable Project Plan or reasonably requested by the other Party relating to such activities. In addition to the progress reports provided hereunder, it is contemplated that the Parties will maintain informal communications through the Steering Committee and their day-to-day activities under this Agreement.

Section 2.3 Disputes; Dispute Resolution.

2.3.1 Referral to Steering Committee. Any dispute that may arise relating to the terms of this Agreement or the activities of the Parties hereunder shall be brought to the attention of the Steering Committee, which shall attempt in good faith to achieve a resolution. Either Party may convene a special meeting of the Steering Committee for the purpose of resolving disputes.

2.3.2 Referral to Chief Executive Officers of the Parties. If the Steering Committee is unable to resolve such a dispute within twenty (20) days of the first presentation of such dispute to the Steering Committee, and with respect to all other disputes, such dispute shall be referred to the Chief Executive Officers of each of the Parties (or their respective designees) who shall use their good faith efforts to mutually agree upon the proper course of action to resolve the dispute.

2.3.3 Unresolved Disputes. If any dispute is not resolved by the Chief Executive Officers of the Parties (or their designees) within ten (10) business days after such dispute is referred to them, or such longer period as the Chief Executive Officers (or their respective designees) may collectively agree, then either Party shall have the right (a) if such dispute relates to Section 1.3 (to the extent the dispute relates to the Project Budget or the determination of the activities to be undertaken pursuant to a Project Plan, but not with respect to a dispute regarding (i) which Party will perform or fund any such activities, (ii) the decision as to whether Medarex will perform the activities described in the two grant proposals submitted by Medarex and funded by the NIH/NIAID, or (iii) the decision to enter into a contract for sale of Collaboration Products including without limitation a Government Contract) or 2.1.2(d), to refer such dispute to an Expert for expedited arbitration as set forth in Section 2.3.4, or (b) with respect to any other dispute, including with respect to a Party's interpretation of, or any allegation of breach of, this Agreement, to litigate such dispute in accordance with Section 11.5 or to pursue such other dispute resolution mechanism as the Parties may agree.

2.3.4 Expedited Arbitration.

With respect to disputes under Section 2.3.3(a) above that are not resolved by the Chief Executive Officers of the Parties (or their designees) pursuant to Section 2.3.2, upon written request by either Party to the other Party, the Parties shall promptly negotiate in good faith to appoint a mutually acceptable disinterested, conflict-free individual not affiliated with either Party, with scientific, technical and regulatory experience with respect to the development of Antibody-Based Products necessary to resolve such dispute (an "Expert"). If the Parties are not able to agree within five (5) days after the receipt by a Party of the written request in the immediately preceding sentence, the CPR Institute for Dispute Resolution, or such other similar entity as the Parties may agree, shall be responsible for selecting an Expert within seven (7) days of being approached by a Party. The fees and costs of the Expert and the CPR Institute for Dispute Resolution (or such other entity) shall be shared equally (50%/50%) by the Parties.

Within fifteen (15) days after the designation of the Expert, the Parties shall each simultaneously submit to the Expert and one another a written statement of their respective positions on such disagreement. Each Party shall

have five (5) days from receipt of the other Party's submission to submit a written response thereto, which shall include any scientific and technical information in support thereof. The Expert shall have the right to meet with the Parties, either alone or together, as necessary to make a determination.

No later than thirty (30) days after the designation of the Expert, the Expert shall make a determination by selecting the resolution proposed by one of the Parties that as a whole is the most fair and reasonable to the Parties in light of the totality of the circumstances and shall provide the Parties with a written statement setting forth the basis of the determination in connection therewith. The decision of the Expert shall be final and conclusive, absent manifest error.

2.3.5 It is expressly understood and agreed by the Parties that without the express written permission a Party, such Party will not be required to pay the cost and expense for the research, development or commercialization of, or perform research and development activities with respect to, (i) a Collaboration Product other than the Lead Collaboration Antibody or (ii) for the Lead Collaboration Antibody other than for research and development thereof for commercialization in the United States.

ARTICLE 3 - GRANT OF RIGHTS

Section 3.1 License Grants for Collaboration Activities.

3.1.1 Medarex Grant. Subject to Section 3.3 and the other terms and conditions of this Agreement, Medarex hereby grants to PharmAthene and its Affiliates a co-exclusive (with Medarex and its Affiliates), worldwide, royalty-free right and license, with the right to sublicense solely as provided in Sections 3.3.5 and 3.4, under the Medarex Technology, the Collaboration Technology and the Joint Technology, in each case to (a) perform PharmAthene's activities under the Project Plan, and (b) jointly Exploit the Collaboration Products in accordance with this Agreement.

3.1.2 PharmAthene Grant. Subject to the terms and conditions of this Agreement, PharmAthene hereby grants to Medarex and its Affiliates a co-exclusive (with PharmAthene and its Affiliates), worldwide, royalty-free right and license, with the right to sublicense solely as provided in Section 3.4, under the PharmAthene Technology, the Collaboration Technology and the

Joint Technology, in each case to (a) perform Medarex's activities under the Project Plan, and (b) jointly Exploit the Collaboration Products in accordance with this Agreement.

Section 3.2 Product Trademarks for Collaboration Products.

3.2.1 Medarex Grant. Subject to the terms and conditions of this Agreement, Medarex hereby grants to PharmAthene and its Affiliates a co-exclusive (with Medarex and its Affiliates), worldwide, fully-paid, royalty-free right and license, with the right to sublicense solely as provided in Section 3.4, to use the Product Trademarks to Exploit the Collaboration Products in accordance with this Agreement.

3.2.2 PharmAthene Grant. Subject to the terms and conditions of this Agreement, PharmAthene hereby grants to Medarex and its Affiliates a co-exclusive (with PharmAthene and its Affiliates), worldwide, fully-paid, royalty-free right and license, with the right to sublicense solely as provided in Section 3.4, to use the Product Trademarks to Exploit the Collaboration Products in accordance with this Agreement.

Section 3.3 Exclusivity, Reserved Rights and Pre-Existing Grants.

3.3.1 Antigen Exclusivity. Subject to Sections 3.3.2, 3.3.3 and 3.3.4, the Parties acknowledge and agree that no Party shall engage, directly or indirectly, on behalf of itself or with or through any other party, in the research, development, commercialization or other Exploitation of Antibody-Based Products with respect to the Collaboration Target, or grant any other right or license to do so, other than with respect to the Collaboration Products and Unilateral Products as provided in this Agreement and any related agreements between the Parties.

3.3.2 Research and Commercialization Agreements. Medarex shall have the right to (a) grant licenses and other rights to other parties, under the Mice Related Technology for such parties to Exploit Antibody Products (but not Collaboration Products) with respect to Antigens, including the Collaboration Target, (b) transfer Mice Related Know-How to such parties in connection therewith, including by providing instruction with respect to the use and immunization of HuMAb Mice and the Additional Mice and assistance with respect to the Mice Related Technology, (c) develop production processes for, and manufacture, such Antibody Products, and (d) receive license fees, milestone payments, royalties and other remuneration in connection therewith, but, in

connection with clause (a), (b), (c) or (d) above, not to otherwise actively participate in the clinical development or commercialization of such Antibody Products by such parties (each agreement with respect to the foregoing, a "Research and Commercialization Agreement").

3.3.3 Retained Rights. Notwithstanding anything in this Agreement to the contrary, Medarex and PharmAthene hereby retain the right to (a) enter into collaborations or other agreements with, and to grant licenses and other rights under the Medarex Technology and PharmAthene Technology, respectively, to Third Parties to Exploit Antibody Products with respect to Antigens other than the Collaboration Target, and/or (b) independently Exploit Antibody Products with respect to Antigens other than the Collaboration Target.

3.3.4 Existing Grants. The Parties further acknowledge and agree that (a) pursuant to the Cross-License Agreement, Medarex has granted a non-exclusive license under certain Medarex Patents to Exploit Antibody Products, including Collaboration Products, with respect to Antigens, including the Collaboration Target, in the Territory; and (b) pursuant to certain existing agreements with Third Parties, Medarex has granted exclusive rights under the Medarex Technology to Exploit Antibody Products with respect to Antigens other than the Collaboration Target, which Antibody Products could be the same as Collaboration Products.

3.3.5 Cross-License Agreement. The Cross-License Agreement prohibits Medarex from granting commercialization rights to the same Antibody Product, whether by license or sublicense, under certain Medarex Technology to more than one party in a territory. The Parties shall structure their respective commercialization rights in each country in the Territory, in accordance with this Section 3.3.5, so as to comply with the requirements of the Cross-License Agreement and shall use good faith efforts to ensure that any such structure preserves the intended economic benefits of the Collaboration to the Parties.

So long as the Cross-License Agreement is in effect, if the Steering Committee desires to grant a sublicense with respect to commercialization of a Collaboration Product pursuant to Section 3.4 or Section 5.2, then the Steering Committee shall provide Medarex with written notice thereof, which shall set

forth in reasonable detail the terms and conditions of such sublicense, the Medarex Technology and Collaboration Product involved, and the identity of the proposed sublicensee. Upon receipt of such notice, Medarex shall make a good faith determination as to whether such Medarex Technology is subject to the sublicense restrictions contained in the Cross-License Agreement.

To the extent that Medarex determines that such Medarex Technology is not subject to the sublicense restrictions contained in the Cross-License Agreement, Medarex shall so notify the Steering Committee in writing and the Collaboration thereafter shall have the right to grant such sublicense, subject to Section 3.4 or Section 5.2, as applicable.

To the extent that Medarex determines that all or part of such Medarex Technology is subject to the sublicense restrictions contained in the Cross-License Agreement, Medarex shall so notify the Steering Committee in writing. The Parties shall then meet to discuss in good faith how to proceed in order to optimize the commercialization of the applicable Collaboration Product hereunder while complying with the requirements of the Cross-License Agreement.

Section 3.4 Sublicenses. Subject to Section 3.3.5, each Party shall have the right to grant sublicenses under the licenses granted in Sections 3.1 and 3.2 pursuant to Section 5.2 or as set forth in a Project Plan to perform activities under a Project Plan.

Section 3.5 License Limitations. Each Party hereby covenants to the other Party that neither such first Party nor any of its Affiliates, licensees or sublicensees has received, a license to use or practice the Technology of such other Party, directly or indirectly, on behalf of itself or any other party, for any purpose other than as permitted under Section 3.1 and in particular, but without limiting the generality of the foregoing, for any research, development, commercialization or other Exploitation of an Antibody Product or any other product or method with respect to the Collaboration Target, other than a Collaboration Product or a Unilateral Product as provided hereunder or in the applicable Unilateral Development and Commercialization Agreement.

Section 3.6 No Other Rights. For the avoidance of doubt, Medarex and its Affiliates shall have no right, express or implied, with respect to the PharmAthene Technology and PharmAthene and its Affiliates shall have no right, express or implied, with respect to the Medarex Technology, in each case except

as expressly provided in Section 3.1. For the further avoidance of doubt, under this Agreement PharmAthene and its Affiliates shall have no rights, express or implied, in or to the Mice Materials, the Mice-Related Technology or any other Information and Inventions or Patents or other intellectual property rights of Medarex or its Affiliates with respect to the Mice Materials.

ARTICLE 4 - FINANCIAL PROVISIONS

Section 4.1 Profit and Expense Allocation with Respect To Collaboration Products.

4.1.1 Research and Development and Commercialization Expenses. Except as otherwise provided in this Agreement, and subject to Sections 1.2.2 and 2.3.5 PharmAthene shall be responsible for payment of all Authorized R&D Expenses and Authorized Commercialization Expenses incurred by or on behalf of the Parties in connection with their activities hereunder, other than the Medarex Research Activities which shall be the responsibility of Medarex. In the event that a Government Award is awarded to either Medarex and/or PharmAthene, funds from such Government Award will be used by the Parties to fund the Collaboration. Within thirty (30) days after the end of each calendar quarter, each Party shall furnish the Steering Committee with a statement detailing the research and development activities performed pursuant to the Project Plan and the costs and expenses actually incurred in connection with such research and development activities performed by or on behalf of such Party during such calendar quarter. Within forty-five (45) days after the end of each calendar quarter, PharmAthene shall make any necessary payments to Medarex to reimburse Medarex for any Authorized R&D Expenses and any Authorized Commercialization Expenses incurred by Medarex during such calendar quarter.

4.1.2 Operating Profits and Operating Losses.

(a) Subject to paragraphs (b) through (i) below, the Parties shall share in the Operating Profits, on a calendar quarter-by-calendar quarter basis, with respect to Collaboration Products according to each Party's Allocation Percentage.

(b) Prior to any distribution of Operating Profits to the Parties, out of Operating Profits, PharmAthene first will reimburse Medarex for the expenses incurred by Medarex with respect to the Medarex Research Activities prior to the Effective Date, which amount shall be provided to PharmAthene within ten (10) days subsequent to the Effective Date.

(c) Prior to any distribution of Operating Profits to the Parties and after reimbursement to Medarex pursuant to 4.1.2(b), out of Operating Profits, PharmAthene will retain 100% of any PharmAthene non-government funding of Authorized R&D Expenses in excess of the Initial PharmAthene Contribution.

(d) Any reimbursement of a Party pursuant to paragraphs (b) through (c) of this Section 4.1.2 shall be dollar for dollar, with no additional consideration (e.g. time or risk factor) included.

(e) With respect to each Government Contract, within sixty (60) days after execution of the Government Contract and prior to delivery of Collaboration Product under the Government Contract, the Steering Committee shall make a good faith estimate of (i) the Operating Profits for each calendar year of the Government Contract ("Estimated Yearly Profit") and (ii) the Operating Profits over the life of the Government Contract ("Estimated Total Profit"). After sale of Collaboration Product under a Government Contract, at each Steering Committee meeting, the Estimated Yearly Profit and Estimated Total Profit shall be reviewed and changed for the Government Contract, as required, based on actual experience with respect to Operating Profits under the Government Contract

(f) Within thirty (30) days after the end of each calendar quarter, the Selling Party shall provide the Non-Selling Party with a report detailing the calculation of the Operating Profits for each Government Contract.

(g) Within forty-five days after the end of each Calendar Quarter, with respect to each Government Contract, the Selling Product Party shall pay the Non-Selling Party its Allocation Percentage multiplied by Operating Profit less any payments made under paragraphs (b) - (c) for the applicable calendar quarter.

(h) Within forty-five (45) days after the end of each year of a Government Contract and upon termination or expiration of a Government Contract, the Selling Party shall send to the Non-Selling Party a report as to Operating Profits with respect to Collaboration Product over the year or the term of the Government Contract, as the case may be, and if the amount of Operating Profits previously paid by the Selling Party to the Non-Selling Party under such Government Contract for the year or the term, as the case may be is less than the Non-Selling Party's Allocation Percentage of Operating Profits less any payments made under paragraphs (b) - (c) for the year or the term, as the case may be, then the Selling Party shall pay such deficiency to the Non-Selling Party at the time of such report. If the amount of Operating Profits previously paid by the Selling Party to the Non-Selling Party under such Government Contract for the year or the term, as the case may be is in excess of the Non-Selling Party's Allocation Percentage of Operating Profits less payments made under paragraphs (b) - (c) for the year or the term, as the case may be, then the Non-Selling party shall refund the Selling Party such amount so that the Selling-Party's Allocation Percentage of Operating Profits less payments made under paragraphs (b) - (c) is accurate for such year or the term within forty-five (45) days of such report.

(i) Within thirty (30) days after the end of each calendar quarter, each Party shall furnish the Steering Committee with a statement of the Authorized Commercialization Expenses paid by the Party for the calendar quarter, and within forty-five (45) days after the end of the calendar quarter, PharmAthene shall reimburse Medarex for Authorized Commercialization Expenses paid by Medarex in the calendar quarter.

4.1.3 Other Expenses. With respect to Collaboration Expenses that are not otherwise addressed in Section 4.1.1 or 4.1.2, each Party shall, within thirty (30) days after the end of each calendar quarter in which such costs or expenses are incurred, furnish the Steering Committee and the other Party with a statement detailing such costs and expenses actually incurred by such Party during such calendar quarter. In addition, each Party shall promptly furnish the

Steering Committee and the other Party with such supporting documentation for such costs and expenses as the Steering Committee or such other Party may reasonably request. In the event that the Steering Committee does not approve such costs and expenses within fifteen (15) days of receipt of such statement, the party incurring such costs and expenses shall be responsible for such costs and expenses, and such costs and expenses shall not be included in Authorized R&D Expenses or Authorized Commercialization Expenses for purposes of calculating Operating Profits or Operating Losses.

Section 4.2 Payment Method. All amounts due by one Party hereunder shall be paid in U.S. dollars by wire transfer in immediately available funds to an account designated by the receiving Party. Any payments or portions thereof due hereunder which are not paid on the date such payments are due under this Agreement shall bear interest at a rate equal to the lesser of the prime rate as published in The Wall Street Journal, Eastern Edition, on the first day of each calendar quarter in which such payments are overdue, plus two (2) percentage points, and the maximum rate permitted by law, calculated on the number of days such payment is delinquent, compounded monthly.

Section 4.3 Currency; Foreign Payments. If any currency conversion shall be required in connection with any payment hereunder, such conversion shall be made by using the arithmetic mean of the exchange rates for the purchase of U.S. dollars as published in The Wall Street Journal, Eastern Edition, on the last business day of each month in the calendar quarter to which such payments relate. If at any time legal restrictions prevent the prompt remittance of any Operating Profits with respect to Net Sales in any jurisdiction, the applicable Party may notify the other and make such payments by depositing the amount thereof in local currency in a bank account or other depository in such country in the name of the receiving Party or its designee, and such Party shall have no further obligations under this Agreement with respect thereto.

Section 4.4 Taxes. A Party may deduct from any amounts it is required to pay pursuant to this Agreement an amount equal to that withheld for or due on account of any taxes (other than taxes imposed on or measured by net income) or similar governmental charge imposed by a jurisdiction other than the United States ("Withholding Taxes"). At the receiving Party's request, the paying Party

shall provide the receiving Party a certificate evidencing payment of any Withholding Taxes hereunder and shall reasonably assist the receiving Party, at the receiving Party's expense, to obtain the benefit of any applicable tax treaty.

Section 4.5 Records Retention; Audit.

4.5.1 Record Retention. Each Party shall maintain (and shall ensure that its Affiliates and permitted sublicensees shall maintain) complete and accurate books, records and accounts that fairly reflect their respective (a) Authorized R&D Expenses, Authorized Commercialization Expenses, Other Operating (Income)/Expenses, any costs and expenses reimbursable or shared under Article 7, and any other costs and expenses reimbursable or otherwise shared by the Parties hereunder (collectively, the "Collaboration Expenses"), and (b) Net Sales of Collaboration Products and Operating Profits and Operating Losses with respect to Collaboration Products, in each case in sufficient detail to confirm the accuracy of any payments required hereunder and in accordance with GAAP, which books, records and accounts shall be retained by such Party until the later of (i) three (3) years after the end of the period to which such books, records and accounts pertain, and (ii) the expiration of the applicable tax statute of limitations (or any extensions thereof), or for such longer period as may be required by Applicable Law.

4.5.2 Audit. Each Party shall have the right to have an independent certified public accounting firm of nationally recognized standing, reasonably acceptable to the audited Party, to have access during normal business hours, and upon reasonable prior written notice, to such of the records of the other Party (and its Affiliates and sublicensees) as may be reasonably necessary to verify the accuracy of such Collaboration Expenses, Net Sales, or Operating Profits or Operating Losses, as applicable, for any calendar quarter ending not more than thirty-six (36) months prior to the date of such request; provided, however, that neither Party shall have the right to conduct more than one such audit in any twelve (12)-month period. The accounting firm shall disclose to each Party whether such Collaboration Expenses, Net Sales, or Operating Profits or Operating Losses, as applicable, are correct or incorrect and the specific details concerning any discrepancies. No other information shall be provided to

the requesting Party. The requesting Party shall bear the cost of such audit unless the audit reveals a variance of more than five percent (5%) from the reported results, in which case the audited Party shall bear the cost of the audit. The results of such accounting firm shall be final, absent manifest error.

4.5.3 Payment of Additional Amounts. If, based on the results of such audit, additional payments are owed by a Party under this Agreement, such Party shall make such additional payments, with interest from the date originally due at the rate of one and a half percent (1.5%) per month, within sixty (60) days after the date on which such accounting firm's written report is delivered to such Party.

4.5.4 Confidentiality. The auditing Party shall treat all information subject to review under this Section 4.5 in accordance with the confidentiality provisions of Article 6 and shall cause its accounting firm to enter into a reasonably acceptable confidentiality agreement with the audited Party obligating such firm to maintain all such financial information in confidence pursuant to such confidentiality agreement.

ARTICLE 5 - UNILATERAL AND THIRD PARTY DEVELOPMENT AND COMMERCIALIZATION

Section 5.1 Unilateral Development and Commercialization.

5.1.1 Opting-Out by a Party. Each Party (i.e., Medarex, on the one hand, and PharmAthene, on the other hand) (the "Opting-Out Party") shall have the right, on ninety (90) days' written notice to the other (an "Opt-Out Notice"), to elect not to proceed with the research, development and commercialization ("Opt-Out") of all Collaboration Products at any time, provided that, in the case of PharmAthene, PharmAthene shall be responsible for all budgeted costs and expenses associated with any Collaboration Activities, including research and development activities, with respect to the Collaboration Product(s) that have been committed to in the applicable Project Budget as necessary to complete that phase of the Project Plan (e.g., establishment of Master Cell bank, toxicology studies in support of an IND or phase I, phase II or phase III studies) that were under way when PharmAthene Opted-Out. By way of clarification, if a Party Opts-Out of a Collaboration Product, such Party will be deemed to have Opted-Out with respect to all Antibody Products with respect to the Collaboration Target.

5.1.2 Rights and Obligations of Parties with Respect To Unilateral Products.

(a) Unilateral Development and Commercialization. Upon receipt by a Party of an Opt-Out Notice, the receiving Party shall have the right, on written notice to the Opting-Out Party within thirty (30) days following receipt of the Opt-Out Notice (an "Election Notice"), to proceed unilaterally with the research, development and commercialization of all Collaboration Antibodies and Collaboration Products (each such antibody and product, a "Discontinued Product") pursuant to the separate agreement with the Opting-Out Party attached hereto as Appendix F-1 or Appendix F-2, as applicable (each, a "Unilateral Development and Commercialization Agreement"). Upon receipt by Medarex of an Election Notice from PharmAthene, the Unilateral Development and Commercialization Agreement set forth in Appendix F-1 shall be automatically amended to include the Collaboration Target and any Discontinued Products with respect thereto. Upon receipt by PharmAthene of an Election Notice from Medarex with respect to the Collaboration Target, the Unilateral Development and Commercialization Agreement set forth in Appendix F-2 shall be automatically amended to include the Collaboration Target as a Unilateral Target and any Discontinued Products with respect thereto. Upon such amendment of a Unilateral Development and Commercialization Agreement pursuant to this Section 5.1.2, the Collaboration Target shall cease to be a Collaboration Target and Appendix C shall be amended accordingly, all Antibodies and all Antibody Products with respect to the Collaboration Target shall cease to be Collaboration Antibodies or Collaboration Products, as applicable, and any licenses granted pursuant to Article 3, with respect to such Antigen and any Antibodies and Antibody Products with respect thereto, shall terminate. The Parties shall work together to ensure a smooth and orderly transition of the Discontinued Products to the non-Opting-Out Party (the "Pursuing Party"), including the assignment of any contracts and transfer of Biological Materials (but not Mice Materials) with respect to the Exploitation of such Discontinued Products to the Pursuing Party, and the assumption by the Pursuing Party of any obligations thereunder. Except for the obligations provided for in Section 5.1.1, the Opting-Out Party shall have (i) no further financial obligation to support or otherwise fund any additional efforts in respect of such Discontinued Products, and (ii) no

obligation, responsibility, or authority regarding such additional efforts in respect of such Discontinued Products. In the event that neither Party elects to proceed with the research, development or commercialization of any Collaboration Product, the rights and obligations of the Parties with respect to the Collaboration Target shall be governed by Sections 5.2 and 5.3.

(b) Opt-Out of Unilateral Products.

(i) If, at any time, the Pursuing Party elects to Opt-Out of all Unilateral Products with respect to a Unilateral Target (each as defined in the applicable Unilateral Development and Commercialization Agreement) pursuant to such Unilateral Development and Commercialization Agreement and the other Party does not elect to proceed unilaterally with the research, development and commercialization of such Unilateral Products, such Unilateral Target shall become a Collaboration Target (and Appendix C shall be amended accordingly) and all such Unilateral Products shall become Dormant Products pursuant to Section 5.3 and the Pursuing Party shall, without any additional consideration, assign the Opting-Out Party's Allocation Percentage of its right, title and interest in and to: any Unilateral Products in addition to the Discontinued Products, and any Improvements thereto, developed by or on behalf of the Pursuing Party under the applicable Unilateral Development and Commercialization Agreement; any Product Trademarks and other Trademarks developed by the Pursuing Party for such Unilateral Products; and any Regulatory Documentation with respect to such Unilateral Products created by or on behalf of the Pursuing Party under the applicable Unilateral Development and Commercialization Agreement (but excluding any Regulatory Documentation comprising Production Process Technology, including drug master files), to the other Party. If the Parties elect to proceed jointly with the research, development and commercialization of such Dormant Product as a Collaboration Product pursuant to Section 5.3 or to jointly sublicense such Dormant Product to a Third Party pursuant to Section 5.2 (whereupon such Dormant Product shall become a Collaboration Product), all milestone payments that were paid by the Pursuing Party to the Opting-Out Party with respect to such Dormant Product under the applicable Unilateral Development and Commercialization Agreement shall be refunded by the Opting-Out Party.

5.1.3 Return of Information and Materials. Upon the receipt by a Party of an Election Notice with respect to the Collaboration Target or the Unilateral Target, as applicable, such Party, at the request of the Pursuing Party, shall return, or at the election of the Pursuing Party, destroy, and thereafter provide the Pursuing Party written certification evidencing such destruction, any or all Biological Materials (including Antibodies and Antibody Materials), Collaboration Technology, Technology and other Confidential Information of the Pursuing Party in such Party's possession or control relating to Discontinued Products or Unilateral Products, as applicable, in each case, to which such Party does not retain rights hereunder (except one copy of which (other than Biological Materials) may be retained solely for archival purposes).

Section 5.2 Third-Party Development and Commercialization of Collaboration Products. If the Parties do not elect to proceed with the development and commercialization of a Collaboration Product in one or more countries in the Territory, the Parties shall have the right, at any time, to jointly license such rights to Third Parties in one or more such countries on such terms and conditions as the Parties may mutually agree; provided that (a) any such sublicense with respect to the Medarex Technology shall be governed by the procedures set forth in Sections 3.3.5 and 3.4 and any such sublicense with respect to any other Technology of a Party (which for purposes of this Section 5.2 shall be deemed to include the Collaboration Technology and Joint Technology) shall be governed by the procedures set forth in Section 3.4; and (b) if there is any dispute between the Parties as to whether or not to grant such a license, no such license shall be granted and such dispute shall not be subject to litigation or any other Third Party dispute resolution mechanism.

Section 5.3 Dormant Products. If the Parties do not elect to proceed with the development and commercialization of a particular Collaboration Product, and the Parties have not licensed rights to such Collaboration Product to a Third Party pursuant to Section 5.2 that would be inconsistent therewith, (each such Collaboration Product may also be referred to as a "Dormant Product") either Party shall have the right at any time, subject to Section 3.3, to bring such Dormant Product to the Steering Committee to discuss whether to initiate or reinitiate the research, development or commercialization of such Dormant Product. The initiating Party shall specify the reasons for proposing to

initiate or reinitiate such research, development or commercialization. If, within thirty (30) days after the receipt of such notice, the other Party fails to notify the interested Party in writing that it wishes to participate in the research, development or commercialization of such Dormant Product, then the interested Party shall have the right to pursue research, development or commercialization of such Dormant Product under a Unilateral Development and Commercialization Agreement pursuant to Section 5.1, provided that no Collaboration Product or Unilateral Product as such Dormant Product is being Exploited under this Agreement or by the other Party under a Unilateral Development and Commercialization Agreement.

ARTICLE 6 - CONFIDENTIALITY

Section 6.1 Definition. "Confidential Information" of a Party shall mean all information and know-how and any tangible embodiments thereof provided by or on behalf of such Party to the other Party either in connection with the discussions and negotiations pertaining to, or in the course of performing, this Agreement or the Unilateral Development and Commercialization Agreements, including the terms of this Agreement and the Unilateral Development and Commercialization Agreements; data; knowledge; practices; processes; ideas; research plans; engineering designs and drawings; research data; manufacturing processes and techniques; scientific, manufacturing, marketing and business plans; and financial and personnel matters relating to the disclosing Party or to its present or future products, sales, suppliers, customers, employees, investors or business. For purposes of this Agreement and the Unilateral development and Commercialization Agreements, notwithstanding the Party that disclosed such information or know-how, (a) all PharmAthene Know-How shall be Confidential Information of PharmAthene, (b) all Medarex Know-How, including all Mice-Related Know-How, shall be Confidential Information of Medarex and (c) all Collaboration Know-How and Joint Know-How shall, with respect to Medarex, be Confidential Information of PharmAthene and, with respect to PharmAthene, shall be Confidential Information of Medarex.

Section 6.2 Exclusions. Notwithstanding the foregoing, information or know-how of a Party shall not be deemed Confidential Information with respect to a receiving Party for purposes of this Agreement if such information or know-how:

(a) was already known to the receiving Party or its Affiliates, other than under an obligation of confidentiality or non-use, at the time of disclosure to, such receiving Party or with respect to Collaboration Know-How prior to discovery or development thereof;

(b) was part of the public domain, at the time of its disclosure to, such receiving Party or with respect to Collaboration Know-How prior to discovery or development thereof;

(c) became part of the public domain, after its disclosure to, such receiving Party through no fault of a Party other than the Party that Controls such information and know-how or with respect to Collaboration Know-How prior to discovery or development thereof;

(d) was disclosed to such receiving Party or its Affiliates, other than under an obligation of confidentiality or non-use, by a Third Party who had no obligation to the Party that Controls such information and know-how not to disclose such information or know-how to others; or

(e) was independently discovered or developed by such receiving Party or its Affiliates, as evidenced by their written records, without the use of Confidential Information belonging to the Party that Controls such information and know-how.

Specific aspects or details of Confidential Information shall not be deemed to be within the public domain or in the possession of a Party merely because the Confidential Information is embraced by more general information in the public domain or in the possession of such Party. Further, any combination of Confidential Information shall not be considered in the public domain or in the possession of a Party merely because individual elements of such Confidential Information are in the public domain or in the possession of such Party unless the combination and its principles are in the public domain or in the possession of such Party.

Section 6.3 Disclosure and Use Restriction.

6.3.1 General. Except as expressly provided herein, the Parties agree that, for the Term and for five (5) years thereafter, each Party and its Affiliates and sublicensees shall keep completely confidential and shall not publish or otherwise disclose and shall not use for any purpose except for the purposes contemplated by this Agreement any Confidential Information of the other Party, its Affiliates or sublicensees.

Section 6.4 Authorized Disclosure. Subject to Section 6.3.2, each Party may disclose Confidential Information of the other Party to the extent that such disclosure is:

6.4.1 Required by Governmental Order. Made in response to a valid order of a court of competent jurisdiction or other supra-national, federal, national, regional, state, provincial or local governmental or regulatory body of competent jurisdiction; provided, however, that such Party shall first have given notice to such other Party and given such other Party a reasonable opportunity to quash such order or to obtain a protective order requiring that the Confidential Information and documents that are the subject of such order be held in confidence by such court or agency or, if disclosed, be used only for the purposes for which the order was issued; and provided further that if a disclosure order is not quashed or a protective order is not obtained, the Confidential Information disclosed in response to such court or governmental order shall be limited to that information which is legally required to be disclosed in response to such court or governmental order;

6.4.2 Required by Law. Otherwise required by law; provided, however, that the disclosing Party shall (a) provide the other Party with reasonable advance notice of and an opportunity to comment on any such required disclosure, (b) if requested by such other Party, seek confidential treatment with respect to any such disclosure to the extent available, and (c) use good faith efforts to incorporate the comments of such other Party in any such disclosure or request for confidential treatment;

6.4.3 Required by Regulatory Authority. Made by such Party to the Regulatory Authorities as required in connection with any filing, application or request for Regulatory Approval for a Collaboration Product or a Unilateral Product; provided, however, that reasonable measures shall be taken to assure confidential treatment of such information;

6.4.4 Required by Agreement. Made by such Party, in connection with the performance of this Agreement, to Affiliates, permitted sublicensees, research parties, employees, consultants, representatives or agents, assignees, manufacturers, and contractors, each of whom prior to disclosure must be bound by obligations of confidentiality and non-use at least equivalent in scope to those set forth in this Article 6; or

6.4.5 Required by Certain Third Parties. Made by such Party to existing or potential acquirers or merger candidates; existing or potential pharmaceutical collaborators (to the extent contemplated hereunder); investment bankers; existing or potential investors, venture capital firms or other financial institutions or investors for purposes of obtaining financing; or Affiliates, each of whom prior to disclosure must be bound by obligations of confidentiality and non-use at least equivalent in scope to those set forth in this Article 6. Notwithstanding this Section 6.4.5, PharmAthene shall not disclose any item of Medarex's Confidential Information to any existing or potential acquirer, merger partner or collaborator that is substantially involved in the Exploitation of Antibodies or Antibody Products without first providing Medarex with reasonable advance written notice of each such disclosure. This Agreement may be disclosed by a Party to investment bankers, financial institutions, venture capital firms, and potential investors in connection with a loan, merger or financing or a proposed loan, merger or financing without an obligation of confidentiality in the event that after reasonable efforts such Party can not obtain a confidentiality agreement. This Agreement may be disclosed where required by applicable rule, law or regulation.

Section 6.5 Use of Name. Each Party may use the name, insignia, symbol, trademark, trade name or logotype of the other Party only (a) in connection with announcements and other permitted disclosures relating to this Agreement and the activities contemplated hereby, (b) as required by Applicable Law, and (c) otherwise as agreed in writing by such other Party.

Section 6.6 Press Releases. Press releases or other similar public communication by either Party relating to this Agreement, shall be approved in advance by the other Party, which approval shall not be unreasonably withheld or

delayed, except for those communications required by Applicable Law (which shall be provided to the other Party as soon as practicable after the release or communication thereof), disclosures of information for which consent has previously been obtained, and information of a similar nature to that which has been previously disclosed publicly with respect to this Agreement, each of which shall not require advance approval.

Section 6.7 Publications. The Parties acknowledge that scientific lead-time is a key element of the value of the research and development activities under the Collaboration and further agree that scientific publications must be strictly monitored to prevent any adverse effect from premature publication of results of the research or development activities hereunder. At least sixty (60) days prior to submission of any material related to the research or development activities hereunder for publication or presentation, the submitting Party shall provide to the other Party a draft of such material for its review and comment. The receiving Party shall provide any comments to the submitting Party within sixty (60) days of receipt of such materials. No publication or presentation with respect to the research or development activities hereunder shall be made unless and until the other Party's comments on the proposed publication or presentation have been addressed and changes have been agreed upon and any information determined by the other Party to be Confidential Information has been removed. If requested in writing by the other Party, the submitting Party shall withhold material from submission for publication or presentation for an additional sixty (60) days to allow for the filing of a patent application or the taking of such measures to establish and preserve proprietary rights in the information in the material being submitted for publication or presentation.

ARTICLE 7 - INTELLECTUAL PROPERTY

Section 7.1 Intellectual Property Ownership.

7.1.1 Ownership of Medarex Technology. Subject to the license grants to PharmAthene under Article 3, as between the Parties, Medarex shall own and retain all right, title and interest in and to any and all: (a) Antibody Materials and Information and Inventions with respect thereto that are owned by Medarex as of the Effective Date or generated by Medarex pursuant to the

Collaboration; (b) Collaboration Antibodies and Information and Inventions with respect thereto in existence as of the Effective Date; (c) Information and Inventions that are conceived, discovered, developed or otherwise made, by or on behalf of Medarex (or its Affiliates or its licensees or sublicensees (other than PharmAthene and its Affiliates)), whether or not patented or patentable, and any and all Patent and other intellectual property rights with respect thereto, except to the extent that any such Information and Inventions, or any Patent or other intellectual property rights with respect thereto, are Collaboration Technology; (d) other Information and Inventions, and Patent and other intellectual property rights that are Controlled (other than pursuant to the license grants set forth in Article 3) by Medarex, its Affiliates or its licensees or sublicensees (other than PharmAthene and its Affiliates); and (e) other Medarex Technology.

7.1.2 Ownership of PharmAthene Technology. Subject to the license grants to Medarex under Article 3, as between the Parties, PharmAthene shall own and retain all right, title and interest in and to any and all: (a) Information and Inventions that are conceived, discovered, developed or otherwise made, by or on behalf of PharmAthene (or its Affiliates or its licensees or sublicensees (other than Medarex and its Affiliates)), whether or not patented or patentable, and any and all Patent and other intellectual property rights with respect thereto, except to the extent that any such Information and Inventions, or any Patent or other intellectual property rights with respect thereto, are Collaboration Technology; (b) other Information and Inventions, and Patent and other intellectual property rights that are Controlled (other than pursuant to the license grants set forth in Article 3) by PharmAthene, its Affiliates or its licensees or sublicensees (other than Medarex and its Affiliates); and (c) other PharmAthene Technology.

7.1.3 Ownership of Mice-Related Technology. Medarex shall own and retain all right, title and interest in and to all Mice Materials and Mice-Related Technology, including any and all Information and Inventions with respect to the Mice Materials or the Mice-Related Technology (including any Improvements thereto) that are conceived, discovered, developed or otherwise made, by or on behalf of Medarex, its Affiliates or its licensees or sublicensees (other than PharmAthene and its Affiliates), whether or not

patented or patentable, and any and all Patent and other intellectual property rights with respect thereto. PharmAthene is not granted any rights, express or implied, under this Agreement with respect to any Mice-Related Technology or Mice Materials and nothing in this Agreement is intended to or shall be interpreted as granting PharmAthene any license to such Mice-Related Technology or Mice Materials whether subordinate or dominant to any other Technology (which for purposes of this Section 7.1.3 shall be deemed to include Collaboration Technology and Joint Technology) pursuant to this Agreement.

7.1.4 Ownership of Production Process Technology. Subject to the licenses granted under this Agreement, each Party shall own and retain all right, title and interest in and to such Party's Production Process Technology, including any and all Information and Inventions with respect to such Production Process Technology (including any Improvements thereto) that are conceived, discovered, developed or otherwise made, by or on behalf of such Party, its Affiliates or, to the extent permitted, its sublicensees, whether or not patented or patentable, and any and all Patent and other intellectual property rights with respect thereto. Except as set forth in this Section 7.1.4, or as the Parties may otherwise expressly agree ,including by separate written agreement pursuant to Section 1.2.4 or Section 1.6, neither Party shall have any rights, express or implied, under this Agreement with respect to any Production Process Technology of the other Party and nothing in this Agreement is intended to or shall be interpreted as granting a Party any license to such Production Process Technology, whether subordinate or dominant to any other Technology (which for purposes of this Section 7.1.4 shall be deemed to include Collaboration Technology and Joint Technology). Notwithstanding the foregoing, the Parties acknowledge and agree that (i) certain Production Process Technology of Medarex has been used and may be used with respect to the development and the manufacture of the Lead Collaboration Antibody; (ii) in the event that either or both of the Parties enter into a written agreement with a Third Party pursuant to Section 1.6 with respect to the manufacture and supply of Collaboration Products, or pursuant to a Party's development and/or commercialization of a Unilateral Product pursuant to Section 5.1 and a Unilateral Development and Commercialization Agreement, each of the Parties covenants that it will provide such Third Party with a Party's Production Process Technology used by the

Collaboration prior to entering into said Third Party written agreement pursuant to Section 1.6 or used by the Collaboration prior to the Opting-Out of one Party and the continuation of the Non-Opting-Out Party under a Unilateral Development and Commercialization Agreement pursuant to Section 5.1, that is necessary or reasonably useful with respect to the development and commercialization of such Collaboration Product or Unilateral Product, as the case may be, and will grant the Third Party or the Pursuing Party the right and license, without the right to sublicense, to use such Party's Production Process Technology solely for such manufacture and supply of such Collaboration Product or Unilateral Product, in each case without compensation from the Third Party and without any cost or expense to the other Party other than as otherwise set forth in this Agreement. The provision of the Production Process Technology and the license thereto shall be under a separate written agreement that reasonably protects the confidentiality and unauthorized use of the providing Party's Production Process Technology and that reasonably protects the intellectual property rights of the providing Party in and to its Production Process Technology.

7.1.5 Ownership of Collaboration Technology. Subject to Sections 7.1.3 and 7.1.4 and the license grants under Article 3, the Parties shall each own an equal, undivided interest in any Collaboration Technology; provided, however, that, except as otherwise expressly provided in this Agreement or the Unilateral Development and Commercialization Agreements, neither a Party nor any of its Affiliates, licensees or sublicensees shall, directly or indirectly, Exploit any Collaboration Technology, or any intellectual property rights with respect thereto, without the consent of the other Party, not to be unreasonably withheld or delayed, except that each Party shall have the right to Exploit such Collaboration Technology for research and discovery purposes (as opposed to the development, commercialization or other Exploitation of products or technology resulting therefrom), and to license others to do so, without the consent of the other Party; provided, however, that, except as expressly provided in the Unilateral Development and Commercialization Agreements attached hereto, neither Party shall have the right to use or otherwise Exploit outside the Collaboration (a) any Collaboration Antibodies, Collaboration Products or Antibody Materials with respect thereto produced under this Agreement; or (b) any Collaboration

Technology for the Exploitation of products with respect to the Collaboration Target. Each Party shall promptly disclose to the other Party in writing, and shall cause its Affiliates, licensees and sublicensees to so disclose, the development, making, conception or reduction to practice of any Collaboration Technology, and shall, and does hereby, assign, and shall cause its Affiliates, licensees and sublicensees to so assign, to the other Party, without additional compensation, such right, title and interest in and to any Collaboration Technology as well as any intellectual property rights with respect thereto, as is necessary to fully effect the joint ownership provided for in the foregoing sentence.

7.1.6 Ownership of Product Trademarks. Subject to the license grants in Article 3, the Parties shall each own an equal, undivided interest in each Product Trademark with respect to a Collaboration Product. In the event that a Party Opts-Out with respect to a Collaboration Product or Unilateral Product, it shall, without any additional consideration, assign all of its right, title and interest in and to any Product Trademark with respect to such Collaboration Product to the Pursuing Party; provided, however, that each Party shall retain all of its right, title and interest in and to any Product Trademarks with respect to Dormant Products.

7.1.7 Ownership of Regulatory Approvals.

Subject to the license grants in Article 3, each Regulatory Approval and any Regulatory Documentation with respect to a Collaboration Product shall be owned by Medarex, unless otherwise agreed by the Steering Committee. Notwithstanding the Party that owns a Regulatory Approval with respect to a Collaboration Product, the Parties shall cooperate in obtaining, maintaining and satisfying their obligations under such Regulatory Approval, including by promptly exchanging information, such as adverse event data, so as to enable the owner to make reports to, and respond to requests of, the Regulatory Authorities and perform its other obligations under such Regulatory Approval.

In the event that a Party Opts-Out with respect to a Collaboration Product and the non-Opting Out Party elects to proceed unilaterally with the research, development and commercialization of such Collaboration Product, the Opting-Out Party shall assign all of its right, title and interest in and to all Regulatory Approvals for such Collaboration Product, including any applications therefor, to the Pursuing Party (or its designee).

Notwithstanding the ownership of any Regulatory Approval, neither a Party nor any of its Affiliates, licensees or sublicensees shall, directly or indirectly, use or reference any Regulatory Approval with respect to a Collaboration Product without the consent of the other Party, not to be unreasonably withheld or delayed; provided, however, that each Party shall have the right to use and reference any Regulatory Approval with respect to a Collaboration Product or a Unilateral Product in connection with the Exploitation of Collaboration Products as provided in this Agreement or Unilateral Products or other Antibody-Based Products as provided in any Unilateral Development and Commercialization Agreement. Notwithstanding the foregoing, any Regulatory Approval containing Production Process Know-How of a Party or, with respect to Medarex, the Mice-Related Know-How shall be and remain the sole and exclusive property of such Party and such Party shall have the right to submit any such Production Process Know-How or, with respect to Medarex, the Mice-Related Know-How, directly to the Regulatory Authorities using a drug master file, or any foreign equivalent that is designed to protect such Party's Confidential Information, which filing shall be and remain the sole and exclusive property of such Party.

7.1.8 United States Law. The determination of whether Information and Inventions are conceived, discovered, developed or otherwise made by a Party for the purpose of allocating proprietary rights (including Patent, copyright or other intellectual property rights) therein, shall, for purposes of this Agreement, be made in accordance with applicable United States law.

Section 7.2 Prosecution of Patents and Trademarks.

7.2.1 Medarex Rights. As between the Parties, Medarex shall, subject to Section 7.2.5, have the sole right, at its cost and expense, to obtain, prosecute and maintain throughout the world the Medarex Patents, the Mice-Related Patents and its Production Process Patents.

7.2.2 PharmAthene Rights. As between the Parties, PharmAthene shall, subject to Section 7.2.5, have the sole right, at its cost and expense, to obtain, prosecute and maintain throughout the world the PharmAthene Patents, including its Production Process Patents.

7.2.3 Collaboration Technology and Product Trademarks. The Steering Committee shall formulate a strategy for the filing, prosecution and maintenance of Collaboration Patents and Product Trademark registrations. The Steering Committee shall establish a process under which each Party shall have a reasonable opportunity to review and comment upon drafts of each new application for a Collaboration Patent or Product Trademark registration and all substantive correspondence to or from any patent or trademark authority with respect thereto, prior to the filing of such application or correspondence. Subject to Section 7.2.6, the Parties shall share equally in the expenses associated with the filing, prosecution (including any interferences, reissue proceedings and reexaminations) and maintenance of all Collaboration Patents and Product Trademark registrations.

7.2.4 Cooperation. Subject to Section 7.2.6, each Party shall, and shall cause its Affiliates, licensees and sublicensees, as applicable, to, cooperate fully in the preparation, filing, prosecution and maintenance of the Product Trademark registrations, Collaboration Patents and, if requested by the other Party, such other Party's Patents, provided that such other Party shall reimburse the cooperating Party for its reasonable out-of-pocket expenses incurred in connection with such requested cooperation. Such cooperation includes (a) selecting outside counsel, reasonably acceptable to the Parties, to handle such filing, prosecution and maintenance of the Collaboration Patents and the Product Trademark registrations; (b) promptly executing all papers and instruments and requiring employees to execute such papers and instruments as reasonable and appropriate so as to enable such other Party or the Steering Committee, as applicable, to file, prosecute, and maintain its Patents or the Collaboration Patents and Product Trademark registrations in any country; and (c) promptly informing such other Party of matters that may affect the preparation, filing, prosecution, or maintenance of any such Patents or Product Trademark registrations.

7.2.5 Patent Filings. PharmAthene covenants not to, and to cause its Affiliates, licensees and sublicensees, as applicable, not to, file any patent application disclosing or claiming any Information and Inventions comprising any

Medarex Technology or the Exploitation thereof, without Medarex's prior written consent, which consent shall not be unreasonably withheld or delayed with respect to the Medarex Technology. Medarex covenants not to, and to cause its Affiliates, licensees and sublicensees, as applicable, not to, file any patent application disclosing or claiming any Information and Inventions comprising any PharmAthene Technology or the Exploitation thereof, without PharmAthene's prior written consent, which consent shall not be unreasonably withheld or delayed with respect to the PharmAthene Technology.

7.2.6 Election Not to Prosecute. If a Party elects not (a) to pursue the filing, prosecution or maintenance of a Collaboration Patent in a particular country, (b) to pursue the registration, prosecution or maintenance of a Product Trademark in a particular country, or (c) to take any other action with respect to Collaboration Technology or a Product Trademark in a particular country that is necessary or reasonably useful to establish or preserve rights thereto, then in each such case such Party shall so notify the other Party promptly in writing and in good time to enable such other Party to meet any deadlines by which an action must be taken to establish or preserve any such rights in such Collaboration Technology or Product Trademark, as applicable, in such country. Upon receipt of each such notice by such other Party or if, at any time, such Party fails to initiate any such action within thirty (30) days after a request by such other Party that it do so (or thereafter diligently pursue such action), such other Party shall have the right, but not the obligation, to pursue the filing or registration, or support the continued prosecution or maintenance, of such Patent or Product Trademark, as applicable, at its expense in such country. If such other Party elects to pursue such filing or registration, as the case may be, or continue such support, then such other Party shall notify such Party of such election and such Party shall, and shall cause its Affiliates, licensees and sublicensees, as applicable, to, (x) reasonably cooperate with such other Party in this regard, and (y) subject to Article 3, promptly release or assign to such other Party, without compensation, all right, title and interest in and to such Collaboration Patent or Product Trademark, as applicable, in such country.

Section 7.3 Enforcement of Patents and Trademarks.

7.3.1 Rights and Procedures. If Medarex or PharmAthene determines that any Technology (which for purposes of this Section 7.3.1 shall be deemed to

include the Collaboration Technology) or Product Trademark is being infringed by a Third Party's activities with respect to an Antibody-Based Product against the Collaboration Target and, (an "Infringing Activity"), it shall promptly notify the other Party in writing and provide such other Party with any evidence of such infringement that is reasonably available. Promptly after the receipt of such written notice, the Parties shall meet and discuss in good faith the removal of such infringement. The pursuing Party shall consider in good faith any comments from the other Party and shall keep the other Party reasonably informed of any steps taken to remove such infringement.

7.3.2 Collaboration Technology and Product Trademarks. With respect to Collaboration Technology and Product Trademarks and an Infringing Activity, the Steering Committee shall have the first right, through one or both of the Parties, to remove such infringement using commercially appropriate steps, including the filing of an infringement suit or taking other similar action. Each Party shall be responsible for half of the reasonable and verifiable costs and expenses incurred in connection with such action.

In the event the Steering Committee fails to take commercially appropriate steps to remove any infringement of any such Collaboration Technology or Product Trademark or an Infringing Activity within ninety (90) days following notice of such infringement, or earlier notifies the Parties in writing of its intent not to take such steps, and (i) such failure to act is due to the refusal of one Party's representatives on the Steering Committee to authorize action over the objection of the other Party's representatives, then the Party whose representatives wish to proceed shall have the right to do so at its expense and retain any amounts recovered thereby, or (ii) such failure to act is due to any reason other than as set forth in clause (i) above, then either Party or both Parties shall have the right to proceed at its expense and retain any amounts recovered thereby; provided, however, that if the Steering Committee has commenced negotiations with an alleged infringer for discontinuance of such Infringing Activity within such ninety (90)-day period, the Steering Committee shall have an additional ninety (90) days to conclude its negotiations before a Party unilaterally may bring suit for such infringement. Any amounts recovered by a Party pursuant to this Section 7.3.2 as a result of an action authorized by the Steering Committee, whether by settlement or judgment, shall be used to reimburse the Parties for their reasonable costs and

expenses in making such recovery (which amounts shall be allocated pro rata if insufficient to cover the totality of such expenses), with any remainder being equally shared by the Parties

7.3.3 Other Technology. With respect to Technology of a Party, the owner of such Technology at its cost and expense shall have the sole right, but not the obligation, to remove an infringement that is not an Infringing Activity, and to retain any amounts recovered thereby.

7.3.4 Cooperation. The Party not enforcing the applicable Technology (which for purposes of this Section 7.3.4 shall be deemed to include the Collaboration Technology) or Product Trademark shall provide reasonable assistance to the other Party, including providing access to relevant documents and other evidence, making its employees available at reasonable business hours, and joining the action to the extent necessary to allow the enforcing Party to maintain the action.

7.3.5 Invalidity or Unenforceability Defenses or Actions.

(a) If a Third Party asserts, as a defense or as a counterclaim in any infringement action under Section 7.3.2 (a) authorized by the Steering Committee, that any Technology, Collaboration Technology, Product Trademark, or Production Process Technology is invalid or unenforceable (or, with respect to Product Trademarks, is confusing, deceptive or dilutes one or more of such Third Party's Trademarks), then the Parties shall promptly meet to discuss the response to such defense or defense of such counterclaim or action (as applicable) and shall cooperate with one another in such response or defense. The Party or Parties that are the plaintiffs in the underlying suit or action against such Third Party shall have the initial right to respond to such defense or defend against such counterclaim (as applicable), provided that such response or defense shall be conducted under the supervision, and at the direction, of the Steering Committee as provided in Section 7.3.2 and, to the extent that the other Party's intellectual property rights are the subject of such invalidity or unenforceability defense or counterclaim, the Party plaintiff shall involve such other Party in all decisions as to such response or defense, and in any event such Party plaintiff shall not settle or otherwise compromise such defense or counterclaim in any way that adversely affects such other Party's intellectual property rights or its interest therein without such other Party's written consent, not to be unreasonably withheld or delayed.

(b) If a Third Party asserts, in a declaratory judgment action or similar action or claim filed by such Third Party based upon actions or activities of a Party under this Agreement or a Unilateral Development and Commercialization Agreement, that any Technology, Collaboration Technology, Product Trademark, or Production Process Technology is invalid or unenforceable (or, with respect to Product Trademarks, is confusing, deceptive or dilutes one or more of such Third Party's Trademarks), then the Parties shall promptly meet to discuss the defense of such action or claim and shall cooperate with one another in such defense. The Party that is the defendant in such claim, suit or action shall have the initial right to defend against same, provided that such defense shall be conducted under the supervision, and at the direction, of the Steering Committee, which shall establish a process under which each Party shall have a reasonable opportunity to participate in such defense, and provided further that to the extent that the other Party's intellectual property rights are the subject of such invalidity or unenforceability claim, suit or action, the defending Party shall involve such other Party in all decisions as to such defense, and in any event such defending Party shall not settle or otherwise compromise such defense in any way that adversely affects such other Party's intellectual property rights or its interest therein without such other Party's written consent, not to be unreasonably withheld or delayed.

(c) Notwithstanding the foregoing, if the defense, counterclaim, action or claim alleges invalidity or unenforceability of Mice-Related Technology, Medarex shall have the sole right (except as Medarex may otherwise agree) to respond or defend against same, and may intervene to effect such defense or responses.

(d) The Parties shall share equally the costs and expenses of any defenses under this Section 7.3.5 with respect to the Collaboration Technology. With respect to the Medarex Technology (or the Mice-Related Technology) or the PharmAthene Technology, Medarex and PharmAthene, respectively, shall be responsible for one-hundred percent (100%) of those costs and expenses, except to the extent related to the Exploitation of Collaboration Products and the other activities of the Parties hereunder, where the Parties shall share equally such costs and expenses.

Section 7.4 Potential Third-Party Rights.

7.4.1 Third-Party Licenses. If (a) in the Collective Opinion of Counsel, a Party, or any of its Affiliates, licensees or permitted sublicensees, cannot Exploit a Collaboration Product in a country in the Territory without infringing one or more Patents that have issued to a Third Party in such country, or (b) as a result of any claim made against a Party, or any of its Affiliates, licensees or permitted sublicensees, alleging that the Exploitation of a Collaboration Product infringes or misappropriates any Patent or any other intellectual property right of a Third Party in a country in the Territory, a judgment is entered by a court of competent jurisdiction from which no appeal is taken within the time permitted for appeal, such that a Party cannot Exploit such Collaboration Product in such country without infringing the Patent or other proprietary rights of such Third Party, then, in either case, the Parties shall use commercially reasonable efforts to obtain a license in the names of the Parties from such Third Party as necessary for the Exploitation of any Collaboration Products hereunder in such country. For purposes of this Section 7.4.1, "Collective Opinion of Counsel" shall mean the final joint opinion of patent counsel selected by PharmAthene and patent counsel selected by Medarex, after review of all data and information reasonably available at the time such opinion is rendered. If patent counsel for the Parties cannot agree on a final joint opinion within twenty (20) days after submission of the matter to such counsel, the patent counsel of the Parties shall agree on a third patent counsel who shall offer an independent opinion on the subject matter, which independent opinion shall be deemed the Collective Opinion of Counsel.

7.4.2 Third-Party Litigation. In the event that a Third Party institutes a Patent, Trademark or other infringement suit against either Party or its respective Affiliates, licensees or permitted sublicensees during the Term, alleging that the Exploitation of the Collaboration Products in the Territory or any other activities hereunder, infringes one or more Patent, Trademark or other intellectual property rights held by such Third Party (an "Infringement Suit"), the Parties shall cooperate with one another in defending such suit. The Parties shall jointly direct and control the defense of any Infringement Suit with respect to Collaboration Products or any other activity of the Parties under this Agreement. The Parties shall share equally any costs and expenses of such defense, and any damages awarded therein.

7.4.3 Retained Rights. Nothing in this Section 7.4 shall prevent either Party, at its own expense, from obtaining any license or other rights from Third Parties it deems appropriate in order to permit the full and unhindered exercise of its rights under this Agreement.

Section 7.5 Exchange of Know-How.

7.5.1 Information Disclosure. Each Party shall, and shall cause its Affiliates, licensees and sublicensees, as applicable, to, without additional compensation and at such Party's sole expense, disclose and make available to the other Party, in whatever form each such other Party may reasonably request, all of its Know-How and all Regulatory Documentation and other Information and Inventions included in the Collaboration Technology, and any other Information and Inventions relating, directly or indirectly, to the Exploitation of any Collaboration Antibodies or Collaboration Products (other than Mice Materials, Mice-Related Know-How, Excluded Know-How or Production Process Know-How (except as set forth in Section 7.1.4 above)) promptly after the Effective Date and thereafter promptly upon the earlier of the conception or reduction to practice, discovery, development, making or other Control of each such Regulatory Documentation, Know-How, or other Information and Inventions.

7.5.2 Cooperation. With respect to the research, development, commercialization and other Exploitation of the Collaboration Products, each Party, shall cooperate with any and all reasonable requests for assistance from the other Party, including by making its employees, consultants and other scientific staff available upon reasonable notice during normal business hours at their respective places of business to consult with such other Party, as applicable, on issues arising during such research, development, commercialization or Exploitation.

7.5.3 Biological Materials. For purposes of facilitating the conduct of the research and development activities under this Agreement, Medarex and PharmAthene shall each provide to the other tissues, cells, cell lines, organisms, blood samples, genetic material, and other biological substances and materials, including the Collaboration Antibodies and Antibody Materials with respect thereto, and the Collaboration Target (collectively, "Biological

Materials") specified from time to time in this Agreement or the applicable Project Plan. Each Party agrees to provide all such Biological Materials to the other in accordance with this Agreement and the applicable Project Plan, and under the supervision of the Steering Committee. The Parties agree that: (a) all Biological Materials provided by one Party to the other Party and any Biological Material (including Collaboration Antibodies, the Antibody Materials and, if applicable, any Mice Materials) produced against or with, or derived from, such Biological Materials shall be used solely for the research and development activities as provided in the Project Plan, and in material compliance with all Applicable Law; (b) all such Biological Materials shall be provided without any warranties, express or implied; (c) the Party providing such Biological Materials shall obtain (or cause its Third Party collaborators to obtain or certify that they have obtained) all appropriate and required consents from the source of such Biological Materials; (d) Biological Materials provided by one Party to the other Party (other than Collaboration Products) shall not be made available by such other Party to any Third Party except as expressly provided (i) in the Project Plan or (ii) in the applicable Unilateral Development and Commercialization Agreement, unless the prior written consent of the Party providing such Biological Materials is first obtained; and (e) all right, title and interest in and to the Mice Materials shall be, and remain, vested in Medarex.

7.5.4 Regulatory Records. With respect to the subject matter of this Agreement, each Party shall maintain, or cause to be maintained, records of its respective research, development, manufacturing and commercialization activities, including all Regulatory Documentation and Regulatory Approvals with respect to the Collaboration Antibodies and the Collaboration Products, in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes, which shall be complete and accurate and shall fully and properly reflect all work done and results achieved in the performance of such activities, and which shall be retained during the Term and for a period of five (5) years thereafter, or for such longer period as may be required by Applicable Law. Each Party shall have the right, during normal business hours and upon reasonable notice, to inspect and copy any such records, except(a) with respect to Medarex's records, to the extent that such records contain proprietary

information with respect to the Mice Materials and Mice-Related Technology, or (b) with respect to a Party's records, to the extent that such records contain proprietary information with respect to its Production Process Technology.

7.5.5 Production Process Technology. Notwithstanding anything to the contrary in this Section 7.5 or elsewhere in this Agreement, neither Party shall be obligated to disclose or provide any of its Production Process Technology, including Biological Materials with respect thereto, to the other Party, any of such other Party's Affiliates or any Third Party except as may be required or permitted under a separate written agreement entered into by the Parties pursuant to Sections 1.2.4, 1.6, or 7.1.4.

7.5.6 Mice Materials. Notwithstanding anything to the contrary in this Section 7.5 or elsewhere in this Agreement, neither Medarex nor its Affiliates shall be obligated to provide, transfer, deliver or otherwise disclose any Mice-Related Technology, Mice Materials, including Biological Materials with respect thereto, or any Information and Inventions with respect thereto, to PharmAthene, any of PharmAthene's Affiliates or any Third Party except for the Antibodies (and Antibody Materials related thereto).

ARTICLE 8 - TERM AND TERMINATION

Section 8.1 Term. The term of this Agreement (the "Term") shall commence upon the Effective Date and shall continue in effect until the date which is two years subsequent to the first date upon which (a) there is no longer any (i) Collaboration Product being Exploited hereunder, or (ii) Unilateral Product being Exploited under a Unilateral Development and Commercialization Agreement, unless this Agreement is terminated at an earlier date in accordance with the terms and conditions set forth in this Article 8.

Section 8.2 Termination for Material Breach. Subject to the final sentence of this Section 8.2, any material failure by a Party to comply with any of its material obligations contained in this Agreement shall entitle the Party not in default to give to the Party in default written notice specifying the nature of the default, requiring the defaulting Party to make good or otherwise cure such default, and stating its intention if such default is not cured to convert a Collaboration Product to which the material breach applies to a Discontinued

Product pursuant to Section 5.1. If such default is not cured within thirty (30) days after the receipt of such notice (or, if such default cannot be cured within such thirty (30)-day period, if the Party in default does not commence actions to cure such default within such period and thereafter diligently continue such actions or if such default is not otherwise cured within one-hundred and eighty (180) days after the receipt of such notice), except in the case of a payment default, as to which the defaulting Party shall have only a thirty (30)-day cure period, the Party not in default shall be entitled, on written notice to the other Party, without prejudice to any of its other rights conferred on it by this Agreement, and in addition to any other remedies available to it by law or in equity, to convert such Collaboration Product to a Discontinued Product pursuant to Section 5.1, whereupon the defaulting Party shall be deemed the Opting-Out Party with respect to such Discontinued Product for all purposes hereunder and the notice provided under this provision shall be deemed equivalent to an Election Notice as provided in Section 5.1. Notwithstanding the foregoing, if the Party alleged to be in breach disputes such termination through the dispute resolution procedures set forth in this Agreement, then such right to terminate shall be tolled for so long as such dispute resolution procedures are being pursued by such Party in good faith and if it is finally and conclusively determined that such Party is in breach, then such Party shall have the right to cure such breach as provided above within sixty (60) days after such determination.

Section 8.3 Termination Upon Insolvency. Either Party may terminate this Agreement if, at any time, the other Party shall file in any court or agency pursuant to any statute or regulation of any state, country or jurisdiction, a petition in bankruptcy or insolvency or for the appointment of a receiver or trustee of that Party or of its assets, or if such other Party proposes a written agreement of composition or extension of its debts, or if such other Party shall be served with an involuntary petition against it, filed in any insolvency proceeding, and such petition shall not be dismissed within sixty (60) days after the filing thereof, in each of the foregoing cases only if such proceedings is for liquidation of such other Party.

Section 8.4 Rights in Bankruptcy. All rights and licenses granted under or pursuant to this Agreement by Medarex or PharmAthene are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101

of the United States Bankruptcy Code. The Parties agree that the Parties, as licensees of such rights under this Agreement, shall retain and may fully exercise all of their rights and elections under the United States Bankruptcy Code. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against a Party under the United States Bankruptcy Code, the Party hereto that is not a party to such proceeding shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, which, if not already in the non-subject Party's possession, shall be promptly delivered to it (a) upon any such commencement of a bankruptcy proceeding upon the non-subject Party's written request therefor, unless the Party subject to such proceeding continues to perform all of its obligations under this Agreement or (b) if not delivered under clause (a) above, following the rejection of this Agreement by or on behalf of the Party subject to such proceeding upon written request therefor by the non-subject Party. It is the understanding and intent of the Parties that this Agreement and the Unilateral Development and Commercialization Agreements represent one single transaction that, for the convenience of the Parties, was prepared in three separate but interrelated agreements, that the consideration for this Agreement and the Unilateral Development and Commercialization Agreements is indivisible, that the Parties would not have entered into any one of this Agreement or the Unilateral Development and Commercialization Agreements without also entering into the other agreements, and that, by their terms, each of this Agreement and the Unilateral Development and Commercialization Agreements depends on the continued effectiveness and enforceability of the other agreements. Accordingly, the Parties acknowledge and agree that this Agreement and the Unilateral Development and Commercialization Agreements may only be rejected as a group and that any rejection of one of the agreements necessarily entails the rejection of the other agreements.

Section 8.5 Cross Default. Any breach of this Agreement shall be deemed to be a breach of the Unilateral Development and Commercialization Agreements and vice-versa and any termination or rejection of this Agreement shall be deemed a termination or rejection of the Unilateral Development and Commercialization Agreements. The Unilateral Development and Commercialization Agreements shall automatically terminate upon the expiration or earlier termination of this Agreement.

Section 8.6 Consequences of Expiration or Termination.

8.6.1 Licenses. Upon expiration of the Term in accordance with Section 8.1 and payment of all amounts owed pursuant to Section 4.1, the licenses granted by Medarex to PharmAthene, and by PharmAthene to Medarex, hereunder shall terminate.

8.6.2 Return of Information and Materials. Upon expiration of this Agreement pursuant to Section 8.1 or upon termination of this Agreement in its entirety by either Party pursuant to this Article 8, each Party, at the request of the other Party, shall return, or at the election of such other Party, destroy, and thereafter provide such other Party written certification evidencing such destruction, all Biological Materials of such other Party (including, with respect to PharmAthene, any Mice Materials, Antibodies and Antibody Materials in its possession or control) and all data, files, records and other materials in its possession or control relating to such other Party's Technology (including, with respect to Medarex, Mice-Related Technology), or containing or comprising such other Party's Information and Inventions or other Confidential Information and, in each case, to which the returning Party does not retain rights hereunder (except one copy of which (other than Biological Materials) may be retained solely for archival purposes).

Section 8.7 Accrued Rights; Surviving Obligations.

8.7.1 Accrued Rights. Termination or expiration of this Agreement for any reason shall be without prejudice to any rights that shall have accrued to the benefit of a Party prior to such termination or expiration. Such termination or expiration shall not relieve a Party from obligations that are expressly indicated to survive the termination or expiration of this Agreement.

8.7.2 Survival. Articles 4 (with respect to obligations arising prior to expiration or termination of this Agreement), 6 and 9 (provided Section 9.1 shall survive for three (3) years after the expiration or termination of this Agreement), and Sections 1.2.2 (with respect to obligations arising prior to the expiration or termination of this Agreement), 2.3, 3.3.3, 3.3.5, 7.1 (but not the provisos in Section 7.1.5), 7.2, 7.5.3 (with respect only to the last sentence thereof), 7.5.4, 7.5.5, 7.5.6, 8.6, 10.4, 11.5 and 11.6 and Appendix A, Appendix B and Appendix G of this Agreement and this Section 8.7 shall survive expiration or termination of this Agreement for any reason.

ARTICLE 9 -
INSURANCE AND INDEMNIFICATION

Section 9.1 Insurance. Each Party shall have and maintain such types and amounts of liability insurance as is normal and customary in the industry generally for parties similarly situated, and shall upon request provide the other Party with a copy of its policies of insurance in that regard, along with any endorsements, schedules or riders thereto. Further, the Parties shall jointly purchase and maintain, with each Party bearing fifty percent (50%) of all premiums thereon, such types and amounts of product and other liability insurance as the Steering Committee designate from time to time.

Section 9.2 Indemnification of Medarex. Except as otherwise covered by any insurance policy purchased jointly by the Parties as described in Section 9.1, PharmAthene shall indemnify Medarex, its Affiliates and their respective directors, officers, employees and agents, and defend and save each of them harmless, from and against any and all losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) (collectively, "Losses") in connection with any and all Third-Party suits, investigations, claims or demands (collectively, "Third-Party Claims") arising from or occurring as a result of the negligence (except to the extent that such Loss is covered by one or more product liability insurance policies that were purchased jointly by the Parties) or willful misconduct on the part of PharmAthene or its Affiliates, licensees or sublicensees (other than Medarex and its Affiliates and any Third Parties to whom the Parties license rights with respect to a Collaboration Product pursuant to Section 5.2) in performing any activity contemplated by this Agreement, except for those Losses for which Medarex has an obligation to indemnify PharmAthene and its Affiliates pursuant to Section 9.3, as to which Losses each Party shall indemnify the other to the extent of their respective liability for the Losses.

Section 9.3 Indemnification of PharmAthene. Except as otherwise covered by any insurance policy purchased jointly by the Parties as described in Section 9.1.2, Medarex shall indemnify PharmAthene, its Affiliates and their respective directors, officers, employees and agents, and defend and save each of them harmless, from and against any and all Losses in connection with any and all

Third-Party Claims arising from or occurring as a result of the negligence (except to the extent that such Loss is covered by one or more product liability insurance policies that were purchased jointly by the Parties) or willful misconduct on the part of Medarex or its Affiliates, licensees or sublicensees (other than PharmAthene and its Affiliates and any Third Parties to whom the Parties license rights with respect to a Collaboration Product pursuant to Section 5.2) in performing any activity contemplated by this Agreement, except for those Losses for which PharmAthene has an obligation to indemnify Medarex and its Affiliates pursuant to Section 9.2, as to which Losses each Party shall indemnify the other to the extent of their respective liability for the Losses.

Section 9.4 Product Liability. Except as provided under Section 9.2 or Section 9.3, all Losses arising from or occurring as a result of any Third-Party Claim for product liability or personal injury that are not covered by one or more insurance policies that were purchased jointly by the Parties shall be borne equally by the Parties.

Section 9.5 Indemnification Procedure.

9.5.1 Notice of Claim. The indemnified Party shall give the indemnifying Party prompt written notice (an "Indemnification Claim Notice") of any Losses or discovery of fact upon which such indemnified Party intends to base a request for indemnification under Section 9.3 or Section 9.4, but in no event shall the indemnifying Party be liable for any Losses that result from any delay in providing such notice. Each Indemnification Claim Notice must contain a description of the claim and the nature and amount of such Loss (to the extent that the nature and amount of such Loss are known at such time). The indemnified Party shall furnish promptly to the indemnifying Party copies of all papers and official documents received in respect of any Losses. All indemnification claims in respect of a Party, its Affiliates or their respective directors, officers, employees and agents (collectively, the "Indemnitees" and each an "Indemnitee") shall be made solely by such Party to this Agreement (the "Indemnified Party").

9.5.2 Control of Defense. At its option, the indemnifying Party may assume the defense of any Third-Party Claim by giving written notice to the Indemnified Party within thirty (30) days after the indemnifying Party's receipt of an Indemnification Claim Notice. The assumption of the defense of a

Third-Party Claim by the indemnifying Party shall not be construed as an acknowledgment that the indemnifying Party is liable to indemnify any Indemnitee in respect of the Third-Party Claim, nor shall it constitute a waiver by the indemnifying Party of any defenses it may assert against any Indemnitee's claim for indemnification. Upon assuming the defense of a Third-Party Claim, the indemnifying Party may appoint as lead counsel in the defense of the Third-Party Claim any legal counsel selected by the indemnifying Party that is reasonably acceptable to the Indemnified Party. In the event the indemnifying Party assumes the defense of a Third-Party Claim, the Indemnified Party shall immediately deliver to the indemnifying Party all original notices and documents (including court papers) received by any Indemnitee in connection with the Third-Party Claim. Should the indemnifying Party assume the defense of a Third-Party Claim, the indemnifying Party shall not be liable to the Indemnified Party or any other Indemnitee for any legal expenses subsequently incurred by such Indemnified Party or other Indemnitee in connection with the analysis, defense or settlement of the Third-Party Claim. In the event that it is ultimately determined that the indemnifying Party is not obligated to indemnify, defend or hold harmless an Indemnitee from and against the Third-Party Claim, the Indemnified Party shall reimburse the indemnifying Party for any and all costs and expenses (including attorneys' fees and costs of suit) and any Losses incurred by the indemnifying Party in its defense of the Third-Party Claim with respect to such Indemnitee.

9.5.3 Right to Participate in Defense. Without limiting Section 9.5.2, any Indemnitee shall be entitled to (a) participate in, but not control, the defense of such Third-Party Claim and to engage counsel of its choice for such purpose; provided, however, that such engagement shall be at the Indemnitee's own expense unless the engagement thereof has been specifically authorized by the indemnifying Party in writing, and (b) control its defense of such Third-Party Claim and to engage counsel of its choice for such purpose, at the expense of the indemnifying Party, if (i) the indemnifying Party has failed to assume the defense and engage counsel in accordance with Section 9.5.2, (ii) the use of the counsel chosen by the indemnifying Party would present such counsel with a conflict of interest, (iii) the actual or potential defendants in, or targets of, such action include both the Indemnifying Party and the Indemnitee or the Indemnified Party, and the Indemnified Party reasonably

concludes that there may be legal defenses available to it or the Indemnitee that are different from or additional to those available to the indemnifying Party, (iv) the indemnifying Party denies or fails to timely admit its obligation to defend and indemnify the action, or (v) in the reasonable opinion of counsel to the Indemnified Party, the claim could result in the Indemnitee or the Indemnified Party becoming subject to injunctive relief or relief other than the payment of money damages that could have a materially adverse effect on the ongoing business of such Indemnitee of the Indemnified Party.

9.5.4 Settlement. With respect to any Losses relating solely to the payment of money damages in connection with a Third-Party Claim and that will not result in the Indemnitee becoming subject to injunctive or other relief or otherwise adversely affect the business of the Indemnitee in any manner, and as to which the indemnifying Party shall have acknowledged in writing the obligation to indemnify the Indemnitee hereunder, the indemnifying Party shall have the sole right to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Loss, on such terms as the indemnifying Party, in its sole discretion, shall deem appropriate. With respect to all other Losses in connection with Third-Party Claims, where the indemnifying Party has assumed the defense of the Third-Party Claim in accordance with Section 9.5.2, the indemnifying Party shall have authority to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Loss provided it obtains the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld or delayed). The indemnifying Party shall not be liable for any settlement or other disposition of a Loss by an Indemnitee that is reached without the written consent of the indemnifying Party. Regardless of whether the indemnifying Party chooses to defend or prosecute any Third-Party Claim, no Indemnitee shall admit any liability with respect to, or settle, compromise or discharge, any Third-Party Claim without the prior written consent of the indemnifying Party, not to be unreasonably withheld or delayed.

9.5.5 Cooperation. Regardless of whether the indemnifying Party chooses to defend or prosecute any Third-Party Claim, the Indemnified Party shall, and shall cause each other Indemnitee to, reasonably cooperate in the defense or prosecution thereof and shall furnish such records, information and

testimony, provide such witnesses and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested in connection therewith. Such cooperation shall include access during normal business hours afforded to the indemnifying Party to, and reasonable retention by the Indemnified Party of, records and information that are reasonably relevant to such Third-Party Claim, and making Indemnitees and other employees and agents available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder, and the indemnifying Party shall reimburse the Indemnified Party for all its reasonable out-of-pocket expenses in connection therewith.

9.5.6 Expenses. Except as provided above, the reasonable and verifiable costs and expenses, including fees and disbursements of counsel, incurred by the Indemnified Party in connection with any claim shall be reimbursed on a calendar quarter basis by the indemnifying Party, without prejudice to the indemnifying Party's right to contest the Indemnified Party's right to indemnification and subject to refund in the event the indemnifying Party is ultimately held not to be obligated to indemnify the Indemnified Party.

ARTICLE 10 - REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 10.1 Representations, Warranties and Covenants. Each Party hereby represents, warrants and covenants to the other Party as of the Effective Date as follows:

10.1.1 Corporate Authority. Such Party (a) has the power and authority and the legal right to enter into this Agreement and the Unilateral Development and Commercialization Agreements and to perform its obligations hereunder and thereunder, and (b) has taken all necessary action on its part required to authorize the execution and delivery of this Agreement and the Unilateral Development and Commercialization Agreements and the performance of its obligations hereunder and thereunder. This Agreement and the Unilateral Development and Commercialization Agreements have been duly executed and delivered on behalf of such Party and constitute legal, valid and binding obligations of such Party and are enforceable against it in accordance with their respective terms subject to the effects of bankruptcy, insolvency or other laws of general application affecting the enforcement of creditor rights and

judicial principles affecting the availability of specific performance and general principles of equity, whether enforceability is considered a proceeding at law or equity.

10.1.2 Litigation. Such Party is not aware of any pending or threatened litigation (and has not received any communication) that alleges that such Party's activities related to this Agreement or the Unilateral Development and Commercialization Agreements have violated, or that by conducting the activities as contemplated herein or therein such Party would violate, any of the intellectual property rights of any other party.

10.1.3 Consents, Approvals, etc. All necessary consents, approvals and authorizations of all Regulatory Authorities and other parties required to be obtained by such Party in connection with the execution and delivery of this Agreement and the Unilateral Development and Commercialization Agreements and the performance of its obligations hereunder and thereunder have been obtained.

10.1.4 Conflicts. The execution and delivery of this Agreement and the Unilateral Development and Commercialization Agreements and the performance of such Party's obligations hereunder and thereunder (a) do not conflict with or violate any requirement of Applicable Law or any provision of the articles of incorporation, bylaws or any similar instrument of such Party, as applicable, in any material way, and (b) do not conflict with, violate, or breach or constitute a default or require any consent under, any contractual obligation or court or administrative order by which such Party is bound.

10.1.5 Debarment. No such Party nor any of its Affiliates has been debarred or is subject to debarment and neither such Party nor any of its Affiliates will use in any capacity, in connection with the services to be performed under this Agreement or the Unilateral Development and Commercialization Agreements, any party who has been debarred pursuant to Section 306 of the Federal Food, Drug, and Cosmetic Act, as amended, or who is the subject of a conviction described in such section. Each Party will inform the other Party in writing immediately if it or any party who is performing services hereunder is debarred or is the subject of a conviction described in Section 306, or if any action, suit, claim, investigation or legal or administrative proceeding is pending or, to such Party's knowledge, is threatened, relating to the debarment or conviction of such Party or any party performing services hereunder or thereunder.

Section 10.2 Additional Representations and Warranties of Medarex. Medarex represents and warrants to PharmAthene that (i) Medarex is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey, has full corporate power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted and as it is contemplated to be conducted by this Agreement and the Unilateral Development Commercialization Agreements, and (ii) as of the Effective Date, Medarex has made available to PharmAthene upon the request of PharmAthene the material technical information and data with respect to the Lead Collaboration Antibody known to Medarex as of the Effective Date, including but not limited to the feasibility of producing such Lead Collaboration Antibody, the efficacy, safety, side effects and toxicity thereof, that the technical information and data provided to PharmAthene is to the best of Medarex's knowledge accurate in all material respects and that to the best of Medarex's knowledge Medarex has not withheld any information or data from PharmAthene that would make such technical information and data provided to PharmAthene misleading in any material respect.

Section 10.3 Additional Representations, Warranties and Covenant of PharmAthene.

10.3.1 PharmAthene represents and warrants to Medarex that PharmAthene is a corporation duly organized, validly existing and in good standing under the laws of Delaware, and has full corporate power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted and as it is contemplated to be conducted by this Agreement and the Unilateral Development and Commercialization Agreements. PharmAthene shall comply with all the applicable terms and conditions of the MRC Agreement and the Cross-License Agreement.

10.3.2 PharmAthene represents and warrants to Medarex that, except as set forth on Schedule 10.3.2, as of the Effective Date, neither PharmAthene nor its Affiliates has, directly or indirectly, expressly or by implication, by action or omission or otherwise (x) assigned, transferred, granted, conveyed or

otherwise encumbered any right, title or interest in or to any Patent, know-how or other intellectual property rights owned by, licensed to or otherwise controlled by PharmAthene or its Affiliates with respect to the Collaboration Target, or (y) agreed to or is otherwise bound by any covenant not to sue for any infringement, misuse or otherwise with respect to the foregoing intellectual property rights.

Section 10.4 DISCLAIMER OF WARRANTY. EXCEPT FOR THE EXPRESS WARRANTIES SET FORTH IN SECTIONS 10.1, 10.2 AND 10.3, PHARMATHENE AND MEDAREX MAKE NO REPRESENTATIONS AND GRANT NO WARRANTIES, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, BY STATUTE OR OTHERWISE, UNDER THIS AGREEMENT OR THE UNILATERAL DEVELOPMENT AND COMMERCIALIZATION AGREEMENTS, AND PHARMATHENE AND MEDAREX EACH SPECIFICALLY DISCLAIM ANY OTHER WARRANTIES, WHETHER WRITTEN OR ORAL, OR EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF QUALITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OR PURPOSE OR ANY WARRANTY AS TO THE VALIDITY OF ANY PATENTS OR THE NON-INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES UNDER THIS AGREEMENT OR THE UNILATERAL DEVELOPMENT AND COMMERCIALIZATION AGREEMENTS.

ARTICLE 11 - MISCELLANEOUS

Section 11.1 Force Majeure. Neither Party shall be held liable or responsible to the other Party or be deemed to have defaulted under or breached this Agreement for failure or delay in fulfilling or performing any term of this Agreement when such failure or delay is caused by or results from events beyond the reasonable control of the non-performing Party, including fires, floods, earthquakes, embargoes, shortages, epidemics, quarantines, war, acts of war (whether war be declared or not) or terrorism, insurrections, riots, civil commotion, strikes, lockouts or other labor disturbances, acts of God or acts, omissions or delays in acting by any governmental authority. The non-performing Party shall notify the other Party of such force majeure within ten (10) days

after such occurrence by giving written notice to the other Party stating the nature of the event, its anticipated duration, and any action being taken to avoid or minimize its effect. The suspension of performance shall be of no greater scope and no longer duration than is necessary and the non-performing Party shall use Commercially Reasonable Efforts to remedy its inability to perform; provided, however, that in the event the suspension of performance continues for one-hundred and eighty (180) days after the date of the occurrence, the Parties shall meet to discuss in good faith how to proceed in order to accomplish the goals of the Collaboration outlined in this Agreement.

Section 11.2 Subcontractors. Each Party shall have the right, subject to the prior written consent of the Steering Committee, such consent not to be unreasonably withheld or delayed, to subcontract any of its research, development, manufacture or commercialization activities to a Third Party, provided that it furnishes the other Party with advanced written notice thereof, which notice shall specify the work to be subcontracted, and obtains a written undertaking from the subcontractor that it shall be subject to the applicable terms and conditions of this Agreement, including the provisions of Article 6. If a Party wishes to subcontract any of its research, development, manufacturing or commercialization activities to a Third Party and the Steering Committee consents, the other Party may submit a bid to the subcontracting Party to perform such work. The subcontracting Party shall use Commercially Reasonable Efforts to enter into an agreement with the bidder that is best able to meet the Collaboration's requirements, taking into consideration such factors as price, quality, capacity, quantity, reliability and reputation, provided that such bidder is reasonably acceptable to the Steering Committee. Unless the Project Plan provides, or the Steering Committee agrees otherwise, PharmAthene shall be responsible for all the budgeted costs and expenses (in accordance with the applicable Project Budget) associated with the use of a subcontractor to conduct research, development, manufacture and commercialization activities, but, unless the Parties agree otherwise, the subcontracting Party shall remain solely liable for the performance of its research, development, manufacture or commercialization activities by its subcontractor; provided, however, that PharmAthene and Medarex each shall remain solely responsible for all costs and expenses associated with its use of subcontractor(s) with respect to the PharmAthene Activities and the Medarex Research Activities, respectively.

Section 11.3 Assignment. (a) Without the prior written consent of the other Party hereto, neither Party shall sell, transfer, assign, pledge or otherwise dispose of, whether voluntarily, involuntarily, by operation of law or otherwise, this Agreement; provided, however, that either Party hereto may (a) assign or transfer this Agreement or any of its rights or obligations hereunder without the consent of the other Party to any Affiliate of such Party; or (b) assign or transfer this Agreement to any Third Party with which it merges or consolidates, or to which it transfers all or substantially all of its assets; provided, however, that with respect to both (a) and (b), (i) the assigning Party (provided that it is not the surviving entity) shall remain jointly and severally liable with the relevant PharmAthene Affiliate, Medarex Affiliate or Third Party assignee under this Agreement, and (ii) the relevant PharmAthene Affiliate assignee, Medarex Affiliate assignee, Third Party assignee or surviving entity shall assume in writing all of the assigning Party's obligations under this Agreement that have been assigned pursuant to either (a) or (b). For purposes of clarification with respect to subsection (b) herein, a Third Party that merges or consolidates with a Party, or to which a Party transfers all or substantially all of its assets, shall not be deemed to grant the other Party to this Agreement any license to such Third Party's technology in existence as of the effective date of such merger, consolidation or transfer, unless such grant is made pursuant to a separate agreement, provided such Third Party shall maintain all licenses granted hereunder by such first Party with respect to its Technology (which for purposes of this Section 11.3 shall be deemed to include Collaboration Technology and Joint Technology) and any Information and Inventions with respect thereto. Any purported assignment or transfer in violation of this Section shall be void ab initio and of no force or effect.

(b) Neither Party shall assign any Technology licensed to the other Party without written acknowledgement by the assignee that such assigned Technology is subject to the rights and licenses granted to the other Party under this Agreement.

Section 11.4 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of either Party under this Agreement will not be materially and adversely affected thereby, (a) such provision shall be fully

severable, (b) this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom, and (d) in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and reasonably acceptable to the Parties. To the fullest extent permitted by applicable law, each Party hereby waives any provision of law that would render any provision of this Agreement illegal, invalid or unenforceable in any respect.

Section 11.5 Governing Law, Jurisdiction, Venue and Service.

11.5.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction.

11.5.2 Jurisdiction. Subject to Section 2.3, the Parties hereby irrevocably and unconditionally consent to the exclusive jurisdiction of the courts of the State of Delaware and the United States District Court of Delaware for any action, suit or proceeding (other than appeals therefrom) arising out of or relating to this Agreement, and agree not to commence any action, suit or proceeding (other than appeals therefrom) related thereto except in such courts.

11.5.3 Venue. The Parties further hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding (other than appeals therefrom) arising out of or relating to this Agreement in the courts of the State of Delaware or the United States District Court of Delaware, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

11.5.4 Service. Each Party hereto further agrees that service of any process, summons, notice or document by U.S. registered mail to its address set forth below shall be effective service of process for any action, suit or proceeding brought against it under this Agreement in any such court.

11.5.5 Patents and Trademarks. Notwithstanding the foregoing, any disputes regarding the validity, scope or enforceability of Patents or Trademarks shall be submitted to a court of competent jurisdiction in the territory in which such rights apply.

Section 11.6 Notices. All notices or other communications that are required or permitted hereunder shall be in writing and delivered personally, sent by facsimile (and promptly confirmed by personal delivery, registered or certified mail or overnight courier as provided herein), sent by nationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to PharmAthene, to:

PharmAthene, Inc.
175 Admiral Cochrane Drive
Suite 101
Annapolis, MD 21401
Attention: David P. Wright
Facsimile: (410) 571-8927

With a copy to:

Elliot M. Olstein
Carella, Byrne, Bain, Gilfillan, Cecchi, Stewart & Olstein
5 Becker Farm Road
Roseland, NJ 07068-1739
Facsimile: (973) 994-1744

If to Medarex, to:

Medarex, Inc.
707 State Road
Princeton, New Jersey 08540-1437
Attention: President
Facsimile: (609) 430-2850

with copies to:

Medarex, Inc.
707 State Road
Princeton, New Jersey 08540-1437
Attention: General Counsel
Facsimile: (609) 430-2850

Medarex, Inc.
707 State Road
Princeton, New Jersey 08540-1437
Attention: Contracts Administrator
Facsimile: (609) 430-2850

or to such other address as the Party to whom notice is to be given may have furnished to the other Party in writing in accordance herewith. Any such communication shall be deemed to have been received (a) when delivered, if personally delivered or sent by facsimile on a business day, (b) on the business day after dispatch, if sent by nationally-recognized overnight courier, and (c) on the third business day following the date of mailing, if sent by mail. It is understood and agreed that this Section 11.6 is not intended to govern the day-to-day business communications necessary between the Parties in performing their duties, in due course, under the terms of this Agreement.

Section 11.7 Entire Agreement; Modifications. This Agreement, together with the Schedules and the Appendices attached hereto (including the Unilateral Development and Commercialization Agreements), sets forth and constitutes the entire agreement and understanding between the Parties with respect to the subject matter hereof and all prior agreements, understanding, promises and representations, whether written or oral, with respect thereto are superseded hereby. Each Party confirms that it is not relying on any representations or warranties of the other Party except as specifically set forth herein. No amendment, modification, release or discharge shall be binding upon the Parties unless in writing and duly executed by authorized representatives of both Parties.

Section 11.8 Relationship of the Parties. It is expressly agreed that the Parties shall be independent contractors of one another and that the relationship between the Parties shall not constitute a partnership, joint venture or agency. Neither Party shall have the authority to make any

statements, representations or commitments of any kind, or to take any action, which shall be binding on the other, without the prior written consent of the other to do so. All persons employed by a Party shall be employees of such Party and not of the other Party and all costs and obligations incurred by reason of any such employment shall be for the account and expense of such Party.

Section 11.9 Equitable Relief. Each Party acknowledges and agrees that the restrictions set forth in Articles 6 and 7 of this Agreement are reasonable and necessary to protect the legitimate interests of the other Party and that such other Party would not have entered into this Agreement in the absence of such restrictions, and that any violation or threatened violation of any provision of Article 6 or 7 will result in irreparable injury to such other Party. Each Party also acknowledges and agrees that in the event of a violation or threatened violation of any provision of Article 6 or 7, the other Party shall be entitled to seek preliminary and permanent injunctive relief, without the necessity of proving irreparable seek injury or actual damages, as well as to seek an equitable accounting of all earnings, profits and other benefits arising from any such violation. The rights provided in the immediately preceding sentence shall be cumulative and in addition to any other rights or remedies that may be available to such other Party. Nothing in this Section 11.9 is intended, or should be construed, to limit such other Party's right to preliminary and permanent injunctive relief or any other remedy for a breach of any other provision of this Agreement.

Section 11.10 Waiver. Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the Party waiving such term or condition. The waiver by either Party hereto of any right hereunder or of the failure to perform or of a breach by the other Party shall not be deemed a waiver of any other right hereunder or of any other breach or failure by said other Party whether of a similar nature or otherwise.

Section 11.11 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 11.12 No Benefit to Third Parties. The representations, warranties, covenants and agreements set forth in this Agreement are for the sole benefit of the Parties hereto and their successors and permitted assigns, and they shall not be construed as conferring any rights on any other parties, other than MRC as provided in the last sentence of Section 10.3.1.

Section 11.13 Further Assurance. Each Party shall duly execute and deliver, or cause to be duly executed and delivered, such further instruments and do and cause to be done such further acts and things, including the filing of such assignments, agreements, documents and instruments, as may be necessary or as the other Party may reasonably request in connection with this Agreement or to carry out more effectively the provisions and purposes, or to better assure and confirm unto such other Party its rights and remedies under this Agreement.

Section 11.14 English Language. This Agreement has been written and executed in the English language. Any translation into any other language shall not be an official version thereof, and in the event of any conflict in interpretation between the English version and such translation, the English version shall control.

Section 11.15 References. Unless otherwise specified, (a) references in this Agreement to any Article, Section, Appendix, Schedule or Exhibit shall mean references to such Article, Section, Appendix, Schedule or Exhibit of this Agreement, (b) references in any section to any clause are references to such clause of such section, and (c) references to any agreement, instrument or other document in this Agreement refer to such agreement, instrument or other document as originally executed or, if subsequently varied, replaced or supplemented from time to time, as so varied, replaced or supplemented and in effect at the relevant time of reference thereto.

Section 11.16 Construction. Except where the context otherwise requires, wherever used, the singular shall include the plural, the plural the singular, the use of any gender shall be applicable to all genders and the word "or" is used in the inclusive sense (and/or). The captions of this Agreement are for convenience of reference only and in no way define, describe, extend or limit the scope or intent of this Agreement or the intent of any provision contained in this Agreement. The term "including" as used herein shall mean including, without limiting the generality of any description preceding such term.

The language of this Agreement shall be deemed to be the language mutually chosen by the Parties and no rule of strict construction shall be applied against either Party hereto.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

MEDAREX, INC.	PHARMATHENE, INC.
By: /s/Ronald A. Pepin, Ph.D.	By: /s/David P. Wright
Name: Ronald A. Pepin, Ph. D.	Name: David P. Wright
Title: Sr. VP, Business Development	Title: President & CEO

SCHEDULE 10.3.2
Encumbrances on Collaboration Targets

This Schedule to the COLLABORATION AGREEMENT ("Agreement") effective as of November 29, 2004, by and between PHARMATHENE, INC. ("PharmAthene") and MEDAREX, INC., on behalf of itself and its wholly owned subsidiary, GENPHARM INTERNATIONAL, INC., (collectively, "Medarex") sets forth any and all encumbrances on any right, title or interest in or to any Patent, know-how or other intellectual property rights owned by, licensed to or otherwise controlled by PharmAthene or its Affiliates with respect to the Collaboration Target listed on Appendix C. All capitalized terms used herein without definition shall have the meanings ascribed thereto in the Agreement, unless otherwise expressly provided herein.

The contents of this Schedule 10.3.2 are hereby incorporated into the Agreement and are governed by the terms and conditions of the Agreement, including the confidentiality provisions set forth therein.

None

APPENDIX A

Definitions

This Appendix to the COLLABORATION AGREEMENT ("Agreement") effective as of November 29, 2004, by and between PHARMATHENE, INC. ("PharmAthene") and MEDAREX, INC., on behalf of itself and its wholly owned subsidiary, GENPHARM INTERNATIONAL, INC., (collectively, "Medarex") provides agreed upon definitions applicable to the Parties for purposes of the Agreement. All capitalized terms used herein without definition shall have the meanings ascribed thereto in the Agreement, unless otherwise expressly provided herein.

The contents of this Appendix A are hereby incorporated into the Agreement and are governed by the terms and conditions of the Agreement, including the confidentiality provisions set forth therein.

"Affiliate" of a party shall mean any other party that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such first party. For purposes of this definition only, "control" and, with correlative meanings, the terms "controlled by" and "under common control with" shall mean (a) the possession, directly or indirectly, of the power to direct the management or policies of a party, whether through the ownership of voting securities or by contract relating to voting rights or corporate governance, or (b) the ownership, directly or indirectly, of more than fifty percent (50%) of the voting securities or other ownership interest of a party.

"Allocation Percentage" of a Party means such Party's share of Operating Profits with respect to commercialization of Collaboration Products and shall be determined by reference to Appendix G hereto.

"Antibody" shall mean any fully human antibody, or fragment thereof, with a unique amino acid sequence that has a therapeutically meaningful binding affinity for an Antigen. By way of clarification, Antibodies with different amino acid sequences shall be deemed to be different Antibodies, irrespective of whether they bind to the same Antigen. For the avoidance of doubt, any

Improvement to an Antibody, such as, by way of example, through affinity maturation or other similar techniques, shall continue to be an "Antibody" for purposes of this Agreement.

"Antibody-Based Product" shall mean any composition or formulation containing or comprising one or more (a) (i) antibodies, whether or not human, (ii) with respect to each such antibody, one or more fragments of such antibody containing a portion of such antibody that confers binding specificity for an Antigen, or (iii) any protein or other composition of matter that mimics such antibody or fragment, (b) cells expressing or secreting one or more such antibodies, fragments or mimetics or containing nucleotide sequences (whether coding or non-coding) with respect to the expression of such antibodies, fragments or mimetics, or (c) nucleotide sequences (whether coding or non-coding) with respect to the expression of one or more such antibodies, fragments or mimetics.

"Antibody Material" shall mean, with respect to a particular Antibody, (a) the nucleic acids (including DNA, RNA, and complementary and reverse complementary nucleic acids thereto, whether intact or a fragment) that code specifically for such Antibody (or active fragments thereof) and do not code for multiple Antibodies, or (b) a host cell (other than a host cell obtained directly from the HuMAb Mice, or parts of such mice) into which the nucleic acids described in (a) are introduced or are otherwise present, which cell is capable of expressing such Antibody.

"Antibody Product" shall mean any composition or formulation containing or comprising one or more (a) Antibodies, (b) cells expressing or secreting one or more Antibodies or containing nucleotide sequences (whether coding or non-coding) with respect to the expression of Antibodies, or (c) nucleotide sequences (whether coding or non-coding) with respect to the expression of one or more Antibodies (or a fragment of an entire Antibody containing that portion of such Antibody conferring binding specificity for an Antigen), for the diagnosis, prophylaxis or treatment of human diseases or conditions.

"Antigen" shall mean any protein (including any glyco- or lipo-protein), carbohydrate, compound or other composition, and any fragment, peptide or epitope thereof, that stimulates the production of antibodies.

"Applicable Law" shall mean the applicable laws, rules, and regulations, including any rules, regulations, guidelines, or other requirements of the Regulatory Authorities, that may be in effect from time to time in the Territory.

"Authorized Commercialization Expenses" shall mean the cost and expenses incurred by a Party as Commercialization Expenses under the Project Plan not to exceed one-hundred and ten percent (110%) of the amount authorized by the Project Budget for the applicable period for the Party.

"Authorized R&D Expenses" shall mean the cost and expenses incurred by a Party for performing research and development activities as set forth in the Project Plan which cost and expense shall not exceed one-hundred and ten percent (110%) of the amount authorized by the Project Budget for the applicable period for the Party.

"Biosite Agreement" shall mean that certain Collaboration Agreement, dated as of June 1, 2000, between Medarex and Biosite Diagnostics Incorporated, a Delaware corporation.

"BLA" or "Biologics License Application" shall mean a Biologics License Application, as defined in the U.S. Federal Food, Drug, and Cosmetics Act, as amended, and the regulations promulgated thereunder, and any corresponding supranational, foreign or domestic marketing authorization application, registration or certification, necessary or reasonably useful to market a Collaboration Product in the Territory, but not including pricing and reimbursement approvals.

"Collaboration Product" shall mean any Antibody Product that contains, expresses or secretes a Collaboration Antibody or any Improvement thereto or contains nucleotide sequences with respect to the expression of a Collaboration Antibody or any Improvement thereto.

"Collaboration Target" shall mean the Antigen listed on Appendix C, as such appendix may be amended pursuant to this Agreement.

"Collaboration Technology" shall mean any and all (a) Information and Inventions, conceived, discovered, developed or otherwise made, by or on behalf of a Party or its Affiliates or, to the extent permitted, its sublicensees (whether alone or jointly), in connection with the work conducted under or in connection with this Agreement (but not the Unilateral Development and Commercialization Agreements), whether or not patented or patentable, but

excluding any Antibody Materials, Collaboration Antibodies, Mice Materials, Mice-Related Technology or Production Process Technology (the "Collaboration Know-How"); and (b) Patents and other intellectual property rights with respect thereto (collectively, "Collaboration Patents"). The determination of whether Information and Inventions are conceived, discovered, developed or otherwise made by a Party for purposes of allocating proprietary rights (including Patent, copyright or other intellectual property rights) therein, shall be made in accordance with Section 7.1.8.

"Commercially Reasonable Efforts" shall mean, with respect to the research, development, manufacture or commercialization of a Collaboration Product, efforts and resources commonly used in the biotechnology industry for an antibody of similar commercial potential at a similar stage in its lifecycle, taking into consideration its safety and efficacy, its cost to develop, the competitiveness of alternative products, its proprietary position, the likelihood of regulatory approval, its profitability and all other relevant factors. Commercially Reasonable Efforts shall be determined on a market-by-market basis for each Collaboration Product, without regard to the particular circumstances of a Party, including any other product opportunities of such Party.

"Control" shall mean, with respect to any Information and Invention, Patent or other intellectual property right, possession of the right, whether directly or indirectly, and whether by ownership, license or otherwise, to assign, or grant a license, sublicense or other right to or under, such Information and Invention, Patent or right as provided for herein without violating the terms of any agreement or other arrangement with any Third Party.

"Corixa Agreement" shall mean that certain Asset Purchase Agreement, by and between Medarex and Corixa Corporation, dated as of May 24, 2002.

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

"Excluded Know-How" shall mean (a) with respect to Medarex, any and all Information and Inventions that Medarex or any of its Affiliates Control pursuant to the Biosite Agreement, the Kirin Agreement (subject to Section

1.2.6(d)), the Corixa Agreement or any other agreement with a Third Party that is entered into after the Effective Date, including the ultra potent toxin and linker technology that Medarex or any of its Affiliates Control pursuant to the Corixa Agreement (including any Improvements with respect thereto), and (b) with respect to PharmAthene any and all Information and Inventions that PharmAthene or its Affiliates Control pursuant to an agreement entered into after the Effective Date, but in each case excluding any Information and Inventions that are claimed or covered by the Excluded Patents.

"Excluded Patent" shall mean any Patent that Medarex or any of its Affiliates Control pursuant to the Biosite Agreement, the Kirin Agreement (subject to Section 1.2.6(d)), the Corixa Agreement or any other agreement with a Third Party that is entered into after the Effective Date, including any Patents claiming or covering the ultra potent toxin and linker technology that Medarex or any of its Affiliates Control pursuant to the Corixa Agreement (including any Improvements with respect thereto), and (b) with respect to PharmAthene any Patent that PharmAthene or any of its Affiliates Control pursuant to an Agreement entered into after the Effective Date.

"Exploit" or "Exploitation" shall mean to make, have made, import, use, sell, offer for sale, or otherwise dispose of, including all discovery, research, development, registration, modification, enhancement, improvement, manufacture, storage, formulation, exportation, transportation, distribution, promotion and marketing activities related thereto.

"FDA" shall mean the United States Food and Drug Administration and any successor agency thereto.

"GAAP" shall mean United States generally accepted accounting principles consistently applied.

"Government Award" shall mean a grant received by a Party from the U.S. federal government (or any subdivision thereof) for the purpose of researching, developing or manufacturing Collaboration Products.

"Government Contract" shall mean a contract, between the Selling Party and the U.S. federal government (or any subdivision thereof or any foreign Government) for the procurement of a specific quantity of one or more Collaboration Products at a set price over a specific time period for the

purposes of stocking (e.g. Strategic National Stockpile) and intended treatment and not for testing or otherwise evaluating the Collaboration Product for consideration as a potential treatment.

"HuMAb Mice" shall mean any immunizable transgenic mice containing unrearranged human immunoglobulin transgenes inserted into mouse chromosomes, but not containing any human chromosomes or fragments thereof, that are Controlled by Medarex or its Affiliates as of the Effective Date, but excluding any immunizable mice capable of producing human antibodies that are in-licensed or otherwise acquired by Medarex or its Affiliates after the Effective Date.

"Improvement" shall mean any modification to an antibody, compound, product or technology or any discovery, device, process or formulation related to such antibody, compound, product or technology, whether or not patented or patentable, including any enhancement in the efficiency, operation, manufacture, ingredients, preparation, presentation, formulation, means of delivery, packaging or dosage of an antibody, compound, product or technology, any discovery or development of any new or expanded indications or applications for an antibody, compound, product or technology, or any discovery or development that improves the stability, safety or efficacy of an antibody, compound, product or technology.

"IND" shall mean an investigational new drug application filed with the FDA for authorization to commence human clinical trials, and its equivalent in other countries or regulatory jurisdictions.

"Information and Inventions" shall mean all technical, scientific and other know-how and information, trade secrets, knowledge, technology, means, methods, processes, practices, formulas, instructions, skills, techniques, procedures, experiences, ideas, technical assistance, designs, drawings, assembly procedures, computer programs, apparatuses, specifications, data, results and other material, including high-throughput screening, gene expression, genomics, proteomics and other drug discovery and development technology, pre-clinical and clinical trial results (including Regulatory Documentation), manufacturing procedures, test procedures and purification and isolation techniques, (whether or not confidential, proprietary, patented or patentable) in written, electronic or any other form now known or hereafter developed, and all Improvements, whether to the foregoing or otherwise, and other discoveries, developments, inventions and other intellectual property (whether or not confidential, proprietary, patented or patentable).

"Kirin Agreement" shall mean that certain Collaboration and License Agreement between Kirin Brewery Co, Ltd. ("Kirin") and Medarex, effective as of September 4, 2002, as amended from time to time.

"Know-How" shall mean the Medarex Know-How, the PharmAthene Know-How and/or the Collaboration Know-How, as applicable.

"Lead Collaboration Antibody" shall have the meaning set forth in Section 1.2.4. For the avoidance of doubt, a Collaboration Antibody that has been designated the Lead Collaboration Antibody shall continue to be a Collaboration Antibody for purposes of this Agreement.

"Medarex Know-How" shall mean all Information and Inventions owned by or in the Control of Medarex or its Affiliates as of the Effective Date or at any time during the Term that are necessary or reasonably useful for the Exploitation of the Collaboration Products and the Unilateral Products or for the exercise of the Medarex Patents, in each case that are not generally known, but excluding (w) any Excluded Know-How, (x) any Collaboration Know-How and Joint Know-How, and (y) any Mice Materials, Mice-Related Know-How and Production Process Know-How. Subject to the foregoing exclusions, Medarex Know-How shall include all: (a) biological, chemical, pharmacological, toxicological, pharmaceutical, physical and analytical, clinical and safety data and information related to the Collaboration Targets, the Collaboration Products or the Unilateral Products, and (b) data and information with respect to, or resulting from, assays and biological methodologies necessary or reasonably useful for the Exploitation of Collaboration Products or the Unilateral Products. By way of clarification, PharmAthene shall not have any rights with respect to Excluded Know-How under this Agreement unless the Parties enter into a separate written agreement with respect thereto. For purposes of this definition, Medarex Know-How is not intended, and shall not be construed, to include any Information and Inventions that are licensed to Medarex and its Affiliates under Section 3.1.2 of this Agreement or under Section 2.1 of the applicable Unilateral Development and Commercialization Agreement.

"Medarex Patents" shall mean all of the Patents that Medarex or its Affiliates own or Control as of the Effective Date and at any time during the Term, that cover or claim any invention necessary or reasonably useful for the Exploitation of the Collaboration Products or the Unilateral Products, but excluding any Excluded Patents, any Collaboration Patents, any Joint Patents, any Mice-Related Patents and any Production Process Patents. By way of clarification, PharmAthene shall not have any rights with respect to any Excluded Patents under this Agreement unless the Parties enter into a separate written agreement with respect thereto. For purposes of this definition, Medarex Patents are not intended, and shall not be construed, to include any Patents that are licensed to Medarex and its Affiliates under Section 3.1.2 of this Agreement or under Section 2.1 of the applicable Unilateral Development and Commercialization Agreement.

"Medarex Technology" shall mean the Medarex Know-How and Medarex Patents.

"Mice Materials" shall mean the HuMAb Mice, any parts or derivatives of such mice, including hybridomas, cells, genetic material (including nucleotide sequences (e.g., DNA, RNA, and complementary and reverse complementary nucleotide sequences thereto, whether coding or non-coding) with respect to the expression of an Antibody or fragment thereof, and any replicates or modifications thereof or Improvements thereto (e.g., additions, deletions or substitutions of nucleotides therein)), Antibodies, Antibody Products or other biological materials derived directly or indirectly from the HuMAb Mice, but excluding any Collaboration Antibodies and Antibody Materials related thereto.

"Mice-Related Know-How" shall mean (a) any Information and Inventions with respect to any Mice Materials or other biological materials derived directly or indirectly from the HuMAb Mice, but excluding any Information and Inventions that relate solely to the Exploitation of Collaboration Products (as distinguished from the Exploitation of the Mice Materials), and (b) any Information and Inventions with respect to the HuMAb Mice or the Additional Mice, and the Exploitation thereof, but in each case excluding any Information and Inventions to the extent covered or claimed by the Mice-Related Patents.

"Mice-Related Patents" shall mean any Patents that claim or cover (a) Mice Materials or other biological materials derived directly or indirectly from the HuMAb Mice, and any Information and Inventions with respect to the foregoing,

but excluding any claims that relate solely to the Exploitation of Collaboration Products (as distinguished from the Exploitation of the Mice Materials), and (b) the HuMAb Mice or the Additional Mice, and the Exploitation thereof.

"Mice-Related Technology" shall mean the Mice-Related Know-How and the Mice-Related Patents.

"MRC Agreement" shall mean that certain License Agreement entered into by the Medical Research Council Institute of Animal Physiology and Genetics Research of Babraham Hall and Marianne Bruggemann and GenPharm International, Inc., effective October 1, 1993, as amended on August 12, 1994.

"Non-Selling Party" shall mean with respect to each country of the Territory the Party that is not the Selling Party.

"Patent(s)" shall mean (a) all patents and patent applications, (b) any substitutions, divisions, continuations, continuations-in-part, reissues, renewals, registrations, confirmations, re-examinations, extensions, supplementary protection certificates and the like, and any provisional applications, of any such patents or patent applications, and (c) any foreign or international equivalent of any of the foregoing.

"PharmAthene Know-How" shall mean all Information and Inventions owned by or in the Control of PharmAthene or its Affiliates as of the Effective Date or at any time during the Term that are necessary or reasonably useful for the Exploitation of the Collaboration Products and the Unilateral Products, including the discovery, identification or characterization of Collaboration Targets, or for the exercise of the PharmAthene Patents, in each case that are not generally known, but excluding (w) any Excluded Know-How, and (x) any Collaboration Know-How and Joint Know-How, (y) Patents and (z) any Production Process Know-How. Subject to the foregoing exclusions, PharmAthene Know-How shall include all: (a) biological, chemical, pharmacological, toxicological, pharmaceutical, physical and analytical, clinical and safety data and information related to the Collaboration Targets, the Collaboration Products or the Unilateral Products, and (b) data and information with respect to, or resulting from, assays and biological methodologies necessary or reasonably useful for the Exploitation o the Collaboration Targets, the Collaboration Products or the Unilateral Products. For purposes of this definition,

PharmAthene Know-How is not intended, and shall not be construed, to include any Information and Inventions that are licensed to PharmAthene and its Affiliates under Section 3.1.1 of this Agreement or under Section 2.1 of the applicable Unilateral Development and Commercialization Agreement.

"PharmAthene Patents" shall mean all of the Patents that PharmAthene and its Affiliates own or Control as of the Effective Date and at any time during the Term, that claim or cover any invention necessary or reasonably useful for the Exploitation of the Collaboration Products or the Unilateral Products, but excluding any Excluded Patents, Collaboration Patents, any Joint Patents and any Production Process Patents. For purposes of this definition, PharmAthene Patents are not intended, and shall not be construed, to include any Patents that are licensed to PharmAthene and its Affiliates under Section 3.1.1 of this Agreement or under Section 2.1 of the applicable Unilateral Development and Commercialization Agreement.

"PharmAthene Technology" shall mean the PharmAthene Know-How and PharmAthene Patents.

"Product Trademarks" shall mean the Trademarks developed for the Collaboration Products by the Steering Committee, all packaging designs and other trade dress used in connection with the Collaboration Products and such other Trademarks relating thereto and any registrations thereof or any pending applications relating thereto.

"Production Process Development" shall mean the development of processes and technology for the production, purification, evaluation, characterization, stability assessment, vialing and distribution, and release of a Collaboration Antibody or Collaboration Product.

"Production Process Know-How" shall mean any Information and Inventions of a Party with respect to the Production Process Development or the manufacture of Antibody Products.

"Production Process Patents" shall mean any Patents of a Party that claim or cover the Production Process Development or the manufacture of Antibody Products.

"Production Process Technology" shall mean any Production Process Know-How and Production Process Patents of a Party.

"Regulatory Approval" shall mean any and all approvals (including pricing and reimbursement approvals), licenses, registrations or authorizations of any Regulatory Authority, necessary for the Exploitation of a product in a country, including any (a) approval for a product (including any INDs, BLAs and supplements and amendments thereto); (b) pre- and post-approval marketing authorizations (including any prerequisite manufacturing approval or authorization related thereto); (c) labeling approval; and (d) technical, medical and scientific licenses.

"Regulatory Authority" shall mean any applicable government entities regulating or otherwise exercising authority with respect to the Exploitation of the Collaboration Products or Unilateral Products, as applicable, in the Territory.

"Regulatory Documentation" shall mean all applications, registrations, licenses, authorizations and approvals, all correspondence submitted to or received from Regulatory Authorities (including minutes and official contact reports relating to any communications with any Regulatory Authority), all supporting documents and all clinical studies and tests, relating to any product, and all data contained in any of the foregoing, including all regulatory drug lists, advertising and promotion documents, adverse event files and complaint files, but excluding any and all Regulatory Approvals with respect to such product.

"Selling Party" means, PharmAthene unless otherwise agreed to in writing by both Parties.

"Technology" shall mean, with respect to Medarex, the Medarex Technology and, with respect to PharmAthene, the PharmAthene Technology and, when used without reference to a specific Party, the Medarex Technology and the PharmAthene Technology.

"Territory" shall mean the entire world.

"Third Party" shall mean any party other than Medarex, PharmAthene or their respective Affiliates.

"Trademark" shall include any word, name, symbol, color, designation or device or any combination thereof, including any trademark, trade dress, service mark, service name, brand mark, trade name, brand name, logo or business symbol.

Terms Defined Elsewhere in this Agreement. The following terms are defined in the applicable Sections of this Agreement:

Defined Term	Section
Authorized Commercialization Expenses	Section 4.1.1
Authorized R&D Expenses	Section 4.1.2
Binding Sequence	Section 1.2.3(b)
Biological Materials	Section 7.5.3
Collaboration	Section 1.1
Collaboration Antibody	Section 1.2.3(a)
Collaboration Expenses	Section 4.5.1
Collective Opinion of Counsel	Section 7.4.1
Commercialization Expenses	Appendix B
Confidential Information	Section 6.1
Discontinued Product	Section 5.1.2(a)
Dormant Product	Section 5.3
Effective Date	Preamble
Election Notice	Section 5.1.2(a)
Expert	Section 2.3.4(a)
Indemnification Claim Notice	Section 9.5.1
Indemnified Party	Section 9.5.1
Indemnitee	Section 9.5.1
Infringement Suit	Section 7.4.2
Initial PharmAthene Contribution	Section 1.3.2
Joint Know-How	Unilateral Development and Commercialization Agreements
Joint Patents	Unilateral Development and Commercialization Agreements
Joint Technology	Unilateral Development and Commercialization Agreements
Lead Collaboration Antibody	Section 1.2.4
Losses	Section 9.2

Defined Term	Section
Medarex Research Activities	Section 1.2.2
Net Sales	Appendix B
Operating Profits, Operating Losses	Appendix B
Opt-Out	Section 5.1.1
Opt-Out Notice	Section 5.1.1
Opting-Out Party	Section 5.1.1
Other Operating (Income)/Expense	Appendix B
Party	Preamble
PharmAthene Activities	Section 1.2.2
Project Budget	Section 1.3
Project Plan	Section 1.3
Pursuing Party	Section 5.1.2(a)
Research and Commercialization Agreement	Section 3.3.2
Reversion Target	Section 1.7
Steering Committee	Section 2.1.1
Term	Section 8.1
Third-Party Claims	Section 9.2
Third-Party Payments	Appendix B
Unilateral Development and Commercialization Agreement	Section 5.1.2(a)
Unilateral Product	Unilateral Development and Commercialization Agreements
Withholding Taxes	Section 4.4

APPENDIX B

Financial Definitions

This Appendix to the COLLABORATION AGREEMENT ("Agreement") effective as of November 29, 2004, by and between PHARMATHENE, INC. ("PharmAthene") and MEDAREX, INC., on behalf of itself and its wholly owned subsidiary, GENPHARM INTERNATIONAL, INC., (collectively, "Medarex") provides agreed upon definitions of financial terms applicable to the Parties for purposes of the Agreement. All capitalized terms used herein without definition shall have the meanings ascribed thereto in the Agreement, unless otherwise expressly provided herein.

The contents of this Appendix B are hereby incorporated into the Agreement and are governed by the terms and conditions of the Agreement, including the confidentiality provisions set forth therein.

It is the intention of the Parties that the interpretation of these definitions will be in accordance with GAAP.

1. "Net Sales" shall mean, for any period, the gross amount invoiced by the Parties and their Affiliates and sublicensees for the sale of Collaboration Product(s) or Unilateral Product(s), as applicable, to Third Parties, less deductions for: (a) normal and customary trade, quantity and cash discounts and sales returns and allowances (other than allowances for doubtful accounts), including (i) those granted on account of price adjustments, billing errors, rejected goods, damaged goods, returns and rebates, (ii) administrative and other fees and reimbursements and similar payments directly related to the sale or delivery of Collaboration Product(s) or Unilateral Product(s), as applicable, paid to wholesalers and other distributors, buying groups, pharmacy benefit management organizations, health care insurance carriers and other institutions, (iii) allowances, rebates and fees directly related to the sale or delivery of Collaboration Product(s) or Unilateral Product(s), as applicable, paid to distributors and (iv) chargebacks; (b) freight, postage, shipping and insurance

costs to the extent that such items are included in the gross amount invoiced; (c) customs and excise duties and other duties related to the sales to the extent that such items are included in the gross amount invoiced; (d) rebates and similar payments made with respect to sales paid for or reimbursed by any governmental or regulatory authority such as, by way of illustration and not in limitation of the Parties' rights hereunder, Federal or state Medicaid, Medicare or similar state program or equivalent foreign governmental program; (e) sales and other taxes and duties (including withholding taxes established by individual country treaties not reimbursed or creditable) directly related to the sale or delivery of Collaboration Product(s) or Unilateral Product(s), as applicable, (but not including taxes assessed against the income derived from such sale); (f) distribution costs and expenses to the extent that such items are included in the gross amount invoiced; and (g) any such invoiced amounts that are not collected by the Parties or their Affiliates or sublicensees; provided, however, that an amount shall be deducted only once regardless of how many categories may apply to it. Any of the deductions listed above that involves a payment by a Party or its Affiliates or sublicensees shall be taken as a deduction in the calendar quarter in which the payment is accrued by such entity. Deductions pursuant to subsection (g) above shall be taken in the calendar quarter in which such sales are no longer recorded as a receivable. For purposes of determining Net Sales, the Collaboration Product(s) or Unilateral Product(s), as applicable, shall be deemed to be sold when invoiced and a "sale" shall not include transfers or dispositions for charitable, promotional, pre-clinical, clinical, regulatory or governmental purposes.

For purposes of calculating Net Sales of Collaboration Products, sales between or among the Parties or their Affiliates shall be excluded from the computation of Net Sales, but sales of Collaboration Products by a Party or its Affiliates (other than sales pursuant to a supply agreement entered into pursuant to Section 1.2.8 or 1.6) to sublicensees or Third Parties shall be included in the computation of Net Sales.

For purposes of the Unilateral Development and Commercialization Agreements, "Net Sales" shall be deemed to be Net Sales of Unilateral Products. For purposes of calculating Net Sales of Unilateral Products, sales between or among the Pursuing Party or its Affiliates or its sublicensees shall be excluded from the computation of Net Sales, but sales by the Pursuing Party or its

Affiliates or, subject to Section 3.2.3 of the applicable Unilateral Development and Commercialization Agreement, its sublicensees to Third Parties shall be included in the computation of Net Sales.

2. "Operating Profits" and, with correlative meaning, "Operating Losses", shall mean, with respect to a Collaboration Product, Net Sales of such Collaboration Product by a Party or its Affiliates (but excluding Net Sales by a Party's sublicensees) less (a) Authorized Commercialization Expenses (to the extent not already deducted from Net Sales) and (b) Other Operating (Income)/Expense with respect to such Collaboration Product, all for a given period.

3. "Commercialization Expenses" shall mean all Cost of Sales, Distribution Costs, Marketing Costs, Sales Costs, General and Administrative Costs (in each case, to the extent not deducted from Net Sales under Section 1 hereof) of the Parties and their Affiliates with respect to the applicable Collaboration Products approved by the Steering Committee in, and in accordance with, the applicable Project Budget.

3.1 "Cost of Sales" shall mean (a) the supply price with respect to, and any other direct costs and expenses of acquiring, including costs of transport, customs, clearance and storage of product (if necessary), freight, customs, duty, and insurance borne by the Parties (to the extent not included in such supply price) of a Collaboration Product, and (b) any Third-Party Payments with respect to the sale of such Collaboration Product, to the extent not included in such supply price or reimbursed by a Third Party.

3.1.1 "Third-Party Payments" shall mean intellectual property and technology acquisition and license payments (including royalties, license fees, milestone payments and other payment obligations) made to Third Parties with respect to a Collaboration Product during the Term pursuant to activities under this Agreement, only to the extent that such payment obligations are approved by the Steering Committee pursuant to Section 2.1.2(d) and/or Section 7.4.1. For purposes of clarity, any payments made pursuant to the MRC Agreement and/or the Kirin Agreement with respect to a Collaboration Product shall be Third-Party Payments.

3.2 "Distribution Costs" shall mean the direct costs and expenses specifically identifiable to the distribution of a Collaboration Product a Party including customer services, collection of data about sales to hospitals and other end users, order entry, billing, shipping, credit and collection and other such activities, but in any case, not including any costs or expenses which are reimbursed by any Third Party.

3.3 "Marketing Costs" shall mean, with respect to a Collaboration Product, the direct costs and expenses of marketing, promotion, advertising, promotional materials, professional education, product-related public relations, relationships with opinion leaders and professional societies, market research (before and after Regulatory Approval of a Collaboration Product), healthcare economics studies, post-marketing studies required to obtain, maintain or expand Regulatory Approvals of such Collaboration Product (to the extent not included in Authorized R&D Expenses) and other similar activities related to such Collaboration Product and approved by the Steering Committee. Such costs and expenses will include both internal costs (e.g., salaries, benefits, supplies and materials, etc.) and costs of outside services and expenses (e.g., consultants, agency fees, meeting costs, etc.). Marketing Costs shall also include costs and expenses directly related to obtaining reimbursement from payers and the cost of obtaining sales and marketing data (to the extent not included in the Distribution Costs). Notwithstanding anything to the contrary in the foregoing, Marketing Costs shall specifically exclude the cost and expense of activities that promote a Party's business as a whole without being specific to a Collaboration Product (e.g., corporate image advertising).

3.4 "Sales Costs" shall mean, with respect to a Collaboration Product, direct costs and expenses incurred by either Party or for its account and specifically identifiable to the sales efforts for such Collaboration Product in all markets in the Territory including the managed care market. Sales Costs shall include costs and expenses associated with sales representatives for a Collaboration Product, including the cost of compensation, benefits, travel, supervision, training, sales meetings, and other sales expenses for such sales

representatives. Notwithstanding anything to the contrary in the foregoing, Sales Costs shall exclude costs and expenses associated with the start-up of a Party's sales force, including recruiting, relocation and other similar costs and expenses.

3.5 "General and Administrative Costs" shall mean, with respect to a Collaboration Product, costs equal to ten percent (10%) of the sum of the Distribution Costs, Marketing Costs and Sales Costs related to such Collaboration Product in any country, of the Parties, in the aggregate, but only to the extent these costs are chargeable under the Agreement. Each Party shall have the right to charge General and Administrative Costs with respect to its Distribution Costs, Marketing Costs and Sales Costs chargeable under the Agreement. For the avoidance of doubt, neither Party shall charge the Collaboration for overhead with respect to the commercialization of a Collaboration Product other than General and Administrative Costs as provided above, except to the extent that such overhead charges are specifically set forth in the applicable Project Budget.

4. "Other Operating (Income)/Expense" shall mean (a) payments and other consideration received from Third Parties with respect to the commercialization of a Collaboration Product, including any license fees, milestone payments, royalties or other payments (including the fair market value of any consideration received) in connection with the license, sublicense, assignment or transfer of rights with respect to such Collaboration Product (to the extent not included in Net Sales but excluding any amounts received by Medarex in connection with royalties payable by the Parties under the MRC Agreement with respect to Collaboration Products), (b) any Third-Party Payments with respect to the sale of such Collaboration Product, to the extent not included in such supply price or reimbursed by a Third Party, and (c) any other operating income received from or expense owed to Third Parties in connection with an activity that is not part of the primary business activity of a Party under the Agreement but is considered and approved by the Parties as income or expense for purposes of the Agreement, which may include: (i) the cost and expense of prosecuting, maintaining and enforcing patent, trademark and other intellectual property rights and defending against claims of infringement; and (ii) product liability insurance to the extent the Parties obtain a joint policy pursuant to Section

9.1, and (c) other expenses indirectly associated with the commercialization of a Collaboration Product as approved by the Steering Committee in the applicable Project Budget.

APPENDIX C

Collaboration Target

This Appendix to the COLLABORATION AGREEMENT ("Agreement") effective as of November 29, 2004, by and between PHARMATHENE, INC. ("PharmAthene") and MEDAREX, INC., on behalf of itself and its wholly owned subsidiary, GENPHARM INTERNATIONAL, INC., (collectively, "Medarex") sets forth the Collaboration Target.

The contents of this Appendix C are hereby incorporated into the Agreement and are governed by the terms and conditions of the Agreement, including the confidentiality provisions set forth therein.

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***Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

APPENDIX D

Lead Collaboration Antibody

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***Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

APPENDIX E

Initial Project Plan

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***Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

APPENDIX F-1

Unilateral Development and Commercialization Agreement

[Pursuant to the terms of the Collaboration Agreement effective as of November 29, 2004 between PharmAthene, Inc. and Medarex, Inc., on behalf of itself and its wholly owned subsidiary GenPharm International, Inc., this document is not currently operative.]

APPENDIX F-2

Unilateral Development and Commercialization Agreement

[Pursuant to the terms of the Collaboration Agreement effective as of November 29, 2004 between PharmAthene, Inc. and Medarex, Inc., on behalf of itself and its wholly owned subsidiary GenPharm International, Inc., this document is not currently operative.]

APPENDIX G

Determination of Allocation Percentage

A. The initial Allocation Percentage of Medarex shall be 100% and the initial Allocation Percentage of PharmAthene shall be 0%. The sum of the Parties' Allocation Percentages shall at all times equal 100%, and any increase in one Party's Allocation Percentage shall be deemed a corresponding decrease in the other Party's Allocation Percentage in the same amount.

B. Pursuant to Section 1.3.2 of this Agreement, PharmAthene will make the Initial PharmAthene Contribution of Two Million Dollars (US $2,000,000) to Medarex within fifteen (15) days of Effective Date such Initial PharmAthene Contribution to be used by Medarex solely for purposes of funding activities specified in the initial Project Plan outlined in Appendix E. Upon Medarex's receipt of the Initial PharmAthene Contribution, PharmAthene's Allocation Percentage will be increased to 20%.

C. In order to maintain PharmAthene's Allocation Percentage at 20% following Medarex's receipt of the Initial PharmAthene Contribution, PharmAthene shall contribute to the Collaboration no less than the amount (dollar for dollar) received by Medarex from the U.S. Government as reimbursement of the costs incurred by the Collaboration in the performance of the activities outlined in the two Government Awards granted to Medarex by the National Institutes of Health/National Institute of Allergy and Infectious Disease (NIH/NIAID) (the " PharmAthene Government Grant Match Contribution"). Such PharmAthene Government Grant Match Contribution will due and payable to Medarex by PharmAthene upon receipt by PharmAthene of an invoice from Medarex detailing the funds received by Medarex from the U.S. Government as reimbursement for costs incurred in performance of the activities outlined in the Government Awards, and will be used to offset expenses incurred by the Collaboration that are not fully covered by the monies received as reimbursement from the Government Awards awarded to Medarex. The PharmAthene Government Grant Match Contribution shall not be included in the calculation of PharmAthene's Allocation Percentage for purposes of Paragraph D below.

D. PharmAthene's Allocation Percentage will increase by 10% for every $5,000,000 spent in the Collaboration after the Effective Date and in excess of the Initial PharmAthene Contribution and the PharmAthene Government Grant Match Contribution up to a maximum Allocation Percentage of: (i) fifty percent (50%) in the absence of a Government Contract and (ii) sixty percent (60%) if a Government Contract is secured. Any monies received by Medarex as a result of a Government Award which are based on the Government Awards awarded to Medarex as of the Effective Date shall not be included as money spent in the Collaboration by PharmAthene.

E. In the event that revenue is received in connection with a Government Contract that is awarded to the Selling Party prior to PharmAthene contributing an amount in excess of the sum of (i) the Initial PharmAthene Contribution and (ii) the amount of PharmAthene Government Grant Match Contribution (such sum, the "Milestone Trigger Amount"), then PharmAthene shall make a milestone payment in the amount of One Million Five Hundred Dollars ($1,500,000) to Medarex within fifteen (15) days after the receipt of revenue from such Government Contract; provided that if PharmAthene's contribution at the time that such revenue is received is between ninety percent (90%) and one hundred percent (100%) of the Milestone Trigger Amount, then in lieu of making such milestone payment, PharmAthene shall pay to Medarex the difference between (x) the Milestone Trigger Amount and (b) the amount contributed by PharmAthene at the time that such revenue is received (such difference, the "Make-Up Payment"). This milestone payment (or Make-Up Payment") shall not be considered for purposes of the calculation of PharmAthene's Allocation Percentage, and PharmAthene will not be reimbursed for such milestone payment (or Make-Up Payment) under Section 4.1.2 of the Agreement. In the event that PharmAthene has funded the activities of the Collaboration in an amount greater than the sum of (i) the Initial PharmAthene Contribution and (ii) the PharmAthene Government Grant Match Contribution, then no milestone payment or Make-Up Payment shall be owed to Medarex.

F. Upon compliance with the payment obligations set forth in Paragraph E above, PharmAthene's Allocation Percentage will be adjusted to 50%.

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT WITH RESPECT TO THE OMITTED PORTIONS. OMITTED PORTIONS ARE INDICATED BY [***]

RESEARCH AND LICENSE AGREEMENT

This Agreement ("AGREEMENT") is made and entered into August 8, 2006 (the "EFFECTIVE DATE") by and between Nektar Therapeutics AL, Corporation, having its principal place of business at 490 Discovery Drive, Huntsville, AL 35806 ("NEKTAR AL"); and PharmAthene, Inc. having its principal place of business at 175 Admiral Cochrane Drive, Suite 101, Annapolis, MD 21401 ("COMPANY"). NEKTAR AL and COMPANY may be referred to herein individually as a "PARTY" and collectively as the "PARTIES."

RECITALS

WHEREAS, COMPANY is in the business of developing, making, marketing and selling pharmaceutical products for the treatment of diseases;

WHEREAS, NEKTAR AL has proprietary technology useful for attaching poly(ethylene) glycol-based molecules to pharmaceutical compounds;

WHEREAS, COMPANY desires to obtain a license under certain of NEKTAR AL's intellectual property rights and proprietary technology to make, have made, use, sell, offer for sale and import the SELECTED PRODUCT (as defined herein) throughout the world, under the terms and conditions specified herein;

WHEREAS, NEKTAR AL is also engaged in the business of performing research in relation to REAGENTS and CONJUGATES (as defined herein) and manufacturing bulk quantities of REAGENTS used in the manufacture of pharmaceutical products;

WHEREAS, COMPANY desires NEKTAR AL to perform research in relation to REAGENTS and CONJUGATES, and NEKTAR AL agrees to undertake such research, all in accordance with and subject to the terms and conditions specified below; and

NOW, THEREFORE, in consideration of the foregoing and the covenants and promises contained in this AGREEMENT, the PARTIES agree as follows:

AGREEMENT

1. Definitions

1.1 "AFFILIATE" means, with respect to any person or entity, any other person or entity that directly or indirectly controls, is controlled by, or is under common control with, such person or entity. For purposes of this definition only, "control," "controlled by" and "under common control with" shall mean the possession of the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of voting stock or partnership interest, by contract or otherwise. In the case of a corporation, the direct or indirect ownership of fifty percent (50%) or more of its outstanding voting shares or the ability otherwise to elect a majority of the board of directors or other managing authority of the entity shall in any event be deemed to confer control, it being understood that the direct or indirect ownership of a lesser percentage of such shares shall not necessarily preclude the existence of control.

1.2 "BIODEFENSE SALES" means sales of SELECTED PRODUCT for the purpose of the treatment or prophylaxis of organophosphate poisoning by a nerve agent (i) to a government or agency thereof and/or (ii) to non-government entities that are required by a government or agency thereof to purchase SELECTED PRODUCT provided that the price paid by such non-government entities does not exceed ([***]%) (net of all discounts) of the price paid by the federal government in the country where such sale occurs.

1.3 "BLA" means a Biologics License Application filed with the FDA or any foreign equivalent filed with the regulatory authorities in a country or territory to obtain MARKETING AUTHORIZATION for SELECTED PRODUCT in such country or territory.

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*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

1.4 "CLAIMS" has the meaning set forth in Section 10.1.1.

1.5 "COMBINATION PRODUCT" means a product that contains one or more clinically active components that are not SELECTED PRODUCT in addition to the SELECTED PRODUCT.

1.6 "COMMERCIAL SALES" has the meaning set forth in Section 2.8.2.

1.7 "COMMERCIALLY REASONABLE EFFORTS" means, with respect to the research, development or commercialization of the SELECTED PRODUCT under this AGREEMENT, as the case may be, the efforts and resources typically used by pharmaceutical companies for an internally-developed product of similar commercial potential at a similar stage in its development or commercialization lifecycle, without regard to the particular circumstances of a PARTY, including any other product opportunities of such PARTY.

1.8 "COMPANY CORE TECHNOLOGY" means: (i) the composition of the THERAPEUTIC AGENT; (ii) methods of using the THERAPEUTIC AGENT; and/or (iii) methods of making the THERAPEUTIC AGENT but, in each case, specifically excluding PEGYLATION of any REAGENT (including SELECTED REAGENT) to or with the THERAPEUTIC AGENT.

1.9 "COMPANY CORE TECHNOLOGY INVENTIONS" has the meaning set forth in Section 11.5.

1.10 "COMPANY INDEMNITEE" has the meaning set forth in Section 10.1.1.

1.11 "COMPANY KNOW-HOW" means all KNOW-HOW CONTROLLED by COMPANY that is necessary or useful for NEKTAR AL in connection with NEKTAR AL's performance of its obligations under this AGREEMENT. COMPANY PATENT RIGHTS are excluded from the definition of COMPANY KNOW-HOW.

1.12 "COMPANY PATENT RIGHTS" means all PATENTS and PATENT APPLICATIONS CONTROLLED by COMPANY that are necessary for NEKTAR AL in connection with NEKTAR AL's performance of its obligations under this AGREEMENT.

1.13 "CONFIDENTIAL INFORMATION" has the meaning set forth in Section 7.1.

1.14 "CONJUGATE" has the meaning set forth in Section 3.3.

1.15 "CONTROL(LED)" means the ability to grant a license or sublicense as provided for herein without violating the terms of any agreement or other arrangement with any THIRD PARTY.

1.16 "DISCLOSING PARTY" means the PARTY disclosing CONFIDENTIAL INFORMATION to the other PARTY hereunder.

1.17 "DOLLAR(S)" means United States dollars.

1.18 "EMEA" means the European Medicines Agency, and any successor agency thereto, having the administrative authority to regulate the marketing of human pharmaceutical products, biological therapeutic products and delivery systems in the European Union.

1.19 "FDA" means the United States Food and Drug Administration, or any successor entity that may be established hereafter which has substantially the same authority or responsibility currently vested in the United States Food and Drug Administration.

1.20 "FIELD" means the treatment, prevention or diagnosis of human diseases, disorders or conditions (other than Hemophilia A).

1.21 "FIRST COMMERCIAL SALE" means, with respect to SELECTED PRODUCT, the first sale by COMPANY or its SUBLICENSEE to a THIRD PARTY following receipt of MARKETING AUTHORIZATION in the country of sale; provided, however, that SELECTED PRODUCT shipped by COMPANY or its SUBLICENSEE to a THIRD PARTY prior to receipt of MARKETING AUTHORIZATION therefor in a particular country where such SELECTED PRODUCT is intended for sale, shall be deemed for the purposes hereof a FIRST COMMERCIAL SALE to the extent such SELECTED PRODUCT is sold to a THIRD PARTY for sale in that country after such MARKETING AUTHORIZATION is obtained.

1.22 "INQUIRIES" has the meaning set forth in Section 8.3.

1.23 "INVENTIONS" means any and all ideas, concepts, methods, procedures, processes, improvements, inventions and discoveries, whether or not patentable, that are conceived or made after the EFFECTIVE DATE during and in the course of the performance of activities conducted under this AGREEMENT including the development or manufacture of SELECTED PRODUCT.

1.24 "JOINT INVENTION" has the meaning set forth in Section 11.3.

1.25 "JOINT PATENT APPLICATIONS" has the meaning set forth in Section 11.7.

1.26 "KNOW-HOW" means all technical, scientific and other know-how, data, materials, information, trade secrets, ideas, formulae, inventions, discoveries, processes, machines, manufactures, compositions of matter, improvements, protocols, techniques, works of authorship, and results of experimentation and testing (whether or not patentable) in written, electronic, oral or any other form.

1.27 "LAW(S)" means any local, state or federal rule, regulation, statute or law in the United States or any foreign country relevant to the activities undertaken pursuant to this AGREEMENT or applicable to either of the PARTIES with respect to any matters set forth herein.

1.28 "MANAGING COMMITTEE" means the committee described in Section 14.1.

1.29 "MARKETING AUTHORIZATION" means the requisite governmental approval for the marketing and sale of SELECTED PRODUCT in a given country.

1.30 "MSA" has the meaning set forth in Section 4.9.

1.31 "NEKTAR AL CORE TECHNOLOGY" means: (i) the composition of REAGENTS (including SELECTED REAGENT); (ii) methods of using REAGENTS (including SELECTED REAGENT) by themselves or in combination; (iii) methods of making, processing, analyzing or characterizing REAGENTS (including SELECTED REAGENT) or products (including SELECTED PRODUCT) incorporating REAGENT by means of covalent chemical bonding; (iv) methods of attaching one or more REAGENTS (including SELECTED REAGENT) to or associating one or more REAGENTS (including SELECTED REAGENT) with or to any therapeutic agent (including the THERAPEUTIC AGENT); (v) methods of directing or determining the point of attachment of one or more REAGENTS (including SELECTED REAGENT) to or associating one or more REAGENTS (including SELECTED REAGENT) with any therapeutic agent (including the THERAPEUTIC AGENT); (vi) the chemical structure of product (including the chemical structure of SELECTED PRODUCT) obtained by attaching or associating one or more REAGENTS (including by PEGYLATION and including SELECTED REAGENT) to or with any therapeutic agent (including the THERAPEUTIC AGENT) but for the avoidance of doubt, excluding the chemical structure and composition of THERAPEUTIC AGENT; and (vii) methods of making, formulating, combining, processing, using, analyzing or characterizing two (2) or more REAGENTS (including SELECTED REAGENT) in combination.

1.32 "NEKTAR AL CORE TECHNOLOGY INVENTIONS" has the meaning set forth in Section 11.4.

1.33 "NEKTAR AL INDEMNITEE" has the meaning set forth in Section 10.1.2.

1.34 "NEKTAR AL KNOW-HOW" means all KNOW-HOW that

(a) is owned in whole or in part by NEKTAR AL, or licensed to NEKTAR AL as of the EFFECTIVE DATE; or

(b) that becomes owned in whole or in part by NEKTAR AL during the TERM; or

(c) that is licensed to NEKTAR AL during the TERM with the right to grant a sublicense;

in each case that is necessary or useful for COMPANY to develop, make, have made, use, sell, offer for sale or import SELECTED PRODUCT pursuant to the license granted under Sections 2.1 and 3.2 of this AGREEMENT, but excluding KNOW-HOW for manufacture of SELECTED REAGENT and/or methods for delivery of SELECTED PRODUCT to a patient by a means other than injection.

1.35 "NEKTAR AL LICENSED TECHNOLOGY" means, collectively, the NEKTAR AL PATENT RIGHTS and NEKTAR AL KNOW-HOW.

1.36 "NEKTAR AL MATERIALS" has the meaning set forth in Section 3.3.

1.37 "NEKTAR AL PATENT RIGHTS" means all PATENTS and PATENT APPLICATIONS (a) that are owned in whole or in part by NEKTAR AL, or licensed to NEKTAR AL, as of the EFFECTIVE DATE, (b) that become owned in whole or in part by NEKTAR AL at any time during the TERM, or (c) that are licensed to NEKTAR AL after the EFFECTIVE DATE, with the right to grant a sublicense, in each of the foregoing cases ((a), (b) and (c)), to the extent that such PATENTS or PATENT APPLICATIONS are infringed (in the case of a pending patent application, would be infringed if granted) by making, having made, using, selling, offering to sell or importing SELECTED PRODUCT and/or the SELECTED REAGENT in accordance with the terms of the license granted under Section 2.1 or Section 3.2 of this AGREEMENT.

1.38 "NET SALES" means the amount invoiced (or in the absence of an invoice, received) by COMPANY, its AFFILIATES or SUBLICENSEES for the sale to THIRD PARTIES (including without limitation, distributors) of SELECTED PRODUCT less the following, to the extent included in the amount invoiced:

(i) trade, quantity and/or cash discounts, allowances or rebates, including promotional or similar discounts or rebates and discounts or rebates to governmental or managed care organizations, in each case to the extent reasonable and customary;

(ii) credits or allowances with respect to SELECTED PRODUCT by reason of rejection, defects, recalls or returns, or chargebacks;

(iii) an allowance for bad debt not to exceed ([***] percent ([***]%)) of NET SALES, provided such amounts are included in NET SALES if and when subsequently collected;

(iv) any tax, tariff, duty or government charge (including any sales, value added, excise or similar tax or government charge, but excluding any income tax) levied on the sale, transportation or delivery of any SELECTED PRODUCT; and

(v) any charges for freight, postage, shipping or transportation, or for insurance (if charged to the purchaser).

NET SALES shall be deemed to accrue upon the date of the invoice for SELECTED PRODUCT. In addition, NET SALES by COMPANY hereunder are subject to the following:

(a) In the case of pharmacy incentive programs, hospital performance incentive program charge backs, disease management programs, similar programs or discounts on "bundles" of products, all discounts and the like shall be allocated among products on the basis on which such discounts and the like were accrued, or if such basis cannot be determined, proportionately to the list prices of such products; and

(b) In the case of any sale or other disposal of SELECTED PRODUCT by COMPANY to an AFFILIATE, for resale, the NET SALES shall be calculated as above on the value charged or invoiced on the first arm's length sale to a THIRD PARTY.

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If the SELECTED PRODUCT is sold as part of a COMBINATION PRODUCT, then the NET SALES from the COMBINATION PRODUCT, for the purposes of determining royalty payments, shall be determined by multiplying the NET SALES of the COMBINATION PRODUCT (as determined using the standard NET SALES definition), during the applicable royalty reporting period, by the fraction, A/A+B, where A is the average unit net sales price of the SELECTED PRODUCT in the applicable country, where net sales is calculated in the same manner as NET SALES, when sold separately in finished form and B is the average unit net sales price in the same country (net sales being calculated in the same manner as NET SALES) of products that include only the therapeutically active ingredient other than the SELECTED PRODUCT that is included in the COMBINATION PRODUCT ("OTHER PRODUCTS") when such OTHER PRODUCTS are sold separately in finished form at the same dosage levels, in each case during the applicable royalty reporting period or, if sales of both the SELECTED PRODUCT, and the OTHER PRODUCT(S) did not occur in the same country in such period, then in the most recent royalty reporting period in which sales of both occurred. In the event that such average unit sale price cannot be determined for both the SELECTED PRODUCT and all such OTHER PRODUCT(S) included in the COMBINATION PRODUCT, NET SALES for the purposes of determining royalty payments shall be calculated by multiplying the NET SALES of the COMBINATION PRODUCT by the fraction of C/C+D where C is the fair market value of the SELECTED PRODUCT, and D is the fair market value of all OTHER PRODUCTS included in the COMBINATION PRODUCT, as agreed by the PARTIES as follows: COMPANY shall initially make a reasonable determination of such fair market values for purposes of its royalty reporting and payments and shall advise NEKTAR AL of its basis for such determination. NEKTAR AL shall have the right to review such COMPANY determination and supporting data with respect to fair market value, and to notify COMPANY if it disagrees with such determination. If NEKTAR AL does not agree with such determination and if the PARTIES are unable to agree in good faith as to such respective fair market values, then the determination of fair market value shall be determined by an independent THIRD PARTY.

NET SALES will be determined in accordance with GAAP consistently applied.

1.39 "NON-DISCLOSURE AGREEMENT" means that agreement entered into between the PARTIES on July 15, 2005 providing for confidential treatment of the PARTIES' information.

1.40 "PATENT" means: (i) any letters patent and utility models including any extension, substitution, registration, confirmation, reissue, supplemental protection certificate, re-examination or renewal thereof; and (ii) to the extent valid and enforceable rights are granted by a governmental authority thereunder, a PATENT APPLICATION (and in each case any foreign counterpart thereto).

1.41 "PATENT APPLICATION" means an application for letters patent, including a provisional application, converted provisional application, continuation application, a continued prosecution application, a continuation-in-part application, a divisional application, a re-examination application, and a reissue application (and in each case any foreign counterpart thereto).

1.42 "PEG" means poly(ethylene) glycol or a derivative thereof.

1.43 "PEGYLATION," with correlative meanings "PEGYLATED" or to "PEGYLATE", means covalent chemical bonding of any REAGENT (including SELECTED REAGENT and including covalent chemical bonding through linking groups) with or to another material or materials. Such materials include, without limitation, proteins, peptides, oligonucleotides, other biomolecules, small molecules, therapeutic agents (including THERAPEUTIC AGENT), diagnostic agents, imaging agents and detectable labels. Additional materials that may be PEGYLATED include without limitation, polymers, liposomes, films, chemical separation and purification surfaces, solid supports, metal/metal oxide surfaces and other surfaces such as, by way of example but not limitation, those on implanted devices, and equipment, where a REAGENT is covalently chemically bonded to one or more reactive molecules on the surface of such device or equipment. "PEGYLATION" shall include the synthesis, derivatization, characterization, and modification of PEG for

such purposes, together with the synthesis, derivatization, characterization, and modification of the raw materials and intermediates for the manufacture of REAGENTS (including SELECTED REAGENT) or products (including SELECTED PRODUCT) incorporating such REAGENT by means of covalent chemical bonding, and all methods of making and using each and all of the foregoing.

1.44 "PHASE I CLINICAL TRIAL" means a study in humans, conducted in accordance with 21 C.F.R. ss. 312.21(a), as amended from time to time or any successor regulation thereto, including, as applicable, the corresponding regulation in jurisdictions other than the United States.

1.45 "PHASE III CLINICAL TRIAL" means a study in humans, conducted in accordance with 21 C.F.R. ss. 312.21(c) as amended from time to time or any successor regulation thereto, including, as applicable, the corresponding regulation in jurisdictions other than the United States.

1.46 "PLAN" means the work plan attached hereto as Schedule I.

1.47 "PURCHASE PRICE" has the meaning set forth in Section 4.5.1.

1.48 "REAGENT" means a PEG derivative used in the manufacture of a pharmaceutical or diagnostic product or medical device.

1.49 "RECIPIENT" means the PARTY receiving CONFIDENTIAL INFORMATION hereunder.

1.50 "RESEARCH COMMITTEE" means the committee described in Section 14.2.

1.51 "RESEARCH PROGRAM" means the PARTIES' respective activities and responsibilities as set forth in the PLAN attached hereto as Schedule I and made a part hereof, and COMPANY's payment obligations in respect thereof.

1.52 "RESPONSIBLE PARTY" has the meaning set forth in Section 11.7.

1.53 "ROYALTY TERM" means, with respect to SELECTED PRODUCT in each country in the world, the period of time commencing on the date of the FIRST COMMERCIAL

SALE of the first SELECTED PRODUCT in such country and expiring for such a SELECTED PRODUCT in such country upon the later of: (a) [***] years after such FIRST COMMERCIAL SALE of such SELECTED PRODUCT; and (b) the expiration date of the last VALID CLAIM in such country that is infringed in such country by the manufacture, use, importation, sale or offer to sell SELECTED REAGENT or such SELECTED PRODUCT.

1.54 "SELECTED PRODUCT" means the chemical entity resulting from attachment of the THERAPEUTIC AGENT to the SELECTED REAGENT by means of PEGYLATION, as formulated, packaged and sold in finished form.

1.55 "SELECTED REAGENT" means the REAGENT that is selected by the RESEARCH COMMITTEE pursuant to the RESEARCH PROGRAM to be attached to the THERAPEUTIC AGENT by means of PEGYLATION.

1.56 "SOLE INVENTION" has the meaning set forth in Section 11.3.

1.57 "SPECIFICATIONS" has the meaning set forth in Section 4.7.

1.58 "SUBLICENSEE" means any person or entity, including AFFILIATES, to which COMPANY grants a sublicense (i) to research and/or develop SELECTED PRODUCT, or (ii) to make, have made, use, sell, have sold and/or import SELECTED PRODUCT.

1.59 "TERRITORY" means the world.

1.60 "TERM" has the meaning set forth in Section 13.1.

1.61 "THERAPEUTIC AGENT" means human recombinant butyrylcholinesterase (BChE) having the amino acid sequence shown in Schedule II or having an amino acid sequence with ([***]%) sequence identity to such human BChE sequence or a fragment of such a BChE and in each case which has activity of human recombinant butyrylcholinesterase (BChE).

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1.62 "THIRD PARTY" means any entity other than NEKTAR AL, COMPANY and their respective AFFILIATES.

1.63 "VALID CLAIM" means either: (a) a claim of an issued and unexpired PATENT covering the manufacture, use, import, sale or offer for sale of SELECTED REAGENT or SELECTED PRODUCT, which PATENT is owned or CONTROLLED by NEKTAR AL or jointly by the PARTIES and has not (i) expired or been canceled, (ii) been declared invalid by an unreversed and unappealable or unappealed decision of a court or other appropriate body of competent jurisdiction, (iii) been admitted to be invalid or unenforceable through reissue, disclaimer, or otherwise, or (iv) been abandoned; or (b) a claim filed and kept pending in good faith that is included in a PATENT APPLICATION, provided that such PATENT APPLICATION has not been pending for the longer of [***] years from the EFFECTIVE DATE or for more than [***] years from the earliest priority date to which the PATENT APPLICATION is entitled.

2. Licenses to NEKTAR AL LICENSED TECHNOLOGY and COMPANY Technology

2.1 License to COMPANY. Subject to the terms and conditions of this AGREEMENT and upon selection of the SELECTED REAGENT pursuant to Section 3.4, NEKTAR AL agrees to grant and hereby grants to COMPANY a worldwide, exclusive, royalty-bearing license, with the right to grant sublicenses as provided in Section 2.2, in the NEKTAR AL LICENSED TECHNOLOGY solely to use SELECTED REAGENT for and to research, develop, make, have made, import, use, offer for sale and sell SELECTED PRODUCT in the FIELD and in the TERRITORY. Except as may be provided in the MSA, no license is granted to make or have made SELECTED REAGENT.

2.2 Terms of Sublicense. Subject to Section 3.4, COMPANY shall have the right to grant sublicenses under the rights and licenses granted to COMPANY under this Agreement subject to the terms of this Agreement; provided, however, COMPANY

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shall neither grant a sublicense to nor exercise COMPANY's rights under Section 2.1 to have made SELECTED PRODUCT by an AFFILIATE or THIRD PARTY in either case when such AFFILIATE or THIRD PARTY, at the time of the proposed grant of a sublicense or exercise of COMPANY's rights under Section 2.1 to have made SELECTED PRODUCT, is engaged in the business of manufacturing REAGENTS or attaching REAGENTS to pharmaceutical or biotechnology products, without NEKTAR AL's prior written consent, provided however that no such consent shall be required with respect to a CMO listed on Schedule III. Notwithstanding the foregoing, NEKTAR AL's prior written consent shall no longer be required after (i) first dosing in a phase III clinical study of the SELECTED PRODUCT in primate animals for BIODEFENSE SALES or (ii) first dosing in a human in a PHASE III CLINICAL TRIAL of the SELECTED PRODUCT in the FIELD. The sublicense shall be consistent with the terms and conditions of this AGREEMENT. COMPANY's grant of any sublicense shall not relieve COMPANY from any of its obligations (including without limitation financial obligations) or liability under this AGREEMENT. Without limiting the foregoing, COMPANY shall require that each SUBLICENSEE comply with the provisions of Sections 2.4, 2.7, 2.8, 6.1, 6.2, 8.3, 8.4, 9.5, 17.9 and 17.12 and Articles 7, 10, 11, and 12 of this AGREEMENT; provided, however, that to the extent that the U.S. government or agency thereof is a SUBLICENSEE, COMPANY shall not be required to include in a sublicense agreement provisions to comply with Section 2.7.1, and/or Articles 10, 11 or 12 of this AGREEMENT. Notwithstanding the foregoing or anything to the contrary herein, if COMPANY is unwilling or unable to enforce any SUBLICENSEE's (including without limitation the U.S. government or agency thereof) compliance with any of the foregoing Sections or Articles, then NEKTAR AL shall have the right to terminate this AGREEMENT under Section 13.2.

2.3 NEKTAR AL Research Rights and Limitations. Notwithstanding anything to the contrary in this AGREEMENT and without limiting any other retained rights, the license granted under Section 2.1 shall be subject to the retained right of NEKTAR AL and its AFFILIATES: (i) to practice the NEKTAR AL LICENSED TECHNOLOGY for the conduct of research and development of products that it is developing either itself or with others that are not SELECTED PRODUCTS, and in connection

with the sale of REAGENTS through NEKTAR AL's catalog for research purposes; (ii) to develop, make, have made, use, sell, offer for sale, import and license products other than SELECTED PRODUCT, including products containing SELECTED REAGENT that are not SELECTED PRODUCTS; and (iii) to practice the NEKTAR AL LICENSED TECHNOLOGY solely to the extent necessary or useful to perform its obligations under this AGREEMENT.

2.4 No Implied Rights or Licenses. Neither PARTY grants to the other PARTY any rights or licenses, including without limitation to any PATENTS, PATENT APPLICATIONS, KNOW -HOW or other intellectual property rights, whether by implication, estoppel or otherwise, except to the extent expressly provided for under this AGREEMENT. Other than as expressly provided for or licensed herein or in the MSA, COMPANY is not authorized or licensed to develop, make, have made, use, sell, offer for sale or import NEKTAR AL MATERIALS or SELECTED REAGENT. Except as expressly permitted by or licensed under this AGREEMENT or the MSA, COMPANY may not copy, distribute, reverse engineer (except for quality control) (by way of example but not limitation, by performing tests such as HPLC, gas chromatography or x-ray crystallography), sell, lease, license or otherwise transfer, modify, adapt or create derivatives of any NEKTAR AL MATERIALS or SELECTED REAGENT.

2.5 License to NEKTAR AL. COMPANY hereby grants to NEKTAR AL a non-exclusive, worldwide, royalty-free license, with the right to grant and authorize the grant of sublicenses under the COMPANY KNOW-HOW owned by the COMPANY and COMPANY PATENT RIGHTS owned by the COMPANY only to the extent useful or necessary for NEKTAR AL to fulfill its obligations under this AGREEMENT.

2.6 Use of Therapeutic Agent. COMPANY hereby acknowledges and agrees that COMPANY has the right to transfer to NEKTAR AL the THERAPEUTIC AGENT that COMPANY will transfer to NEKTAR AL for performing work pursuant to the RESEARCH PROGRAM and that NEKTAR AL has the right to use the THERAPEUTIC AGENT for performing work pursuant to the RESEARCH PROGRAM. NEKTAR AL acknowledges and

agrees that COMPANY shall retain all right, title and interest in and to such transferred THERAPEUTIC AGENT and that NEKTAR AL will not use or transfer such THERAPEUTIC AGENT to a THIRD PARTY except for use in connection with the RESEARCH PROGRAM.

2.7 Covenants.

2.7.1 COMPANY covenants and agrees that neither it nor COMPANY's AFFILIATES will use the SELECTED REAGENT or the PEGYLATION process transferred by NEKTAR AL to COMPANY with respect to producing SELECTED PRODUCT or any CONFIDENTIAL INFORMATION of NEKTAR AL provided by NEKTAR AL to COMPANY for any purpose other than for research, development, making, having made, selling, offering for sale and/or importing SELECTED PRODUCT in accordance with the licenses granted under this AGREEMENT. A breach of this covenant that results in material harm to NEKTAR AL shall be a material breach of this AGREEMENT. COMPANY covenants and agrees to cease any non-permitted use and to take all necessary actions to assign to NEKTAR AL any inventions made through use of CONFIDENTIAL INFORMATION of NEKTAR AL outside the scope of the license rights granted hereunder.

2.7.2 Other than for the purposes of obtaining MARKETING AUTHORIZATION of SELECTED PRODUCT, and except as may be permitted by the MSA COMPANY agrees not to disclose to any foreign government or agency thereof any of the CONFIDENTIAL INFORMATION of NEKTAR AL that is provided to COMPANY pursuant to this AGREEMENT. Except as permitted by the MSA and/or except as permitted pursuant to NEKTAR AL's prior written consent, COMPANY shall not enter into an agreement with a foreign government or agency thereof that requires NEKTAR AL to disclose to a foreign government or agency thereof CONFIDENTIAL INFORMATION with respect to SELECTED REAGENT.

2.8 Diligence.

2.8.1 COMPANY shall use COMMERCIALLY REASONABLE EFFORTS (a) to perform any other activities or undertakings assigned to it under the PLAN in accordance with this AGREEMENT, (b) to develop and obtain BLA approval for SELECTED PRODUCT for BIODEFENSE SALES in accordance with the outline of Schedule IV, and (c) to market, promote, distribute and sell SELECTED PRODUCT for BIODEFENSE SALES in each country in the TERRITORY within [***] months after receiving the approval of the BLA for such SELECTED PRODUCT in such country. The remedy for the failure to meet such obligation will be handled according to Section 13.2; except that with respect to Section 2.8.1 (c), such remedy shall apply only to the applicable country; however, if the failure is primarily due to a suspension of government funding of development of SELECTED PRODUCT or the government or government agency causing a delay or suspension of such development work, and in each case provided that COMPANY has not caused such suspension or delay (a "GOVERNMENT DELAY"), there shall be no breach and the obligation shall be suspended until the GOVERNMENT DELAY is terminated unless the GOVERNMENT DELAY exceeds [***] consecutive months, in which case NEKTAR AL, by written notice to COMPANY, may convert the exclusive license granted under this AGREEMENT with respect to BIODEFENSE SALES to a non-exclusive license with respect to BIODEFENSE SALES. In addition to (and without limiting) the foregoing general diligence obligation, COMPANY shall meet the following objectives by the following dates (each, a "DEVELOPMENT DATE"):

First dosing of the first patient in a PHASE I CLINICAL TRIAL with respect to SELECTED PRODUCT for BIODEFENSE SALES by [***]; and

Submission of the first BLA for SELECTED PRODUCT with respect to SELECTED PRODUCT for BIODEFENSE SALES by [***].

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In the event that COMPANY has not successfully achieved a DEVELOPMENT DATE, NEKTAR AL may terminate this AGREEMENT in accordance with Section 13.2, except in the case of a GOVERNMENTAL DELAY, in which case the applicable DEVELOPMENT DATES shall be extended by the aggregate period of GOVERNMENT DELAY. Without limiting the foregoing, if COMPANY's inability to achieve a DEVELOPMENT DATE is due to (a) an event of Force Majeure, or (b) any material breach of this AGREEMENT by NEKTAR AL, or (c) any regulatory delays, in each case that materially and adversely affects COMPANY's ability to meet the relevant deadline, then the applicable DEVELOPMENT DATE shall be extended by a period of time equivalent to the length of such delay; provided, however, that in no event shall a DEVELOPMENT DATE be extended more than (i) [***] years, in any one instance, or (ii) [***] years, in the aggregate, during TERM.

2.8.2 COMPANY shall use COMMERCIALLY REASONABLE EFFORTS to (a) develop and obtain BLA approval for SELECTED PRODUCT for sales other than BIODEFENSE SALES (such other sales being "COMMERCIAL SALES"), and (b) market, promote, distribute and sell SELECTED PRODUCT for COMMERCIAL SALES in each country in the TERRITORY within [***] months after receiving the approval of the BLA for such SELECTED PRODUCT in such country. The sole and exclusive remedy for the breach of either such obligation is termination of the license granted under this AGREEMENT with respect to SELECTED PRODUCT for COMMERCIAL SALES by written notice from NEKTAR AL to COMPANY, except that with respect to Section 2.8.2(b), such remedy shall apply only to the applicable country. In addition to (and without limiting) the foregoing general diligence obligation, COMPANY shall meet the following objectives by the following dates (each, a "COMMERCIAL DEVELOPMENT DATE"):

First dosing of the first patient in a PHASE I CLINICAL TRIAL with respect to SELECTED PRODUCT for COMMERCIAL SALES by [***]; and

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Submission of the first BLA for SELECTED PRODUCT with respect to SELECTED PRODUCT for COMMERCIAL SALES by [***].

In the event that COMPANY has not successfully achieved a COMMERCIAL DEVELOPMENT DATE, as the sole and exclusive remedy, NEKTAR AL may terminate the license granted under this AGREEMENT with respect to SELECTED PRODUCT for COMMERCIAL SALES by written notice to COMPANY. Without limiting the foregoing, if COMPANY's inability to achieve a COMMERCIAL DEVELOPMENT DATE is due to (a) an event of Force Majeure, or (b) any material breach of this AGREEMENT by NEKTAR AL, or (c) any regulatory delays, in each case that materially and adversely affects COMPANY's ability to meet the relevant deadline, then the applicable DEVELOPMENT DATE shall be extended by a period of time equivalent to the length of such delay; provided, however, that in no event shall a COMMERCIAL DEVELOPMENT DATE be extended more than (i) [***] years, in any one instance, or (ii) [***] years, in the aggregate, during TERM.

3. RESEARCH PROGRAM

3.1 PLAN. NEKTAR AL and COMPANY shall use COMMERCIALLY REASONABLE EFFORTS to collaborate and cooperate in researching and developing the SELECTED PRODUCT as specified in the PLAN for the RESEARCH PROGRAM that is attached hereto as Schedule I and made a part hereof. In consideration of NEKTAR AL's performance under the PLAN, COMPANY shall make the payments to NEKTAR AL as provided in Schedule I.

3.2 Research Licenses. In addition to the licenses granted under Section 2.1, NEKTAR AL hereby grants to COMPANY a non-assignable, non-exclusive, royalty-free, sublicensable (but only to the parties listed in Schedule III) license under PATENTS, PATENT APPLICATIONS and KNOW HOW owned by NEKTAR AL for the sole purpose of performing COMPANY's activities under the PLAN. For clarity,

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other than the THIRD PARTIES listed in Schedule III, COMPANY shall not have the right to use any THIRD PARTY in connection with the performance of its activities under the PLAN, except with the prior written consent of NEKTAR AL which consent may be withheld at NEKTAR AL's sole discretion.

3.3 NEKTAR AL Materials. Any samples of REAGENTS or chemical entities that are the product of the covalent chemical attachment of a REAGENT to a therapeutic agent (including the THERAPEUTIC AGENT) ("CONJUGATES") that are provided by NEKTAR AL to COMPANY in the course of the PLAN (collectively, the "NEKTAR AL MATERIALS") are owned exclusively by NEKTAR AL and provided solely for the performance of the PLAN and for no other purpose. Without limitation, except as authorized by the licenses of Section 2.1 and Section 3.2, COMPANY will not use any such NEKTAR AL MATERIALS (i) in any research or other activities except for the PLAN, (ii) or any derivative products thereof in humans, or (iii) for any commercial purpose. COMPANY understands and agrees that the NEKTAR AL MATERIALS may have unpredictable and unknown biological and/or chemical properties, and that they are to be handled and used with caution. COMPANY will handle and use the NEKTAR AL MATERIALS and conduct its activities under the PLAN in compliance with LAWS and the terms of this AGREEMENT. COMPANY will maintain reasonable security measures, no less strict than it maintains to protect its own valuable tangible property against loss, theft or destruction. Except as permitted in accordance with Schedule III or expressly authorized in or licensed under this AGREEMENT, COMPANY will not sell, transfer, disclose or otherwise provide access to any NEKTAR AL MATERIALS to any THIRD PARTY, without the prior written consent of NEKTAR AL.

3.4 Selection of SELECTED REAGENT; Technology Transfer and Assistance.

3.4.1 The RESEARCH COMMITTEE shall select the SELECTED REAGENT(S) and, following such selection, NEKTAR AL shall (i) transfer to COMPANY and/or a THIRD PARTY designated by COMPANY and approved by NEKTAR AL, all of the NEKTAR AL KNOW-HOW necessary for enabling COMPANY and/or such THIRD PARTY to attach the SELECTED REAGENT to the THERAPEUTIC AGENT by means of PEGYLATION, which shall

include a description of the synthetic and analytical methods for the SELECTED PRODUCT and (ii) reasonably assist in the technical transfer of such NEKTAR AL KNOW-HOW, including such synthetic and analytical methods at the laboratory scale used in the RESEARCH PROGRAM. The CMO's listed in Schedule III and permitted SUBLICENSEES are hereby approved by NEKTAR AL, as a THIRD PARTY who can be designated by COMPANY for such transfer. After dosing of a first primate in a phase III clinical trial with respect to a SELECTED PRODUCT for BIODEFENSE SALES or first dosing of a human patient in a PHASE III CLINICAL TRIAL of the SELECTED PRODUCT in the FIELD, the approval of NEKTAR AL shall not be required for such transfer to any THIRD PARTY whether or not such THIRD PARTY is on Schedule III.

3.4.2 If, following NEKTAR AL's receipt of COMPANY's notice to proceed with the use of a SELECTED REAGENT in accordance with Section 12.1.5, NEKTAR AL reasonably believes that the use of such SELECTED REAGENT for the SELECTED PRODUCT may pose a risk of infringement or misappropriation of THIRD PARTY intellectual property rights that have been identified by either PARTY, within thirty (30) days after such notice from COMPANY, NEKTAR AL shall notify COMPANY and identify such intellectual property rights to COMPANY. In such case, COMPANY shall have the right to cause NEKTAR AL to proceed with such SELECTED REAGENT for the SELECTED PRODUCT if, and only if, (x) COMPANY assumes sole and exclusive responsibility for making any and all payments to any and all THIRD PARTIES arising out of the manufacture, use, sale offer for sale or import of such SELECTED REAGENT used in SELECTED PRODUCT, and (y) in accordance with Section 10.1.2, COMPANY assumes sole and exclusive responsibility for indemnifying any and all NEKTAR AL INDEMNITEES against any CLAIMS based on infringement or misappropriation of such identified THIRD PARTY intellectual property arising from the use, manufacture, sell, offer for sale, or import of such SELECTED REAGENT or SELECTED PRODUCT, and (z) NEKTAR AL's royalties are not reduced as a result thereof.

3.4.3 NEKTAR AL shall provide COMPANY and/or a THIRD PARTY designated by COMPANY (subject to the limitations of Sections 2.2 and 3.4) with the technical

assistance reasonably requested by COMPANY and agreed in writing by NEKTAR AL in order to manufacture and produce SELECTED PRODUCT from SELECTED REAGENT for research, development, clinical trials and commercialization of SELECTED PRODUCT. COMPANY shall pay NEKTAR AL for such technical assistance at a rate agreed to by the PARTIES to compensate NEKTAR AL for the cost (including FTE time) and expenses associated with such technical assistance.

3.4.4 NEKTAR AL shall assist COMPANY with respect to selecting a SELECTED REAGENT and a CMO for producing SELECTED PRODUCT incorporating such SELECTED REAGENT. In this respect NEKTAR AL shall assist COMPANY by providing, to the CMO's listed in Schedule III, certain information that will enable such CMOs to assess the manufacturability of a potential SELECTED PRODUCT utilizing potential SELECTED REAGENT; provided however, COMPANY shall not make any disclosures of such information to such CMO's except with NEKTAR AL, and in no event shall COMPANY disclose any NEKTAR AL CONFIDENTIAL INFORMATION related to REAGENTS or CONJUGATES without NEKTAR AL's prior written consent, such consent not to be unreasonably withheld.

3.4.5 NEKTAR AL shall provide reports to COMPANY as provided for in Schedule I..

3.5 Disclaimer of Warranty. EXCEPT FOR THE WARRANTIES MADE BY EACH PARTY IN SECTION 4.10 AND ARTICLE 9 OF THIS AGREEMENT, NEITHER PARTY PROVIDES WARRANTIES, EXPRESS OR IMPLIED, REGARDING THE PLAN OR ANY REAGENT, CONJUGATE, PRODUCT OR DELIVERABLE PROVIDED PURSUANT TO THE PLAN, AND DISCLAIMS ALL EXPRESS AND IMPLIED WARRANTIES, INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT WITH RESPECT THERETO. MOREOVER, EXCEPT FOR THE WARRANTIES MADE BY EACH PARTY IN SECTION 4.10 AND ARTICLE 9 OF THIS AGREEMENT, NEITHER PARTY PROVIDES WARRANTIES, EXPRESS OR IMPLIED, REGARDING THE NEKTAR AL LICENSED TECHNOLOGY, SELECTED

REAGENT OR SELECTED PRODUCT (INCLUDING THE SUCCESSFUL DEVELOPMENT, REGISTRATION, MANUFACTURE OR COMMERCIALIZATION OF SELECTED PRODUCT), AND EXCEPT FOR THE WARRANTIES MADE IN SECTION 4.10 AND ARTICLE 9 OF THIS AGREEMENT, EACH PARTY DISCLAIMS ALL EXPRESS AND IMPLIED WARRANTIES, INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT.

3.6 Records. NEKTAR AL shall maintain records, in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes, which shall fully and properly reflect all work done and results achieved in the performance of its work pursuant to the RESEARCH PROGRAM. At the reasonable request of COMPANY following the conclusion of an applicable stage of the RESEARCH PROGRAM, NEKTAR AL shall provide COMPANY with copies of the above-described records. COMPANY shall have the right, twice per calendar year, during normal business hours and upon reasonable notice, to inspect the above-described records as applicable to COMPANY's performance of its activities under the PLAN (including COMPANY's production of SELECTED PRODUCT by PEGYLATION with the SELECTED REAGENT).

3.7 Reports. At each Committee meeting during the RESEARCH PROGRAM, each PARTY shall provide to the other PARTY a report on the progress and evaluate the work performed in relation to the RESEARCH PROGRAM. Such report shall include all other information reasonably requested by the other PARTY relating to such progress and reasonably necessary to assess the completion of the other PARTY's activities under the PLAN.

4. Manufacture and Supply of SELECTED REAGENT

4.1 Manufacturing Process Development. Upon selection of a SELECTED REAGENT, if not established, NEKTAR AL shall establish a manufacturing process for SELECTED REAGENT in order to meet the obligations of NEKTAR AL with respect to manufacture of SELECTED REAGENT for use in pre-clinical development and in PHASE

I CLINICAL TRIALS under this AGREEMENT. NEKTAR AL agrees to establish such manufacturing process on a fixed fee basis based on NEKTAR AL's then current rates, which shall be payable by COMPANY in installments as set forth in the applicable work order agreed upon by the PARTIES. The fixed fee to be charged by NEKTAR AL shall be inclusive of all work and materials and NEKTAR AL shall notify COMPANY thereof in writing promptly after selection of the SELECTED REAGENT. Such fixed fee shall be approved by COMPANY prior to NEKTAR AL commencing any such services. Such fixed fee when agreed to by the PARTIES shall cover NEKTAR AL's performance of all activities appropriate for the development, scale-up and validation of the manufacture of SELECTED REAGENT, including, but not limited to:

(a) improvements to and expansion of facilities, analytical method development, analytical method validation, cleaning method validation, process validation, reprocessing, supporting documentation including, but not limited to, the preparation, filing and maintenance of Drug Master Files and other regulatory filings;

(b) NEKTAR AL's generating and providing information or performing work pursuant to any governmental or regulatory agency requests for information or work (including any testing) regarding SELECTED REAGENT or its manufacturing process; and

(c) installation, qualification and validation needed for SELECTED REAGENT including scale-up.

4.2 Pre-Clinical and Phase I Clinical Supply. Upon establishing a manufacturing process for SELECTED REAGENT, NEKTAR AL shall manufacture and supply to COMPANY the SELECTED REAGENT for the purpose of producing SELECTED PRODUCT under the terms of this Article 4 solely for use in pre-clinical development and PHASE I CLINICAL TRIALS. NEKTAR AL shall manufacture and produce SELECTED REAGENT in accordance with applicable laws, rules and regulations and with respect to SELECTED REAGENT produced for PHASE I CLINICAL TRIALS such work shall be consistent with ICH Q7A. COMPANY agrees to purchase and NEKTAR AL agrees to supply one hundred percent (100%) of COMPANY's requirements of such SELECTED REAGENT for pre-clinical and PHASE I CLINICAL TRIALS.

4.3 Forecasts. No later than [***] days after selection of the SELECTED REAGENT, COMPANY shall provide NEKTAR AL with a [***] quarter rolling forecast of its requirements of SELECTED REAGENT. COMPANY shall update such forecast at least [***] days following the start of each calendar quarter. Such forecasts are estimates and are not binding on either PARTY.

4.4 Purchase Orders. COMPANY shall, from time to time, purchase SELECTED REAGENT from NEKTAR AL by a written purchase order provided to NEKTAR AL. Each such purchase order shall be sent to the attention of NEKTAR AL's Contract Management and shall specify the quantity and requested delivery date of SELECTED REAGENT, as well as the site to which SELECTED REAGENT is to be shipped; provided, however, that COMPANY shall not designate in any purchase order a delivery date that is less than [***] months after the date of such purchase order. No purchase order shall be binding upon NEKTAR AL until accepted by NEKTAR AL in writing. NEKTAR AL shall accept such orders for SELECTED REAGENT to the extent that the quantities of SELECTED REAGENT do not exceed the forecasted amount and to the extent such order is consistent with the terms of this AGREEMENT. Upon acceptance of a purchase order, NEKTAR AL shall have each shipment of SELECTED REAGENT shipped pursuant to its standard shipping procedures and documentation. Any change to NEKTAR AL's standard shipping procedures and documentation will be addressed through NEKTAR AL's change control procedures. The terms and conditions of this AGREEMENT shall govern all purchase orders, notwithstanding the fact that a purchase order or the standard shipping document may provide for additional or different obligations of NEKTAR AL than the terms and conditions of this AGREEMENT. Any such additional or different terms in any such purchase order or shipping documents are hereby expressly rejected. NEKTAR AL shall deliver SELECTED REAGENT in the quantities and at the delivery schedules set

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forth in this Section 4.4 provided, however, the specifics thereof will be mutually agreed to by the PARTIES in writing and set forth in a purchase order delivered in accordance with this Section 4.4.

4.5 Fees for Manufacturing and Supply of SELECTED REAGENT.

4.5.1 NEKTAR AL shall supply SELECTED REAGENT to COMPANY at a commercially reasonable price (the "PURCHASE PRICE"), equal to the BENCHMARK PRICE for such SELECTED REAGENT as that BENCHMARK PRICE is adjusted as provided for herein. For the purposes hereof, BENCHMARK PRICE (at a scale of [***]kg or less) means [***] DOLLARS per gram of the REAGENT [***] (2006 NEKTAR AL catalogue price is $[***] per gram), and [***] DOLLARS per gram of the REAGENT [***])) (2006 NEKTAR AL catalogue price is $[***] per gram); if a REAGENT other than [***] is being considered for selection as a SELECTED REAGENT, prior to selection thereof, NEKTAR AL shall provide to COMPANY the PURCHASE PRICE of such REAGENT. Prior to selection of a REAGENT as a SELECTED REAGENT, NEKTAR AL shall disclose to COMPANY any increase or decrease to the applicable BENCHMARK to reflect the cost of raw materials for such REAGENT, any process changes related to such REAGENT and any changes required by LAW. If such REAGENT is selected as the SELECTED REAGENT such increased or decreased price shall be the PURCHASE PRICE for such SELECTED REAGENT.

4.5.2 During the TERM hereof, COMPANY shall pay to NEKTAR AL the PURCHASE PRICE for the supply of SELECTED REAGENT, which PURCHASE PRICE shall be adjusted on an annual basis as follows: by November 1st during the TERM, the PURCHASE PRICE will be:

(a) Increased for the following year by adding to the PURCHASE PRICE a number obtained by multiplying the then-current PURCHASE PRICE by a fraction, the

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numerator of which is the United States Department of Labor Producer Price Index for Chemical Manufacturing Series ID: PCU325---325--- ("PPI") in the month and year of the EFFECTIVE DATE subtracted from the PPI in the month three (3) months prior to November 1st and the denominator of which is the PPI in the month and year of the EFFECTIVE DATE. If the numerator reflects an increase, the number will be added to the PURCHASE PRICE; and

(b) increased or decreased for the following year to reflect the then current forecasted cost of raw materials for such SELECTED REAGENT, any process changes related to such SELECTED REAGENT, and any changes required by applicable LAW; in each case to the extent not covered by the change to PPI described in Section 4.5.2(a).

4.6 Delivery and Shipment; Title and Risk of Loss. NEKTAR AL shall deliver all SELECTED REAGENT to COMPANY, and title to and risk of loss of each quantity of SELECTED REAGENT so delivered shall pass to COMPANY Ex Works (Incoterms 2000) NEKTAR AL's manufacturing or storage facilities. Such delivery shall constitute a shipment hereunder. COMPANY shall pay all packaging, storage, shipping, customs, duties, taxes, freight and insurance charges associated with shipments of SELECTED REAGENT. All shipments shall be addressed to the destination selected by COMPANY and set forth in the relevant purchase order. NEKTAR AL shall send invoices to COMPANY for any SELECTED REAGENT shipped to COMPANY no earlier than the date of shipment pursuant to this Section.

4.7 Acceptance and Rejection. COMPANY shall notify NEKTAR AL in writing if COMPANY believes that a shipment of SELECTED REAGENT does not meet specifications therefor that have been mutually agreed in writing by the PARTIES ("SPECIFICATIONS"). Such notice must be received by NEKTAR AL within [***] days after COMPANY's receipt of the relevant shipment of SELECTED REAGENT (or [***] days if the cycle time of tests require a longer period, such notice date to be

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determined upon selection of the SELECTED REAGENT), and shall include full details of the basis for its assertion of such nonconformance (including supporting data) for purposes of consideration and verification by NEKTAR AL. If no such written notice of nonconformance is received by NEKTAR AL within the above [***] day period, COMPANY shall be deemed to have accepted the applicable shipment of SELECTED REAGENT, and NEKTAR AL shall thereafter have no liability with respect to such delivered SELECTED REAGENT under the warranty or any other provision of this AGREEMENT.

4.8 Replacement of Nonconforming SELECTED REAGENT. NEKTAR AL shall at no additional cost to COMPANY, supply COMPANY with a replacement quantity of SELECTED REAGENT in an amount equal to that which is determined not to meet the SPECIFICATIONS (provided notice thereof is given to NEKTAR AL within the [***] day period or longer, as applicable, specified in Section 4.7. Such replacement shipment shall be made within a timeframe that has been mutually agreed to by both PARTIES in writing, such agreement not to be unreasonably withheld or delayed and which timeframe shall be no longer than the normal timeframe for producing SELECTED REAGENT. In addition, NEKTAR AL shall replace, upon a timeframe that is mutually agreed to by both PARTIES in writing (which time period shall be no longer than the normal time for producing SELECTED REAGENT), all SELECTED REAGENT that is lost or damaged during shipment at the cost and expense of COMPANY, except if caused by NEKTAR AL, in which case, such replacement shall be at the cost and expense of NEKTAR AL. Notwithstanding anything to the contrary in this AGREEMENT, NEKTAR AL's sole liability and COMPANY's sole remedy for any SELECTED REAGENT that does not meet the SPECIFICATIONS, shall be limited to NEKTAR AL's replacement of such nonconforming SELECTED REAGENT as provided for in this Section 4.8.

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4.9 Manufacturing and Supply Agreement. Upon selection of the SELECTED REAGENT, the PARTIES shall commence good-faith negotiations of and enter into a Manufacturing and Supply Agreement ("MSA") for SELECTED REAGENT to govern the exclusive purchase of SELECTED REAGENT other than in connection with pre-clinical or PHASE I CLINICAL TRIALS. Until such MSA is completed, the terms and conditions of this AGREEMENT shall be applicable to the purchase of SELECTED REAGENT by COMPANY from NEKTAR AL; provided that, pursuant to this Article 4, NEKTAR AL shall have no obligation to supply SELECTED REAGENT for uses other than for research, pre-clinical and PHASE I CLINICAL TRIALS. In the event that the PARTIES are not able to reach agreement as to all of the terms of the MSA within [***] days after initiating such negotiations, either PARTY shall have the right to initiate an arbitration proceeding in accordance with Schedule VIII in order to resolve the dispute as to the terms that have not been agreed to by the PARTIES.

4.10 Warranty. NEKTAR AL hereby warrants and represents that all SELECTED REAGENTS purchased by COMPANY from NEKTAR AL under this AGREEMENT shall conform to the SPECIFICATIONS when delivered to COMPANY and will have been manufactured for and delivered to COMPANY in accordance with applicable laws, rules and regulations, and except for SELECTED REAGENTS to be used for preclinical use, consistent with ICH Q7A.

4.11 Records; Audits. NEKTAR AL shall keep full and accurate records and books of account containing all particulars that may be reasonably necessary for the purpose of determining amounts that are charged to COMPANY pursuant to this AGREEMENT are consistent with NEKTAR AL's standard current practices for charging THIRD PARTIES for similar services for similar REAGENTS as those provided by NEKTAR AL to COMPANY pursuant to this AGREEMENT. Such books of account shall be kept by NEKTAR AL at its places of business and, with all necessary supporting data shall, for the two (2) years following the end of the calendar year to which each shall pertain be open for inspection by an independent certified accountant selected by COMPANY and reasonably acceptable

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to NEKTAR AL upon reasonable notice during normal business hours for the sole purpose of verifying that the amounts charged to COMPANY under this AGREEMENT are consistent with NEKTAR AL's standard practices for charging THIRD PARTIES for similar services for similar REAGENTS as those provided by NEKTAR AL to COMPANY pursuant to this AGREEMENT. The foregoing inspection shall occur no more than once each calendar year. All information and data offered shall be redacted to protect any confidential information of the THIRD PARTY and shall be used only for the purpose of verifying the consistency of amounts charged to COMPANY. In the event that such inspection shall indicate in any calendar year that the charges paid by COMPANY exceeded by [***] percent or more the charges (as adjusted to reflect any increase in PPI) paid by THIRD PARTIES for similar services for similar REAGENTS as those provided by NEKTAR AL to COMPANY pursuant to this AGREEMENT, then NEKTAR AL shall pay the cost of the inspection. COMPANY will invoice NEKTAR AL for any overpayments, which shall become due and payable no later than [***] days after receipt of an invoice from COMPANY.

4.12 NEKTAR AL agrees that it will comply with the FAR and DFAR clauses of Schedule VII of this Agreement (such clauses being incorporated herein in their entirety). For the purposes of this AGREEMENT NEKTAR AL shall be considered the "Contractor" and COMPANY shall be the "Government" under such clauses.

With respect to the inclusion of clauses 52.215 -- 2 and 52.215 -- 20, if as a result of any government audit or inspection of NEKTAR AL's books or records (including any contracts) under these clauses, the government determines that the pricing of the SELECTED REAGENT and/or the SELECTED PRODUCT is too high under this AGREEMENT, or that the government otherwise does not agree with NEKTAR AL's methodology in determining the pricing of the SELECTED REAGENT under this AGREEMENT, and the government wants NEKTAR AL to supply the SELECTED REAGENT at a lower price than what has been agreed by NEKTAR AL and COMPANY in

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this AGREEMENT, or wants COMPANY to supply the SELECTED PRODUCT at a lower price, or if the government decides not to purchase the SELECTED PRODUCT at all from COMPANY because of the pricing of the SELECTED REAGENT under this AGREEMENT, then NEKTAR AL shall have no liability whatsoever to COMPANY (other than as contractually obligated under this AGREEMENT) or to the government as a result thereof. Any kind of information that is required to be provided to the government under such clauses would be provided by NEKTAR AL directly to the government, and not to COMPANY as an intermediary.

If in connection with COMPANY's compliance with FAR 52.246-2 or similar Inspection Clause, the government or an agency thereof requires access to NEKTAR AL'S facilities where the SELECTED REAGENT is made, NEKTAR AL will provide access to the government for such purpose provided that COMPANY bears the costs and expenses of such access and inspection. Moreover if the government requires that any samples of SELECTED REAGENT be provided to the government, NEKTAR AL will agree to do so entirely at COMPANY's cost and expense. In the event that as a result of any government inspection pursuant to such clause with respect to NEKTAR AL'S manufacturing facility and or samples of SELECTED REAGENT, the government requires any corrective actions on the part of NEKTAR AL or otherwise finds the SELECTED REAGENT not to be acceptable, in each case for reasons other than what NEKTAR AL is contractually obligated to provide to COMPANY under this AGREEMENT, then NEKTAR AL, will take corrective action only if COMPANY agrees to be solely responsible for all of the costs and expenses that may be required in connection with such corrective actions, including any government re-inspection of NEKTAR AL's facilities, or other steps that must be taken in order to meet the government's requirements regarding the SELECTED REAGENT.

5. Milestones; Royalty Payments; Royalty Reports

5.1 Milestone Payments. COMPANY shall pay to NEKTAR AL milestone payments in accordance with and on the dates provided in Schedule V hereto for SELECTED PRODUCT. Such milestone payments shall be non-refundable and non-creditable, and

in addition to any royalty or other payments due under this AGREEMENT. If for whatever reason, Milestone Event A is not achieved then in such case, the milestone payment that NEKTAR AL would have received upon the occurrence of Milestone Event A shall be paid on the occurrence of any of the next occurring Milestone Events B through E, which payment shall be paid in addition to and not instead of the milestone payment that is to be paid to NEKTAR AL upon the occurrence of any of the next occurring Milestone Events B through E.

5.2 Royalties.

5.2.1 During the ROYALTY TERM for a country, COMPANY shall pay NEKTAR AL non-refundable and non-creditable royalties for sales of SELECTED PRODUCT on a country-by-country basis as follows:

(a) For sales that are BIODEFENSE SALES, a royalty of [***] percent ([***]%) of NET SALES of SELECTED PRODUCT.

(b) For NET SALES of SELECTED PRODUCT other than those of Section 5.2.1(a):

Annual NET SALES	Royalty Rate
(i) If aggregate, worldwide, NET SALES of SELECTED PRODUCT other than for BIODEFENSE SALES in a calendar year do not exceed $[***]	([***]%) of NET SALES
(ii) If aggregate, worldwide, NET SALES of SELECTED PRODUCT other than for BIODEFENSE SALES in a calendar year exceed $[***] but not $[***]	([***]%) of NET SALES
(iii) If aggregate, worldwide, NET SALES of SELECTED PRODUCT other than for BIODEFENSE SALES in a calendar year exceed $[***]	([***]%) of NET SALES

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By way of example, for purposes of this Section 5.2.1(b) if aggregate, worldwide NET SALES of SELECTED PRODUCT other than BIODEFENSE SALES during a calendar year were equal to $[***], then the [***]% royalty rate would apply to all such NET SALES, not just the portion in excess of $[***], resulting in a royalty of $[***].

5.2.2 The royalties payable pursuant to Section 5.2.1 for NET SALES of SELECTED PRODUCT sold in a country shall be reduced by [***] percent ([***]%) in such country if manufacture, use, import, offer for sale and or sale of SELECTED PRODUCT in such country does not infringe a VALID CLAIM in such country. In any country where the royalty reduction of Section 5.2.2 is in effect, there shall not be any further royalty reduction pursuant to Sections 5.2.3, 5.2.4 or 12.1.4.

5.2.3 [***]

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*** Portions of this page, page 34 in its entirety and a portion of page 35 have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

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5.2.4 [***]

5.2.5 Only one royalty shall be due under this AGREEMENT with respect to the same unit of SELECTED PRODUCT.

5.2.6 Notwithstanding anything to the contrary in this AGREEMENT, in no event shall the royalties paid by COMPANY for SELECTED PRODUCT be lower than the following:

(a) For sales that are BIODEFENSE SALES, a royalty of [***] percent ([***]%) of NET SALES of SELECTED PRODUCT.

(b) For NET SALES of SELECTED PRODUCT other than those of Section 5.2.6(a):

Annual NET SALES	Royalty Rate
(i) If aggregate, worldwide, NET SALES of SELECTED PRODUCT other than for BIODEFENSE SALES in a calendar year do not exceed $[***]	([***]%) of NET SALES
(ii) If aggregate, worldwide, NET SALES of SELECTED PRODUCT other than for BIODEFENSE SALES in a calendar year exceed $[***] but not $[***]	([***]%) of NET SALES
(iii) If aggregate, worldwide, NET SALES of SELECTED PRODUCT other than for BIODEFENSE SALES in a calendar year exceed $[***]	([***]%) of NET SALES

5.3 Reports, Exchange Rates. COMPANY shall notify NEKTAR AL in writing promptly upon the FIRST COMMERCIAL SALE of SELECTED PRODUCT in each country. Commencing upon the FIRST COMMERCIAL SALE of SELECTED PRODUCT, COMPANY shall furnish to

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NEKTAR AL with respect to NET SALES of SELECTED PRODUCT for which royalties are payable under this AGREEMENT a quarterly written report showing, on a country-by-country basis, according to the volume of units of SELECTED PRODUCT sold in each such country during the reporting period: (a) the gross invoiced sales of the SELECTED PRODUCT subject to royalty sold in each country during the reporting period, and the amounts deducted therefrom to determine NET SALES from such gross invoiced sales detailed in accordance with those deductions provided for in the definition of NET SALES; (b) the royalties payable in DOLLARS, if any, which shall have accrued hereunder based upon the NET SALES of SELECTED PRODUCT; (c) the withholding taxes, if any, required by LAW to be deducted in respect of such sales; and (d) the date of the FIRST COMMERCIAL SALE of SELECTED PRODUCT in each country during the reporting period. With respect to sales of SELECTED PRODUCT invoiced in DOLLARS, the gross invoiced sales, NET SALES, and royalties payable shall be expressed in the report in DOLLARS. With respect to sales of SELECTED PRODUCT invoiced in a currency other than DOLLARS, the gross invoiced sales, NET SALES and royalties payable shall be expressed in the report provided hereunder in the domestic currency of the party making the sale as well as in the DOLLAR equivalent of the royalty payable and the exchange rate used in determining the amount of DOLLARS. The DOLLAR equivalent shall be calculated using the average exchange rate (local currency per DOLLAR) published in The Wall Street Journal, Western Edition, under the heading "Currency Trading," on the last business day of each month during the applicable calendar quarter. Reports shall be due hereunder on the thirtieth (30th) day following the close of each quarter.

6. Records; Audits; Shipment Terms; Payment Terms

6.1 Records. COMPANY and its SUBLICENSEES shall keep complete and accurate records in sufficient detail to make the reports required hereunder. Without limiting the foregoing, COMPANY shall include in each sublicense granted by it pursuant to this AGREEMENT a provision requiring the SUBLICENSEE to make reports to COMPANY consistent with those COMPANY is required to provide hereunder, to keep and maintain records of sales made and deductions taken in calculating royalties due to NEKTAR AL with respect to such sublicense, and to grant access to such records by NEKTAR AL's independent accountant pursuant to Section 6.2 below to the same extent required of COMPANY under this AGREEMENT.

6.2 Audits. Upon reasonable advance written notice from NEKTAR AL, COMPANY shall permit an independent certified public accounting firm of recognized national standing in the United States, selected by NEKTAR AL and reasonably acceptable to COMPANY, at NEKTAR AL's expense, to have access during normal business hours to such of the records of COMPANY as may be reasonably necessary to verify (i) COMPANY's compliance with the purchase requirements of Section 4.2 and the royalty payments of Section 5.2, and (ii) the accuracy of any amounts reported, actually paid or payable under this AGREEMENT for any year ending not more than twenty-four (24) months prior to the date of such request. Such inspection shall occur no more than once a year. If such accounting firm concludes that additional royalty amounts were owed to NEKTAR AL during such period, or that there has been an overpayment of royalties, COMPANY shall pay NEKTAR AL such additional royalties or NEKTAR AL shall credit COMPANY the amount of such overpayment (including interest on such additional royalties or overpayment at the prime rate reported in the Wall Street Eastern Edition plus [***] percent ([***]%), compounded annually, or the maximum rate allowed under LAW, whichever is less from the date such royalty amounts were payable) within [***] days of the date NEKTAR AL delivers to COMPANY such accounting firm's written report so concluding. The fees charged by such accounting firm shall be paid by NEKTAR AL; provided however, that if the audit discloses that the royalties payable by COMPANY for the audited period are more than [***] percent ([***]%) of the royalties actually paid for such period or if the audit discloses that COMPANY has breached its obligations under Section 4.2, then COMPANY shall pay the reasonable fees and expenses charged by such accounting firm. Upon the expiration of twenty-four (24) months following the end of any calendar year, the calculation of royalties payable with respect to such calendar year shall be binding and conclusive upon NEKTAR AL and COMPANY and its SUBLICENSEES.

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6.3 Invoicing; Payment Terms. All undisputed payments due under this AGREEMENT (other than royalty and milestone payments) shall be due and payable thirty (30) days from date of invoice but in no event later than any date otherwise prescribed by this AGREEMENT. Royalties shown to have accrued to NEKTAR AL as set forth in each royalty report to be provided under Section 5.3 shall be due and payable on or before the date such royalty report is due. Any and all amounts past due under this AGREEMENT shall bear interest at the prime rate reported in the Wall Street Eastern Edition plus [***] percent ([***]%), compounded annually, or the maximum rate allowed under LAW, whichever is less. If there is a dispute between NEKTAR AL and COMPANY as to whether a royalty or milestone is owed and/or the amount thereof, and such amount has not been determined pursuant to an audit under Section 6.2, if COMPANY pays such amount, such payment itself shall not limit the COMPANY's right to seek to recover such payment including through a legal action provided that COMPANY notifies NEKTAR in writing within thirty (30) days after the end of the quarter in which the payment is made that the COMPANY has the right to recover such payment.

6.4 Payment Method. Except as otherwise provided for herein, all payments by COMPANY under this AGREEMENT shall be paid in DOLLARS, and all such payments shall be made by bank wire transfer in immediately available funds to such account as NEKTAR AL shall designate before such payment is due. Upon the election of NEKTAR AL made in writing not less than thirty (30) days prior to any payment date, COMPANY shall pay all royalties owing to NEKTAR AL hereunder in the currency in which such royalties accrued, without conversion into DOLLARS. If at any time legal restrictions prevent the prompt remittance of part or all royalties due with respect to sales of SELECTED PRODUCT in any country where SELECTED PRODUCT is sold, payment shall be made through such lawful means or methods as NEKTAR AL shall reasonably determine.

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6.5 Taxes. All royalty amounts due hereunder shall be paid with deduction for withholding for any taxes or similar governmental charges imposed by a jurisdiction other than the United States, and COMPANY shall provide NEKTAR AL evidence of its payment of any such withholdings that may be required to claim a credit against NEKTAR AL's United States tax liability.

7. Confidentiality

7.1 In General. For the TERM and for a period of ten (10) years thereafter, each PARTY shall maintain in confidence all information and materials of the other PARTY (including, but not limited to, KNOW-HOW and samples of THERAPEUTIC AGENT, any NEKTAR AL MATERIALS, SELECTED REAGENT, and SELECTED PRODUCT) disclosed or provided to it by the other PARTY and identified as confidential in writing or, if disclosed verbally or by observation, summarized in writing and submitted to RECIPIENT within thirty (30) days of the oral or visual disclosure thereof (together with all embodiments thereof, the "CONFIDENTIAL INFORMATION"). CONFIDENTIAL INFORMATION may also include information regarding intellectual property and confidential or proprietary information of THIRD PARTIES. In addition, and notwithstanding the foregoing, INVENTIONS that, under Article 11 are to be owned by one PARTY, shall be deemed CONFIDENTIAL INFORMATION of such PARTY and not the other PARTY, even if such INVENTIONS initially are generated and disclosed by the other PARTY. The terms and conditions of this AGREEMENT and the NON-DISCLOSURE AGREEMENT, also shall be deemed CONFIDENTIAL INFORMATION of both PARTIES. Notwithstanding the foregoing, CONFIDENTIAL INFORMATION shall not include that portion of information or materials that the RECIPIENT can demonstrate by written documentation or other competent proof was (i) known to the general public at the time of its disclosure to the RECIPIENT, or thereafter became generally known to the general public, other than as a result of actions or omissions of the RECIPIENT; (ii) known by the RECIPIENT prior to the date of disclosure by the DISCLOSING PARTY; (iii) disclosed to the RECIPIENT on an

unrestricted basis from a source unrelated to the DISCLOSING PARTY and not under a duty of confidentiality to the DISCLOSING PARTY; or (iv) independently developed by the RECIPIENT by personnel that did not have access to or use of CONFIDENTIAL INFORMATION of the DISCLOSING PARTY.

Any combination of features or disclosures shall not be deemed to fall within the foregoing exclusions merely because individual features are published or known to the general public or in the rightful possession of the RECIPIENT unless the combination itself and principle of operation thereof are published or known to the general public or are in the rightful possession of the RECIPIENT.

7.2 Additional Protections. Each PARTY shall take reasonable steps to maintain the confidentiality of the CONFIDENTIAL INFORMATION of the other PARTY, which steps shall be no less protective than those that such PARTY takes to protect its own information and materials of a similar nature, but in no event less than a reasonable degree of care. Neither PARTY shall use or permit the use of any CONFIDENTIAL INFORMATION of the other PARTY except for the purposes of carrying out its obligations or exercising its rights under this AGREEMENT. All CONFIDENTIAL INFORMATION of a PARTY, including all copies thereof, is and shall remain the sole and exclusive property of the DISCLOSING PARTY and subject to the restrictions provided for herein. Neither PARTY shall disclose any CONFIDENTIAL INFORMATION of the other PARTY other than to those of its directors, officers, AFFILIATES, employees, licensors, independent contractors, SUBLICENSEES, assignees, agents and external advisors directly concerned with the carrying out of this AGREEMENT (in the case of COMPANY, subject to the limitations and restrictions on disclosures to be made to potential and actual CMOs and government agencies and entities hereunder); provided, however, that any such disclosure is subject to written confidentiality and non-use obligations no less protective than those provided herein. Other than as expressly permitted herein, RECIPIENT may not use CONFIDENTIAL INFORMATION of the other PARTY in applying for PATENTS or securing other intellectual property rights.

7.3 Permitted Disclosures. The obligations of Sections 7.1 and 7.2 shall not apply to the extent RECIPIENT (a) is required to disclose information by LAW, judicial order by a court of competent jurisdiction, or rules of a securities exchange or requirement of a governmental agency (provided the RECIPIENT shall provide prior written notice thereof to the DISCLOSING PARTY and sufficient opportunity for the DISCLOSING PARTY to review and comment on such required disclosure and request confidential treatment thereof or a protective order therefor), or (b) discloses information to a patent office for the purposes of filing or maintaining a PATENT APPLICATION or PATENT to the extent covering an INVENTION assigned to a PARTY pursuant to Article 11 of this AGREEMENT, or (c) discloses CONFIDENTIAL INFORMATION of NEKTAR AL (other than CONFIDENTIAL INFORMATION of NEKTAR AL with respect to manufacture of SELECTED REAGENT) to a government or agency thereof in order to obtain regulatory approval of SELECTED PRODUCT and/or discloses CONFIDENTIAL INFORMATION of NEKTAR AL with respect to production of SELECTED PRODUCT to a government or government agency pursuant to a contract with a government or government agency related to research, development or supply of SELECTED PRODUCT, provided that in each case COMPANY requests confidential treatment thereof.

7.4 Publicity/Use of Names; Selected Transactions.

7.4.1 A PARTY may issue a press release relating to entry into this AGREEMENT only if approved in advance, in writing, by the other PARTY. A PARTY may issue subsequent press releases relating to this AGREEMENT, upon prior written approval of the other PARTY, such approval not to be unreasonably withheld or delayed; provided, however, that no approval of the other PARTY shall be required if a subsequent press release or SEC filing solely discloses any information that has previously been approved and disclosed as permitted by this Section 7.4. Except as otherwise provided in this Section 7.4, neither PARTY shall use the name, trademark, trade name or logo of the other PARTY or its employees in any publicity or news release relating to this AGREEMENT or its subject matter, without the prior express written permission of the other PARTY. Neither PARTY shall publicly disclose the existence or terms of this AGREEMENT pursuant to a press release or otherwise except as provided in this Article 7.

7.4.2 Notwithstanding the terms of this Article 7, either PARTY shall be permitted to disclose the existence and terms of this AGREEMENT to the extent required, in the reasonable opinion of such PARTY'S legal counsel, to comply with applicable laws, rules or regulations, including without limitation the rules and regulations promulgated by the United States Securities and Exchange Commission or any other governmental agency. Notwithstanding the foregoing, before disclosing this AGREEMENT or any of the terms hereof pursuant to this Section 7.4, the PARTIES will consult with one another on the terms of this AGREEMENT for which confidential treatment will be sought in making any such disclosure. If a PARTY wishes to disclose this AGREEMENT or any of the terms hereof in accordance with this Section 7.4, such PARTY agrees, at its own expense, to seek confidential treatment of the portions of this AGREEMENT or such terms as may be reasonably requested by the other PARTY, provided that the disclosing PARTY shall always be entitled to comply with legal requirements, including without limitation the requirements of the SEC.

7.4.3 Either PARTY may also disclose the existence and terms of this AGREEMENT in confidence to its attorneys and advisors, and to potential acquirors (and their respective professional advisors), in connection with a potential change of control and to existing and potential investors or lenders of such PARTY, as a part of their due diligence investigations, or to potential licensees and SUBLICENSEES or to permitted assignees and SUBLICENSEES in each case under an agreement to keep the terms of this AGREEMENT confidential under terms of confidentiality and non-use substantially similar to the terms contained in this AGREEMENT and to use such CONFIDENTIAL INFORMATION solely for the purpose permitted pursuant to this Section 7.4.3. A PARTY may disclose this AGREEMENT to investment bankers in connection with a contemplated transaction without an obligation of confidentiality provided that reasonable efforts are exerted to obtain such obligation and that the PARTY wishing to make such disclosure notifies the other PARTY in advance thereof.

7.5 Notwithstanding the obligations in this Section 7.1 and 7.2, COMPANY may disclose the CONFIDENTIAL INFORMATION of NEKTAR AL, if such disclosure is made to governmental or other regulatory agencies in order to gain or maintain approval to conduct clinical trials or to market SELECTED PRODUCT, but such disclosure may be only to the extent reasonably necessary to obtain such approvals or authorizations; or is deemed necessary by COMPANY to be disclosed to SUBLICENSEES, AFFILIATES, agents, consultants, or other THIRD PARTIES for the development or commercialization of SELECTED PRODUCT, or in connection with an assignment of this AGREEMENT, a licensing transaction related to such SELECTED PRODUCT(s) or loan, financing or investment or acquisition, merger, consolidation or similar transaction (or for such entities to determine their interest in performing such activities), in each case on the condition that any THIRD PARTIES to whom such disclosures are made agree to be bound by confidentiality and non-use obligations substantially similar to those contained in this AGREEMENT. In the event a THIRD PARTY who receives CONFIDENTIAL INFORMATION of NEKTAR AL from COMPANY breaches any of the obligations of confidentiality in this Article 7, COMPANY agrees to enforce such provisions against such THIRD PARTY and the failure to enforce such provisions shall be a material breach as to which NEKTAR AL shall have the ability to terminate this AGREEMENT under Section 13.2, provided that the cure period shall be limited to thirty (30) days.

7.6 Irreparable Injury. The PARTIES acknowledge that either PARTY'S breach of this Article 7 would cause the other PARTY irreparable injury for which it would not have an adequate remedy at LAW. In the event of a breach, the nonbreaching PARTY shall be entitled to seek injunctive relief in addition to any other remedies it may have at LAW or in equity without necessity of posting a bond.

7.7 Return of CONFIDENTIAL INFORMATION. Each PARTY shall return or destroy all CONFIDENTIAL INFORMATION of the other PARTY in its possession upon termination or expiration of this AGREEMENT, except any CONFIDENTIAL INFORMATION that is necessary to allow such PARTY to perform or enjoy any of its rights or obligations that expressly survive the termination or expiration of this AGREEMENT.

8. Regulatory Matters

8.1 In General. Upon completion of the RESEARCH PROGRAM, as between the PARTIES, COMPANY shall be responsible for the research, development, testing, use, manufacture, transport, storage, disposal of, commercialization and marketing of SELECTED PRODUCT and, except as specifically provided in this AGREEMENT, COMPANY shall bear all costs of doing so. As authorized in writing in advance by COMPANY, to the extent NEKTAR AL advances or incurs any of the costs contemplated in the preceding sentence, COMPANY shall reimburse NEKTAR AL for such costs within thirty (30) days after the date of any invoice therefor. Each PARTY shall promptly notify the other in writing of any information that comes to its attention concerning the safety or efficacy of SELECTED REAGENT and/or SELECTED PRODUCT and/or any PEG and/or any product conjugated to a PEG, including, without limitation, any threatened or pending action by any regulatory authority with respect thereto.

8.2 Specific Requirements. Without limiting the generality of Section 8.1, COMPANY shall learn and verify the hazards involved in using SELECTED REAGENT, including the Material Safety Data Sheet ("MSDS") therefor. COMPANY shall comply with safety instructions provided by NEKTAR AL. COMPANY shall warn COMPANY's freight handlers, SUBLICENSEES, customers and others who reasonably might be expected to come into contact with SELECTED REAGENT or SELECTED PRODUCT of any risks involved in using or handling SELECTED REAGENT or SELECTED PRODUCT, including providing them with the MSDS.

8.3 Complaints and Communications. COMPANY shall be responsible for handling all complaints and communications (including with regulatory authorities) relating to SELECTED PRODUCT. In addition to the foregoing, COMPANY shall promptly notify NEKTAR AL and make NEKTAR AL aware of the nature of any communications with or inspections by regulatory authorities relating to, or which could affect,

SELECTED REAGENT, including any questions, complaints or comments ("INQUIRIES") by regulatory authorities relating to or affecting SELECTED REAGENT. COMPANY shall provide NEKTAR AL with copies of any correspondence with regulatory authorities that relate to or could affect SELECTED REAGENT. COMPANY shall give NEKTAR AL sufficient opportunity to review and comment on any proposed response to any INQUIRIES prior to filing any such response, and shall give NEKTAR AL a copy of any final response so filed.

8.4 Adverse Reaction Reporting. To the extent permitted by LAW, each PARTY shall notify the other in writing of all information that comes to its attention concerning serious adverse events relating to SELECTED REAGENT or SELECTED PRODUCT. Such reports shall be provided to the other PARTY within forty-eight (48) hours after receipt of the information in the case of any experience coincident with the use of SELECTED REAGENT or SELECTED PRODUCT, whether or not considered related to the SELECTED REAGENT or SELECTED PRODUCT, that suggests a significant hazard, contraindication, side effect or precaution or results in death, a life-threatening experience, inpatient hospitalization, prolongation of an existing hospitalization, a persistent or significant disability or incapacity, or a congenital anomaly or birth defect. Information concerning all other serious adverse events not covered by the preceding sentence (including those covered in summary reports that may be prepared annually by a PARTY covering product complaints and complaint handling) shall be provided on a semi-annual basis by each PARTY to the other.

9. Representations, Warranties; Covenants; Limitation of Liability

9.1 By Both PARTIES. Each PARTY represents and warrants to the other that as of the EFFECTIVE DATE to the best of its knowledge and belief: (a) it has the full corporate power to enter into and perform this AGREEMENT; (b) this AGREEMENT constitutes its legal, valid and binding obligation; (c) it has sufficient legal and/or beneficial title or other rights under its intellectual property rights to grant the licenses contained in this AGREEMENT; (d) each of such PARTY'S employees and officers has executed an agreement that requires such employee or officer to the extent permitted by law, to assign all INVENTIONS, PATENTS, and

KNOW-HOW made during the course of and as a result of the performance of such PARTY'S obligations under this AGREEMENT, to such PARTY; and (e) each of such PARTY'S employees and officers is subject to an executed agreement that requires such employee or officer to maintain as confidential any information CONTROLLED by such PARTY, or provided by the other PARTY, that is CONFIDENTIAL INFORMATION under this AGREEMENT.

9.2 By NEKTAR AL.

9.2.1 As of the effective date of the license of Section 2.1, NEKTAR AL shall represent and warrant to COMPANY that, to the knowledge of NEKTAR AL, NEKTAR AL has not previously assigned, transferred, conveyed or otherwise encumbered its right, title and interest in the NEKTAR AL PATENT RIGHTS, or the NEKTAR AL KNOW-HOW, with respect to SELECTED PRODUCT in a manner that conflicts and/or is inconsistent with the rights granted to COMPANY under this AGREEMENT.

9.2.2 NEKTAR AL agrees that if during the TERM, NEKTAR AL assigns to an AFFILIATE any of the NEKTAR AL LICENSED TECHNOLOGY that is subject to the license grant provided for in Section 2.1 or Section 3.4 of this AGREEMENT, then COMPANY's license under such NEKTAR AL LICENSED TECHNOLOGY shall follow such assignment and COMPANY's license under such NEKTAR AL LICENSED TECHNOLOGY will not, as a result of such assignment, be diminished or impaired.

9.2.3 As of the effective date of the license of Section 2.1, NEKTAR AL shall represent and warrant to COMPANY that to the knowledge of NEKTAR AL except for PATENTS AND PATENT APPLICATIONS licensed to COMPANY under Section 2.1, AFFILIATES of NEKTAR AL do not own any PATENTS or PATENT APPLICATIONS that if owned by NEKTAR AL as of such effective date would be NEKTAR AL PATENT RIGHTS licensed to COMPANY under 2.1 of the AGREEMENT.

9.3 Exclusion of Damages.

9.3.1 EXCEPT FOR INTENTIONAL OR WILLFUL MISCONDUCT, AND EXCEPT FOR INTENTIONAL OR WILLFUL MATERIAL BREACH AS TO WHICH COMPANY HAS KNOWLEDGE AND HAS PROVIDED WRITTEN NOTICE THEREOF TO NEKTAR AL WITHIN FIVE (5) DAYS OF SUCH KNOWLEDGE: (i) IN NO EVENT SHALL NEKTAR AL's LIABILITY ARISING OUT OF THE DEVELOPMENT, MANUFACTURE, SUPPLY, USE OR SALE OF SELECTED REAGENT OR SELECTED PRODUCT, EXCEED NEKTAR AL's OBLIGATION TO REPLACE THAT QUANTITY OF SELECTED REAGENT GIVING RISE TO THE LIABILITY, AND (ii) IN NO EVENT SHALL NEKTAR AL's LIABILITY ARISING OUT OF THIS AGREEMENT, EXCEED IN THE AGGREGATE, AN AMOUNT THAT IS EQUAL TO THE TOTAL AMOUNT PAID BY COMPANY UNDER THE RESEARCH PLAN. THE FOREGOING LIMITATION ON NEKTAR AL'S LIABILITY SHALL NOT APPLY WITH RESPECT TO THE AMOUNT OF ANY OVERPAYMENT OF ROYALTIES OR MILESTONES BY COMPANY TO NEKTAR AL HEREUNDER, PROVIDED SUCH OVERPAYMENT IS (X) NOTIFIED IN WRITING BY COMPANY TO NEKTAR AL PROMPTLY AFTER SUCH OVERPAYMENT IS DISCOVERED BY COMPANY, BUT IN NO EVENT LATER THAN 30 DAYS AFTER THE QUARTER IN WHICH SUCH OVERPAYMENT WAS MADE, OR (Y) REVEALED BY AN AUDIT AS PROVIDED FOR UNDER SECTION 6.2. IN THE EVENT OF SUCH OVERPAYMENT, NEKTAR AL SHALL CREDIT COMPANY WITH RESPECT TO FUTURE PAYMENTS OWED BY COMPANY TO NEKTAR AL HEREUNDER, TO THE EXTENT OF SUCH OVERPAYMENT

9.3.2 NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES (INCLUDING WITHOUT LIMITATION, DAMAGES RESULTING FROM LOSS OF USE, LOSS OF PROFITS, INTERRUPTION OR LOSS OF BUSINESS OR OTHER ECONOMIC LOSS) ARISING OUT OF THIS AGREEMENT OR WITH RESPECT TO A PARTY'S PERFORMANCE OR NON-PERFORMANCE HEREUNDER.

9.3.3 Nothing in this Article 9 shall limit COMPANY's and/or NEKTAR AL'S indemnification obligation under Article 10 or recovery of damages for breach of Article 7 or COMPANY's indemnification under Section 3.4.2 or Section 12.1.2.

9.4 Essential Basis. The limitation of liability and exclusion of damages under this AGREEMENT: (i) apply even if a PARTY had or should have had knowledge, actual or constructive, of the possibility of such damages; (ii) are a fundamental element of the basis of the bargain between the PARTIES and this AGREEMENT would not be entered into without such limitations and exclusions and (iii) shall apply whether a claim is based on breach of contract, breach of warranty, tort (including negligence), product liability, strict liability or otherwise, and notwithstanding any failure of essential purpose of any limited remedy herein. Moreover, the exclusive remedies under this AGREEMENT are intended to be exclusive and the limitations of liability and the exclusion of damages under this AGREEMENT are intended to apply even if there is a total and fundamental breach of this AGREEMENT, and the essential purpose of these provisions is to limit the PARTIES' respective liabilities hereunder.

9.5 Covenant. COMPANY agrees that COMPANY will not use government funds to pay for work performed by NEKTAR AL (a) under the RESEARCH PROGRAM or (b) with respect to the development of the manufacturing process by NEKTAR AL pursuant to Section 4.1 of this AGREEMENT, in either case, unless NEKTAR AL provides its prior written consent to the use of such government funds or monies for such purpose. COMPANY may use government funds (i) to purchase SELECTED REAGENT from NEKTAR AL under this AGREEMENT and/or (ii) to manufacture and sell SELECTED PRODUCT to the government, which SELECTED PRODUCT includes SELECTED REAGENT obtained from NEKTAR AL, and/or (ii) to pay NEKTAR AL for transfer of NEKTAR AL KNOW-HOW pursuant to Section 3.4.1 and 3.4.3 of this AGREEMENT. COMPANY may provide the government with the necessary information and data with respect to manufacture of SELECTED PRODUCT, provided that such use of government funds and/or the providing of such information and data does not breach the covenant of COMPANY set forth in the first sentence of this Section and provided further that COMPANY seek confidential treatment of any such information and data provided to the government.

COMPANY covenants and agrees that the COMPANY will not grant any rights or licenses under this AGREEMENT to a THIRD PARTY, including, without limitation, any agency of the U.S. federal government other than as permitted by this AGREEMENT and/or as may be permitted by the MSA. Except as provided in the MSA, COMPANY may not authorize, or purport to authorize, the government (or any THIRD PARTY) to manufacture SELECTED REAGENT and/or to use, practice or otherwise exploit any intellectual property of NEKTAR AL for manufacture of SELECTED REAGENTS.

10. Indemnification; Insurance

10.1 Indemnity.

10.1.1 By NEKTAR AL. NEKTAR AL shall defend, indemnify and hold COMPANY, COMPANY's AFFILIATES, COMPANY SUBLICENSEES and their respective shareholders, directors, officers, employees and agents (each, a "COMPANY INDEMNITEE") harmless from and against all losses, liabilities, damages, costs and expenses (including reasonable attorney's fees and costs of investigation and litigation, regardless of outcome) resulting from all claims, demands, actions and other proceedings by or on behalf of any THIRD PARTY (including any governmental authority) (collectively, "CLAIMS") to the extent arising from: (a) the breach of any representation, warranty (other than any warranty that SELECTED REAGENT conforms to SPECIFICATIONS), covenant or material obligation of NEKTAR AL under this AGREEMENT; or (b) the gross negligence, recklessness or willful misconduct of NEKTAR AL in the performance of its obligations under this AGREEMENT, or (c) any CLAIMS brought by an employee or contractor of NEKTAR AL, for personal injury or death or damage to property caused directly and proximately by such employee's or contractor's performance of the manufacture of SELECTED REAGENT for NEKTAR AL under this AGREEMENT, or (d) any CLAIMS brought by a THIRD PARTY for personal injury or death or damage to property, which personal injury, death or damage occurs as a direct and proximate result of an accident occurring at the facility of NEKTAR AL where the manufacture of SELECTED REAGENT is carried

out under this AGREEMENT, except in each case (i) to the extent such claim, demand, action or proceeding arises from COMPANY's material breach of this AGREEMENT or a breach of any representation or warranty of COMPANY under this AGREEMENT, or the gross negligence, recklessness or willful misconduct of a COMPANY INDEMNITEE; or (ii) to the extent that COMPANY is obligated to indemnify NEKTAR AL under Section 10.1.2.

10.1.2 By COMPANY. Subject to the limitations and exclusions set forth in Section 9.3, COMPANY shall defend, indemnify and hold NEKTAR AL, NEKTAR AL AFFILIATES, and their respective shareholders, directors, officers, employees and agents (each, a "NEKTAR AL INDEMNITEE") harmless from and against all losses, liabilities, damages, costs and expenses (including reasonable attorney's fees and costs of investigation and litigation, regardless of outcome) resulting from all CLAIMS to the extent arising from: (a) the breach of any representation, warranty, covenant or material obligation of COMPANY under this AGREEMENT; (b) the development (including without limitation the conduct of clinical trials), manufacturing, testing, storage, handling, transportation, disposal, commercialization (including any recalls, field corrections or market withdrawals), marketing, distribution, promotion, sale or use of SELECTED PRODUCT by or for COMPANY or its SUBLICENSEES or any of their respective THIRD PARTY agents or subcontractors (including as a result of any illness, injury or death to persons, including employees, agents or contractors of COMPANY or its SUBLICENSEES, or damage to property); or (c) the gross negligence, recklessness or willful misconduct of COMPANY or its SUBLICENSEES or any of their respective THIRD PARTY agents or subcontractors in the performance of its or their obligations under this AGREEMENT, except in each case (i) to the extent such claim, demand, action or proceeding arises from NEKTAR AL's material breach of this AGREEMENT or the gross negligence, recklessness or willful misconduct of a NEKTAR AL INDEMNITEE and/or (ii) to the extent that NEKTAR AL is obligated to indemnify COMPANY under Section 10.1.1.

10.2 Procedures. If any CLAIM covered by Section 10.1 is brought: (i) the indemnified PARTY shall promptly notify the indemnifying PARTY in writing of such CLAIM, (ii) the indemnifying PARTY shall assume, at its cost and expense,

the sole defense of such CLAIM through counsel selected by the indemnifying PARTY and reasonably acceptable to the other PARTY, except that those indemnified may at their option and expense select and be represented by separate counsel; provided that the indemnifying PARTY shall have the sole right to control such defense; (iii) the indemnifying PARTY shall maintain control of such defense and/or the settlement of such CLAIM; (iv) those indemnified may, at their option and expense, participate in such defense, and if they so participate, the indemnifying PARTY and those indemnified shall cooperate with one another in such defense, provided that the indemnifying PARTY shall have the sole right to control such defense; (v) the indemnifying PARTY will have authority to consent to the entry of any judgment, to enter into any settlement or otherwise to dispose of such CLAIM, and (vi) an indemnified PARTY may not consent to the entry of any judgment, enter into any settlement or otherwise to dispose of such CLAIM or admit liability with respect thereto without the prior written consent of the indemnifying PARTY.

10.3 Insurance. COMPANY, at its own expense, shall maintain comprehensive general liability insurance, including product liability insurance, in the minimum amount of [***] DOLLARS ($[***]) per occurrence, and [***] DOLLARS ($[***]) in the aggregate, with NEKTAR AL named as an additional insured, provided however that such aggregate shall be increased to [***] dollars ($[***]) when SELECTED PRODUCT is used in a human. Such policies shall include a provision that NEKTAR AL shall be given [***] days written notice prior to cancellation or material change in such a policy, except in the case of non-payment, which shall require at least [***] days notice. The insurance carriers must be rated A-, VII or better by A.M. Best Company. COMPANY shall maintain such insurance for so long as it continues to research or develop or commercialize SELECTED PRODUCT, and shall from time to time provide copies of certificates of such insurance to NEKTAR AL upon its request. If the insurance policy is written on a claims-made basis than the coverage must be kept in place for at least [***] years after the termination of this AGREEMENT.

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*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

11. INVENTIONS, KNOW-HOW and PATENTS

11.1 Existing Intellectual Property. Other than as expressly provided in this AGREEMENT, neither PARTY grants nor shall be deemed to grant any right, title or interest to the other PARTY in any PATENT, PATENT APPLICATION, KNOW-HOW or other intellectual property right CONTROLLED by such PARTY as of the EFFECTIVE DATE.

11.2 Disclosure. Each PARTY shall promptly disclose in writing to the other all INVENTIONS arising from the joint or separate activities (including any INVENTIONS first made, conceived or first reduced to practice as a result of such activities) of the PARTIES or their employees, agents, independent contractors or SUBLICENSEES; provided, however, NEKTAR AL shall not be obligated to disclose a SOLE INVENTION to the extent such SOLE INVENTION falls outside the scope of COMPANY CORE TECHNOLOGY owned by COMPANY and that COMPANY shall not be obligated to disclose a SOLE INVENTION to the extent such SOLE INVENTION falls outside the scope of NEKTAR AL CORE TECHNOLOGY owned by NEKTAR AL.

11.3 Ownership of INVENTIONS. Except as otherwise set forth in Sections 11.4 or 11.5, all INVENTIONS made solely by employees, agents, independent contactors or SUBLICENSEES of a PARTY (each, a "SOLE INVENTION") shall be the exclusive property of such PARTY. Except as otherwise set forth in Sections 11.4 or 11.5, if employees, agents, independent contractors or SUBLICENSEES of each of NEKTAR AL and COMPANY jointly develop any INVENTION (each, a "JOINT INVENTION"), COMPANY and NEKTAR AL shall each own an undivided one-half (1/2) interest in and to such JOINT INVENTION, and, subject to the exclusive licenses granted to COMPANY under this AGREEMENT, each PARTY shall have the right to freely exploit and grant licenses under any such JOINT INVENTION and any PATENT claiming such JOINT INVENTION without consent of or a duty of accounting to the other PARTY. For the avoidance of doubt, the determination as to whether an INVENTION has been "solely" or "jointly" made shall be based upon whether employees, agents, independent contractors or SUBLICENSEES of a PARTY would be or are properly named as an inventor on a corresponding PATENT APPLICATION under United States inventorship laws.

11.4 NEKTAR AL CORE TECHNOLOGY INVENTIONS. Any and all rights, title and interest in and to all SOLE INVENTIONS and JOINT INVENTIONS which fall within the scope of NEKTAR AL CORE TECHNOLOGY that are potentially patentable and/or as to which a patent application has been filed shall belong solely to NEKTAR AL ("NEKTAR AL CORE TECHNOLOGY INVENTIONS"). COMPANY hereby agrees to and hereby does, and shall, without additional consideration transfer and assign to NEKTAR AL all of its right, title and interest in and to such NEKTAR AL CORE TECHNOLOGY INVENTIONS and all intellectual property rights therein including enforcement rights, and, except for a government or government agency, shall require its employees, agents, independent contractors and SUBLICENSEES to so transfer and assign their right, title and interest therein to NEKTAR AL. NEKTAR AL shall be responsible, at its sole expense and discretion, and with the cooperation of COMPANY, for the filing, prosecution and maintenance of foreign and domestic PATENT APPLICATIONS and PATENTS covering such NEKTAR AL CORE TECHNOLOGY INVENTIONS. Any disputes arising from the foregoing or under Section 11.5 as to ownership shall be presented to the MANAGING COMMITTEE for discussion and resolution, provided neither PARTY shall have the right of final determination with respect to such dispute. In the event the MANAGING COMMITTEE cannot agree on the foregoing, either PARTY may seek remedy in accordance with Schedule VIII.

11.5 COMPANY CORE TECHNOLOGY INVENTIONS. Any and all rights, title and interest in and to all SOLE INVENTIONS and JOINT INVENTIONS which fall within the scope of COMPANY CORE TECHNOLOGY that are potentially patentable and/or as to which a patent application has been filed shall belong solely to COMPANY ("COMPANY CORE TECHNOLOGY INVENTIONS"). NEKTAR AL hereby agrees to and hereby does, and shall, without additional consideration transfer and assign to COMPANY all of its right, title and interest in and to any COMPANY CORE TECHNOLOGY INVENTIONS and all intellectual property rights therein including enforcement rights, and shall require its employees, agents, independent contractors to so transfer and assign

their right, title and interest therein to COMPANY. COMPANY shall be responsible, at its sole expense and discretion, and with the cooperation of NEKTAR AL if requested by COMPANY, for the filing, prosecution and maintenance of foreign and domestic PATENT APPLICATIONS and PATENTS covering such COMPANY CORE TECHNOLOGY INVENTIONS.

11.6 Individual PATENT Filings. Each PARTY shall have sole discretion and right to prepare, file, prosecute, maintain and defend PATENT APPLICATIONS or PATENTS for INVENTIONS it solely owns under this AGREEMENT, and shall be responsible for related interference proceedings.

11.7 Joint PATENT Filings. With respect to all PATENT APPLICATIONS on JOINT INVENTIONS that are jointly owned by the PARTIES (i.e., JOINT INVENTIONS that have not been assigned nor are assignable to the other PARTY pursuant to Sections 11.4 and 11.5) (the "JOINT PATENT APPLICATIONS"), the PARTIES shall determine which PARTY shall be responsible for filing, prosecuting and maintaining PATENT APPLICATIONS and PATENTS on behalf of both PARTIES (the "RESPONSIBLE PARTY") based on a good faith determination of the relative contributions of the PARTIES to the INVENTION and the relative interests of the PARTIES in the INVENTION. At least twenty (20) days prior to the contemplated filing of such PATENT APPLICATION, the RESPONSIBLE PARTY shall submit a substantially completed draft of the JOINT PATENT APPLICATION to the other PARTY for its approval, which shall not be unreasonably withheld or delayed. Except as set forth below, the PARTIES shall share equally the costs of the preparation, filing, prosecution and maintenance of all JOINT PATENT APPLICATIONS. If either PARTY elects not to pay its portion of any shared costs for a JOINT PATENT APPLICATION or PATENT issuing therefrom, the other PARTY may proceed with such JOINT PATENT APPLICATION in its own name and at its sole expense, in which case the PARTY electing not to pay its share of costs hereby agrees to transfer and assign and shall transfer and assign its entire right, title and interest in and to such JOINT PATENT APPLICATION to the other PARTY and such INVENTION shall be treated as a SOLE INVENTION of the assignee for the purposes hereof.

11.8 The PARTIES recognize and agree that this Agreement is a "joint research agreement" under 35 U.S.C. 103(c)(3). The PARTIES further agree to cooperate to avail themselves and each other of the provisions of said section 35 U.S.C. 103(c) amended through the CREATE Act on December 10. 2004.

12. Infringement

12.1 Infringement of THIRD PARTY Rights.

12.1.1 Notice. If the development, manufacture, use, import, sale or offer for sale of SELECTED PRODUCT or SELECTED REAGENT results in a claim for PATENT infringement by a THIRD PARTY, the PARTY to this AGREEMENT first having notice shall promptly notify the other PARTY in writing. The notice shall set forth the facts of the claim in reasonable detail.

12.1.2 Indemnification by COMPANY. Except to the limited extent provided for in Section 12.1.3, COMPANY shall defend, indemnify and hold harmless each NEKTAR AL INDEMNITEE from and against all losses, liabilities, damages, costs and expenses (including reasonable attorney's fees and costs of investigation and litigation, regardless of outcome) resulting from any claim that the development, manufacture, use, import, offer for sale or sale of SELECTED PRODUCT infringes a THIRD PARTY patent or misappropriates THIRD PARTY KNOW-HOW, and the provisions of Sections 10.1.2 and 10.3 shall apply with respect to any such claim to the same extent as though it were a CLAIM for which COMPANY has an obligation to defend, indemnify and defend NEKTAR AL under Section 10.1.2. In the event of a conflict between the provisions of Article 10 and this Section 12.1.2, the provisions of this Section 12.1.2 shall govern. NEKTAR AL shall cooperate with COMPANY at COMPANY's request and expense in such defense, and shall have the right to be represented by counsel of its own choice, at NEKTAR AL's expense.

12.1.3 Limitation on Indemnity by COMPANY. COMPANY's obligations under Section 12.1.2 shall not apply to the extent that (a) any infringement of a THIRD PARTY PATENT or misappropriation of THIRD PARTY KNOW -HOW results solely

from the composition of matter or the manufacture of SELECTED REAGENT, or (b) the synthetic and/or analytical methods for the SELECTED PRODUCT at the laboratory scale used in the RESEARCH PROGRAM, which are transferred by NEKTAR AL to COMPANY pursuant to Section 3.4.1(ii), have been misappropriated by NEKTAR AL from a THIRD PARTY. Nothing in this Section 12.1.3 shall be deemed to limit COMPANY's obligations set forth in Section 3.4.2.

12.1.4 Third Party Royalties. If either PARTY is required to pay royalties or any other payments to a THIRD PARTY because the composition of matter or method of making of the SELECTED REAGENT contained in the SELECTED PRODUCT infringes a PATENT of a THIRD PARTY in a particular country, then COMPANY shall pay such THIRD PARTY any royalties or other payments for a license under such PATENT necessary to use, manufacture, import, sell or offer for sale such SELECTED PRODUCT in such country. In the event that payment of such THIRD PARTY royalties in accordance with this Section 12.1.4 causes the total royalty payable by COMPANY to exceed the ORIGINAL ROYALTY cap, or any REVISED ROYALTY CAP, as applicable, then the terms of Sections 5.2.3 or 5.2.4 shall apply.

12.1.5 Freedom to Operate Determination. Promptly after the selection of the SELECTED REAGENT, NEKTAR AL will provide to COMPANY any information, including any freedom to operate studies, then in NEKTAR AL's possession, relating to composition of matter or method of manufacturing the SELECTED REAGENT, and following COMPANY's receipt of such information but in no event later than 30 days following such receipt, COMPANY shall notify NEKTAR AL in writing whether or not COMPANY shall proceed with the use of such SELECTED REAGENT and along with such notification, shall provide to NEKTAR AL any and all freedom to operate studies that COMPANY may have conducted with respect to such SELECTED REAGENT, in each case, only after entering into a joint defense agreement or other agreement sufficient to preserve any privilege (including the attorney client privilege) held by either PARTY.

12.2 Infringement By THIRD PARTIES.

12.2.1 Notice of Infringement. If any VALID CLAIM is infringed by a THIRD PARTY, or any NETKTAR AL KNOW-HOW utilized in the manufacture, use, import or sale of SELECTED REAGENT or SELECTED PRODUCT is misappropriated by a THIRD PARTY, the PARTY first having knowledge of such infringement or misappropriation shall promptly notify the other PARTY in writing. The notice shall set forth the facts of such infringement or misappropriation in reasonable detail.

12.2.2 Prosecution of Actions Relating to SELECTED REAGENT.

(a) NEKTAR AL shall have the primary right, but not the obligation, to institute, prosecute and control any action or proceeding with respect to any infringement of a VALID CLAIM or misappropriation of NEKTAR AL KNOW-HOW by reason of a THIRD PARTY'S manufacture, use, import, offer for sale or sale of SELECTED REAGENT using counsel of its own choice, at its own expense. COMPANY shall cooperate with NEKTAR AL at NEKTAR AL's request and expense in the prosecution of such action or proceeding. If NEKTAR AL determines that COMPANY is an indispensable PARTY to the action, COMPANY hereby consents to be joined. In such event, COMPANY shall have the right to be represented in that action by its own counsel and at its own expense.

(b) If NEKTAR AL fails to bring an action or proceeding within a period of sixty (60) days after receiving written notice from COMPANY or otherwise having knowledge of such infringement or misappropriation by reason of a THIRD PARTY'S manufacture, use, import, offer for sale or sale of SELECTED REAGENT, COMPANY shall have the right to bring and control any such action using counsel of its own choice, and at its own expense. If COMPANY determines that NEKTAR AL is an

indispensable PARTY to the action, NEKTAR AL hereby consents to be joined. In such event, NEKTAR AL shall have the right to be represented in such action by its own counsel at its own expense. No settlement, consent judgment or other voluntary final disposition of a suit under this Section 12.2.2 may be entered into without the joint consent of COMPANY and NEKTAR AL (which consent shall not be withheld or delayed unreasonably).

(c) If either PARTY brings an action for infringement or misappropriation by a THIRD PARTY under this Section 12.2.2, any damages or other monetary awards or payments in settlement recovered by such PARTY shall be applied first to defray the costs and expenses incurred by both PARTIES in the action. If NEKTAR AL has brought the action, any remainder shall be retained by NEKTAR AL. If COMPANY has brought the action, any remainder shall be retained by COMPANY, except to the extent that damages are based on lost sales of COMPANY, in which event such amounts shall be deemed NET SALES and subject to the payment of royalties under this AGREEMENT.

12.2.3 Prosecution of Actions Related to SELECTED PRODUCT.

(a) Subject to NEKTAR AL's right under Section 12.2.2, COMPANY shall have the primary right, but not the obligation, to institute, prosecute and control any action or proceeding with respect to any infringement of NEKTAR AL PATENT RIGHTS or misappropriation of NEKTAR AL KNOW -HOW by reason of a THIRD PARTY'S manufacture, use, import, offer for sale or sale of SELECTED PRODUCT, using counsel of its own choice, at its own expense. NEKTAR AL shall cooperate with COMPANY at COMPANY's request and expense in the prosecution of such action or proceeding. If COMPANY reasonably determines that NEKTAR AL is

an indispensable PARTY to the action, NEKTAR AL hereby consents to be joined. In such event, NEKTAR AL shall have the right to be represented in that action by its own counsel and at its own expense.

(b) If COMPANY fails to bring an action or proceeding within a period of sixty (60) days after receiving written notice from NEKTAR AL of the possibility of a claim, or otherwise having knowledge of a claim described in Section 12.2.3(a), NEKTAR AL shall have the right, but not the obligation, to bring and control any such action using counsel of its own choice, at its own expense. If NEKTAR AL determines that COMPANY is an indispensable PARTY to the action, COMPANY hereby consents to be joined. In such event, COMPANY shall have the right to be represented in such action using counsel of its own choice, at its own expense. No settlement, consent judgment or other voluntary final disposition of a suit under this Section 12.2.3(b) may be entered into without the joint consent of NEKTAR AL and COMPANY (which consent shall not be withheld unreasonably).

(c) If either PARTY brings an action for infringement or misappropriation by a THIRD PARTY under this Section 12.2.3 any damages or other monetary awards or payments in settlement recovered by such PARTY shall be applied first to defray the costs and expenses incurred by both PARTIES in the action. Any remainder shall be retained by the PARTY bringing such action, provided that if the remainder is retained by COMPANY, such remainder shall be treated as NET SALES subject to royalty under this AGREEMENT.

13. Term and Termination

13.1 Expiration. The term of this AGREEMENT (the "TERM") shall commence on the EFFECTIVE DATE and shall expire on a country-by-country basis upon the expiration of all royalty obligations in the applicable country, unless earlier terminated as provided herein.

13.2 Termination for Default. Each PARTY shall have the right to terminate this AGREEMENT for material breach by the other PARTY by providing written notice to the other PARTY, which notice shall specify the breach and notify the other PARTY that this AGREEMENT will be terminated if such breach is not cured. If the material breach is a payment breach and such payment is not made within [***] days of such notice or if the material breach is other than a payment breach, and such material breach is not cured in [***] days, then this AGREEMENT shall be terminated at the end of such [***] day period.

13.3 Voluntary Termination. COMPANY has the right within its sole discretion to terminate this AGREEMENT by [***] days prior written notice to NEKTAR AL.

13.4 Effect of Termination.

13.4.1 The provisions of Sections 2.4, 3.5, 4.11 (with respect to amounts charged prior to termination), 6.1 - 6.5 (as to accrued amounts), 9.3, 9.4, 12.1.2, 12.1.3, 13.4, 17.1 - 17.8, and 17.10 - 17.12 and 17.14 and Articles 7, 8, 10, and 11 (and in each case together with any defined terms applicable to such provisions) shall survive termination of this AGREEMENT for any reason whatsoever.

13.4.2 Notwithstanding anything in this AGREEMENT to the contrary, if this AGREEMENT is terminated for any reason whatsoever:

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*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

(a) COMPANY shall have the right to use or sell SELECTED PRODUCTS on hand on the date of such termination and to complete SELECTED PRODUCTS in the process of manufacture at the time of such termination and use or sell the same as if licensed under this AGREEMENT for a period of [***] months, provided that COMPANY shall submit the applicable royalty report, along with the royalty payments required by this AGREEMENT; provided that COMPANY's right to use or sell SELECTED PRODUCTS pursuant to this subsection (a) shall be at the discretion of NEKTAR AL if the AGREEMENT is terminated by NEKTAR AL for material breach of COMPANY; and

(b) COMPANY shall continue to be obligated to purchase and shall purchase SELECTED REAGENT manufactured pursuant to any issued purchase orders pursuant to Article 4, and any SELECTED REAGENT so manufactured shall be invoiced to COMPANY in full and paid by COMPANY in accordance with the terms of this AGREEMENT; and

(c) COMPANY shall be responsible for all unavoidable authorized costs and expenses, including arising out of those activities that would reasonably have been required by NEKTAR AL in order to meet COMPANY's requirements of SELECTED REAGENT, except if this AGREEMENT is terminated by COMPANY for material breach by NEKTAR AL; and,

(d) COMPANY shall pay NEKTAR AL all accrued milestone payments and accrued royalties in accordance with the terms of this AGREEMENT.

13.4.3 Subject to Section 13.4.2, if this AGREEMENT is terminated for any reason whatsoever, any licenses granted under this AGREEMENT shall automatically

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terminate and all licensed rights shall revert in their entirety to the respective licensor and all obligations of each PARTY shall terminate except those that survive under Section 13.4.1. Subject to the limitations of liability and exclusions of damages provided for herein, termination of this AGREEMENT by a PARTY shall not be an exclusive remedy and all other remedies will be available to the terminating PARTY, in equity and at LAW.

14. Governance

14.1 MANAGING COMMITTEE.

(i) To facilitate communication between the PARTIES during the RESEARCH PROGRAM, the PARTIES shall appoint a MANAGING COMMITTEE consisting of two (2) representatives from each of NEKTAR AL and COMPANY. The initial representatives are set forth on Schedule VI hereto. Each PARTY may replace its representatives on the MANAGING COMMITTEE by prior written notice to the other PARTY. The MANAGING COMMITTEE shall have such responsibilities as set forth herein and as the PARTIES may agree from time to time. The MANAGING COMMITTEE shall supervise the activities of the RESEARCH COMMITTEE; resolve issues referred by members of the RESEARCH COMMITTEE; make strategic decisions related to research and development activities in connection with the SELECTED PRODUCT and review the progress of research and development activities in connection with the SELECTED PRODUCT. The MANAGING COMMITTEE shall meet at such times and places, in person or by telephone conferencing or other electronic communication, as it shall determine to carry out its responsibilities; provided, that a meeting of the MANAGING COMMITTEE shall take place no later than thirty (30) days after the EFFECTIVE DATE.

(ii) The MANAGING COMMITTEE shall operate by consensus with representatives of NEKTAR AL having one (1) collective vote and representatives of COMPANY having one (1) collective vote. If a dispute arises or there is not a unanimous vote regarding matters within the scope of responsibilities of the MANAGING COMMITTEE, and the MANAGING COMMITTEE fails to reach a consensus on its

resolution within thirty (30) days of when the dispute was presented to the MANAGING COMMITTEE or when a unanimous vote is not obtained, then the dispute shall be referred to the senior management representatives of each PARTY. If such senior management representatives fail to agree, then (a) NEKTAR AL shall have the right to resolve the dispute and/or cast the deciding vote on matters pertaining to (i) the choice of REAGENTS used in the PLAN but not the selection of a SELECTED REAGENT and (ii) after selection of a SELECTED REAGENT, the development and/or manufacture of the SELECTED REAGENT, and (b) COMPANY shall have the right to resolve the dispute and/or cast the deciding vote on all other matters, provided that resolution or decision does not require NEKTAR AL to allocate financial or personnel resources or manufacturing capacity not already provided for in the PLAN in effect at that time.

14.2 RESEARCH COMMITTEE. The MANAGING COMMITTEE shall appoint a RESEARCH COMMITTEE to plan and manage the research and development activities to be conducted in connection with the SELECTED PRODUCT pursuant to the RESEARCH PROGRAM and to facilitate communication on research and development issues between the PARTIES. Implementation of the RESEARCH PROGRAM and other day-to-day research and development activities shall be managed by the RESEARCH COMMITTEE, subject to oversight by the MANAGING COMMITTEE. The RESEARCH COMMITTEE shall be comprised of appropriate representatives of both PARTIES, and shall meet no less frequently than once a month in person or by teleconference as agreed upon by the PARTIES. Each PARTY shall appoint a RESEARCH PROGRAM team leader (and other key contacts, as necessary) to serve as principal RESEARCH COMMITTEE liaisons for the PARTIES. Employees of each PARTY who are not on the RESEARCH COMMITTEE may attend meetings of the RESEARCH COMMITTEE, as required to further the research and development of the SELECTED PRODUCT. The RESEARCH COMMITTEE shall operate by consensus with representatives of NEKTAR AL having one (1) collective vote and representatives of COMPANY having one (1) collective vote. Any disagreements between the PARTIES' representatives at the RESEARCH COMMITTEE level shall be referred to the MANAGING COMMITTEE. Members of the RESEARCH COMMITTEE will be notified by each PARTY to the other PARTY within twenty (20) days after the EFFECTIVE DATE.

14.3 Notwithstanding anything to the contrary herein, neither the MANAGING COMMITTEE nor the RESEARCH COMMITTEE shall have the right or power to amend the terms of this AGREEMENT or waive rights or obligations of the PARTIES hereunder, or take any action that would conflict with any provision of this AGREEMENT.

15. Assignment

(a) Unless otherwise expressly permitted hereunder, neither PARTY may assign any of its rights or delegate any of its duties under this AGREEMENT without the prior written consent of the other PARTY, except that either PARTY may assign its rights and responsibilities hereunder without the other PARTY'S consent as part of: (i) either (a) the sale of all or substantially all of the assets or the entire business to which this AGREEMENT relates or (b) a merger, consolidation, reorganization or other combination with or into another person or entity; or (ii) the transfer or assignment to an AFFILIATE, in each case, pursuant to which the surviving entity or assignee assumes the assigning or merging PARTY'S obligations hereunder. Any assignment made in violation of this Article 15 shall be null and void.

(b) NEKTAR AL shall not assign or transfer PATENTS licensed to COMPANY under this AGREEMENT without making such assignment or transfer subject to the licenses granted under this AGREEMENT.

16. Notices

Any notice or other communication or payment herein required or permitted to be given shall be deemed sufficient if and when personally delivered in writing or if and when given by United States registered or certified mail, postage prepaid, return receipt requested, properly addressed to the respective addresses of the PARTIES as written below. Notices so given shall be effective

upon the earlier to occur of (i) receipt by the PARTY to which notice is given, or (ii) the fourth (4th) business day following the date such notice was posted, whichever occurs first.

If to COMPANY, addressed to:

PharmAthene, Inc.
175 Admiral Cochrane Drive, Suite 101,
Annapolis, MD 21401
Attention: CEO

If to NEKTAR AL, addressed to:

NEKTAR Therapeutics AL, Corporation
1112 Church Street
Huntsville, AL 35801
Attention: Contract Management

With a copy to:

Nektar Therapeutics
150 Industrial Road
San Carlos, CA 94070-6256
Attention: Vice President, Corporate Legal

17. Miscellaneous

17.1 Force Majeure. Neither PARTY shall be held liable or responsible to the other PARTY nor be deemed to have defaulted under or breached this AGREEMENT for failure or delay in fulfilling or performing any term of this AGREEMENT to the extent, and for so long as, such failure or delay is caused by or results from causes beyond the reasonable control of the affected PARTY; provided, however, that the foregoing shall not be applied to excuse or delay any payment obligation of COMPANY under this AGREEMENT.

17.2 Severability. If any one or more of the provisions contained in this AGREEMENT is held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, unless the absence of the invalidated provision(s) adversely affects the substantive rights of the

PARTIES. The PARTIES shall in such an instance use their best efforts to replace the invalid, illegal or unenforceable provision(s) with valid, legal and enforceable provision(s) which, insofar as practical, implement the purposes of this AGREEMENT.

17.3 Variation. This AGREEMENT may not be amended, varied or modified in any manner except by an instrument in writing signed by a duly authorized officer or representative of each PARTY hereto.

17.4 Forbearance and Waiver. No waiver by a PARTY in respect of any breach shall operate as a waiver in respect of any subsequent breach. No forbearance, failure or delay by a PARTY in exercising any right or remedy shall operate as a waiver thereof, nor shall any single or partial forbearance, exercise or waiver of any right or remedy prejudice its further exercise of any right or remedy under this AGREEMENT or at LAW.

17.5 Counterparts. This AGREEMENT may be executed in more than one counterpart, each of which constitutes an original and all of which together shall constitute one enforceable agreement.

17.6 No Partnership. The relationship of the PARTIES is that of independent contractors and this AGREEMENT shall not operate so as to create a partnership or joint venture of any kind between the PARTIES.

17.7 Construction. The PARTIES have participated jointly in the negotiation and drafting of this AGREEMENT. In the event that an ambiguity or question of intent or interpretation arises, this AGREEMENT shall be construed as if drafted jointly by the PARTIES and no presumption or burden of proof shall arise favoring or disfavoring any PARTY by virtue of the authorship of any of the provisions of this AGREEMENT. Except where the context otherwise requires, where used, the singular shall include the plural, the plural the singular, the use of any gender shall be applicable to all genders and the word "or" is used in the inclusive sense (and/or). The captions of this AGREEMENT are for convenience of reference only and in no way define, describe, extend or limit the scope or intent of this AGREEMENT or the intent of any provision contained in this AGREEMENT. The term "including" as used herein means including the generality of any description preceding such term.

17.8 Entire Agreement. This AGREEMENT and the Schedules attached hereto constitute the entire understanding between the PARTIES and supersedes any prior or contemporaneous written or oral understanding, negotiations or agreements between and among them respecting the subject matter hereof. This AGREEMENT shall be binding upon, and inure to the benefit of, the PARTIES and their respective successors and assigns.

17.9 Patent Marking and SELECTED PRODUCT Marking. COMPANY shall place appropriate NEKTAR AL patent and/or patent pending markings on SELECTED PRODUCT or the packaging therefor provided that NEKTAR AL provides to COMPANY the identity of such patents and the SELECTED PRODUCT and country for which marking is applicable. The content, form, size, location and language of such markings shall be in accordance with the laws, regulations, and practices of the country in which the applicable units of SELECTED PRODUCT is distributed. In the event that COMPANY believes that such marking is not in accordance with applicable law, rules or regulations, COMPANY shall inform NEKTAR AL and COMPANY shall not be required to mark the SELECTED PRODUCT unless COMPANY is indemnified by NEKTAR AL in writing with respect to any and all losses that may arise from such marking. COMPANY shall be responsible for all packaging (non-commercial and commercial) and labeling of SELECTED PRODUCT. To the extent allowed by the applicable laws and regulations, all SELECTED PRODUCT labeling, packaging and package inserts and any promotional materials associated with SELECTED PRODUCT shall carry, in a conspicuous location, the trademark of NEKTAR AL, the identity and style of which shall be selected by NEKTAR AL in its sole discretion, provided that such identity and style is reasonably acceptable to COMPANY. NEKTAR AL authorizes the use of its trademark pursuant to this Section 17.9.

17.10 Governing Law. All questions of inventorship will be determined in accordance with U.S. patent laws. In respect to all other PATENT rights, the

rights of the PARTIES will be governed by the laws of the jurisdiction in which the applicable PATENT is filed or granted. In all other respects, this AGREEMENT shall be governed by and construed in accordance with the laws of the State of Delaware without regard to its choice of law rules that would require application of the law of another jurisdiction.

17.11 Termination of NON-DISCLOSURE AGREEMENT. All provisions of, rights granted and covenants made in the NON-DISCLOSURE AGREEMENT are hereby terminated and of no further force and effect and are superseded in their entirety by the provisions of, rights granted and covenants made in this AGREEMENT. The PARTIES acknowledge and agree that any disclosure made pursuant to the NON-DISCLOSURE AGREEMENT shall be governed by the terms and conditions of Article 7.

17.12 Compliance with Laws. COMPANY will comply with all LAWS in performing its obligations and exercising its rights hereunder, and NEKTAR AL will comply with all United States laws in performing its obligations and exercising its rights hereunder. Nothing in this AGREEMENT shall be deemed to permit COMPANY or its SUBLICENSEES to export, re-export or otherwise transfer any information or materials (including NEKTAR AL MATERIALS and SELECTED REAGENT) transferred hereunder or SELECTED PRODUCT manufactured therefrom without complying with LAWS.

17.13 Section 365(n) of the Bankruptcy Code. All rights and licenses granted under or pursuant to this AGREEMENT by one PARTY to the other PARTY are, for all purposes of Section 365(n) of Title 11, U.S. Code (the "BANKRUPTCY CODE"), licenses of rights to "intellectual property" as defined in the BANKRUPTCY CODE. As a licensee of such rights under this AGREEMENT, a PARTY shall retain and may fully exercise all of its rights and elections under the BANKRUPTCY CODE. If a BANKRUPTCY CODE case is commenced by or against a PARTY (the "BANKRUPTCY PARTY") and this AGREEMENT is rejected as provided in the BANKRUPTCY CODE and the BANKRUPTCY PARTY elects to retain its rights hereunder as provided in the BANKRUPTCY CODE, then the BANKRUPTCY PARTY (in any capacity, including debtor-in-possession) and its successors and assigns (including, without limitation, a BANKRUPTCY CODE trustee) shall take such steps as are necessary to

permit the other PARTY to exercise its rights under this AGREEMENT. All rights, powers and remedies of the non-BANKRUPTCY PARTY provided under this provision are in addition to and not in substitution for any and all other rights, powers and remedies now or hereafter existing at law or in equity (including, without limitation, the BANKRUPTCY CODE) in the event of any such commencement of a bankruptcy proceeding by or against a BANKRUPTCY PARTY.

17.14 Export Restrictions. NEKTAR AL acknowledges and understands that the CONFIDENTIAL INFORMATION supplied by COMPANY with respect to this AGREEMENT are subject to the export control and sanctions laws and regulations of the United States and other applicable countries, including without limitation, the International Traffic in Arms Regulations, the Foreign Assets Control Regulations, and the Export Administration Regulations. Diversion contrary to United States and other laws is strictly prohibited. COMPANY will comply with all applicable laws and regulations and shall ensure, at its sole expense, that such CONFIDENTIAL INFORMATION are maintained, used disclosed, and transferred in accordance with United States and other applicable laws and regulations, including without limitation any restrictions on disclosures to non-United States persons, export license requirements, or reporting requirements.

Signature Page to Follow

IN WITNESS WHEREOF, the PARTIES hereto have caused their authorized representatives to execute this AGREEMENT by signing below:

Signed:

For and on behalf of:	For and on behalf of:
NEKTAR Therapeutics AL, Corporation	PharmAthene, Inc.
Signature	Signature
/s/ Jennifer A. Filbey	/s/ Richard Schoenfeld
Name: Jennifer A. Filbey	Name: Richard Schoenfeld
Title: V.P., Business Development	Title: V.P., Operations

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT
HAS BEEN OMITTED AND FILED SEPARATELY WITH THE
SECURITIES AND EXCHANGE COMMISSION (THE "SEC")
PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT WITH RESPECT TO THE OMITTED PORTIONS.
OMITTED PORTIONS ARE INDICATED BY [***].

SERVICES AGREEMENT

This Services Agreement (this "Agreement"), effective as of the 2nd day of March, 2007 (the "Effective Date"), by and between PharmAthene, Inc., a Delaware corporation, with its principal executive offices located at 175 Admiral Cochrane Drive, Annapolis, Maryland 21401 ("PharmAthene"), and GTC Biotherapeutics, Inc. ("GTC"), a Delaware company with its principal executive offices located at 175 Crossing Blvd, Framingham, MA 01701.

WHEREAS, PharmAthene is engaged in, among other things, the research and development of pharmaceutical products;

WHEREAS, GTC is a biopharmaceutical company which develops and commercializes pharmaceutical products produced in the milk of transgenic mammals using, among other things, its extensive experience in the separation and purification of target proteins isolated from the milk of transgenic animals which may be used for therapeutic drugs;

WHEREAS, GTC owns a significant intellectual property portfolio around the development and maintenance of transgenic mammals;

WHEREAS, GTC and Nexia Biotechnologies, Inc. ("Nexia") have entered into a Patent Licensing Agreement dated September 17, 2004 (the "Original License Agreement");

WHEREAS, PharmAthene acquired substantially all of the assets of Nexia on March 10, 2005, pursuant to which the Original License Agreement was novated to PharmAthene Canada on January 17, 2005;

WHEREAS, PharmAthene Canada is a wholly-owned subsidiary of PharmAthene;

WHEREAS, GTC and PharmAthene have entered into good faith negotiations to enter into a license agreement to replace the Original License Agreement (the "License Agreement"), and the parties expect to enter into the License Agreement no later than March 15, 2007;

WHEREAS, PharmAthene will, during the Term (as hereinafter defined), retain GTC to provide the "Services" as set forth on Exhibit A to this Agreement (the "Scope of Work" or "SOW"); and

WHEREAS, GTC shall provide services to PharmAthene in accordance with the terms and conditions of this Agreement and each attached SOW.

NOW, THEREFORE, for good and valuable consideration contained herein, the exchange, receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. Scope of Work.

If and as the parties hereto reach agreement with respect to particular services to be provided, a SOW must be executed and attached to this Agreement as Exhibit A, and this Agreement and the SOW including amendments and proposals thereto shall constitute the entire agreement for the specific services addressed in such SOW. If and to the extent any terms set forth in a SOW conflict with the terms set forth in this Agreement, the terms of this Agreement shall control.

2. Services.

2.1. GTC shall provide the services described in the SOW attached to this Agreement (the "Services"). In performing the Services, GTC shall reasonably-comply with (i) the written instructions of PharmAthene and standard operating procedures established in support of the services; (ii) all applicable Federal, state, and local governmental laws and regulations, including without limitation, applicable U.S. Food and Drug Administration ("FDA") laws, regulations, guidelines, Export Control Laws (as defined in Section 10), and ICH guidelines however delineated, and shall cause any person performing the Services contemplated by this Agreement and the SOW to comply with all such laws and regulations.

2.2. If PharmAthene request GTC to perform services beyond those which are set forth in a SOW any such additional services and a compensation schedule shall be negotiated by the parties in good faith and a written amendment shall be executed prior to the provision of such services.

3. Compensation and Payment.

3.1. GTC shall submit to PharmAthene invoices for the "Services" on a monthly basis or as defined in the SOW, in each case, as submitted to and accepted by PharmAthene. The costs for services are defined in Exhibit B (Standard Pricing). Any service pricing not defined in Exhibit B will be proposed and separately negotiated by the Parties. GTC shall maintain original documentation for all materials and third party charges and shall make such documentation available to PharmAthene for audit upon request. PharmAthene shall pay said invoices within thirty (30) days of receipt. Payments shall be payable to GTC.

3.2. All taxes (and any penalties thereon) and other types of charges assessed on any payment made by PharmAthene to GTC shall be the sole responsibility of GTC.

4. Term and Termination.

4.1. The term of this Agreement (the "Term") shall commence on the Effective Date and end on the third anniversary of the Effective Date unless earlier terminated in accordance with Sections 4.2 and 4.3 below.

4.2. Either Party may terminate this Agreement if the other Party breaches any material provisions hereof or has knowingly or willfully violated any international, federal, country, state or local laws, regulations or guidelines, and such breach or violation is not substantially cured within [***] days following delivery of written notice specifying the nature of the alleged breach. During the [***] day cure period each party will continue to perform its obligations under the Agreement. If the cure period has expired without a substantial cure of the breach, then the parties shall promptly meet to prepare

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***Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

a closeout schedule, and GTC shall cease performing the Services and will perform only the work necessary for the orderly close-out of the Services or required by laws or regulations.

4.3. PharmAthene or GTC may also terminate this Agreement without cause upon [***] days written notice to the other Party, provided, however, that GTC may not terminate this Agreement until it has completed any manufacturing campaigns for which a down payment has been made.

4.4. Upon termination, PharmAthene shall be obligated to pay for any and all materials purchased or binding commitments made to third party testing services by GTC for performance of services under the SOW to the extent not cancelable, and any Committed Time (as defined below) in the cGMP Manufacturing Suite should the Agreement be terminated by PharmAthene under Sections 4.2 and 4.3. For purposes hereof, "Committed Time" means that time (days) for which PharmAthene has provided written acceptance of a proposal or amended SOW causing GTC to reserve time (days) in GTC's cGMP clinical manufacturing facility for provision of clinical manufacturing services. If, however, PharmAthene provides [***] days notice to GTC that PharmAthene no longer requires the Committed Time for cGMP manufacture, then PharmAthene would not be obligated to pay GTC for such Committed Time.

4.5. The obligations contained in this Section 4 and in Sections 3 (Compensation and Payment), 6 (Confidentiality), 7 (Intellectual Property), 8 (Publication), 9 (Indemnification), 10 (International Traffic in Arms Regulations), 15 (Publicity), 20 (Governing Law), and 21 (Arbitration) shall survive the termination of this Agreement.

5. Personnel.

5.1. During any period in which Services are being performed, neither party hereto shall recruit, hire or employ any employee or contractor of the other party who is performing the Services without the prior written consent of the other; provided, however, that the foregoing shall not apply to individuals hired as a result of the use of an independent employment agency (as long as such agency was not directed to solicit such individuals).

5.2. All GTC personnel providing Services to PharmAthene shall be bound by written obligations of confidentiality and intellectual property ownership at least as stringent as the terms of this Agreement.

5.3. GTC will use reasonable efforts to utilize Key Program Personnel (as defined in Exhibit C) for the management and/or performance of Services during the Term of the Agreement. Any decision to remove or replace Key Program Personnel shall be communicated to PharmAthene in writing, in a reasonable timeframe along with the curriculum vitae of new Key Program Personnel. GTC shall use reasonable efforts to assure that replacement Key Program Personnel are highly qualified and are fully capable of performing the tasks to which they are assigned. PharmAthene shall have the right to approve replacement Key Program Personnel, such approval not to be unreasonably withheld. GTC shall bear all expenses associated with the assignment of new or replacement Key Program Personnel unless the replacement is requested by PharmAthene.

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***Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

6. Confidentiality.

All information received by GTC concerning the performance of the Services or generated or developed in the performance of the Services is considered to be confidential information belonging to PharmAthene (hereinafter "PharmAthene Confidential Information"). All information regarding GTC's operations, methods, know-how, procedures, and all GTC's property, disclosed by GTC to PharmAthene in connection with this Agreement is proprietary, confidential information belonging solely to GTC (the "GTC Confidential Information", and together with the PharmAthene Confidential Information, the "Confidential Information"). The Confidential Information will be held in confidence by the receiving party and not disclosed to third parties or appropriated by the receiving party for its own use. It shall be understood, however, that Confidential Information shall not include, and the obligations of confidentially and non-disclosure shall not apply to, disclosed information that:

(a) is or becomes publicly available through no fault of the receiving party;

(b) is already known to the receiving party as shown by its prior written records;

(c) is required by law or regulation to be disclosed;

(d) becomes available to the receiving party on a non-confidential basis from a source which is not prohibited from disclosing such information by an obligation to the disclosing party; or

(e) that the receiving party develops independently of any disclosure by the disclosing party as can be demonstrated by written documentation.

The parties agree that each will only use the Confidential Information for the purpose of its obligations under this Agreement. Upon the completion of Services under this Agreement and upon the written request of PharmAthene, GTC will either destroy or promptly return to PharmAthene all written and tangible Confidential Information (PharmAthene Confidential Information), as well as all written and tangible material which incorporates any Confidential Information; provided, however, that GTC may retain a copy of information that GTC is (1) required by government regulations to retain and shall use any such retained information solely for the purpose required by such government regulation; or (2) which is necessary to demonstrate the satisfaction of its obligations hereunder.

If any of the information provided to PharmAthene by GTC as part of its obligations under Section 7 contain GTC Confidential Information, PharmAthene does not have the right to use any of the information for its own benefit without first obtaining written permission from GTC.

Neither party will use any such Confidential Information for its own benefit or for the benefit of any third party, and will not furnish to any third party any materials which incorporate any Confidential Information except as otherwise herein provided. All obligations of confidentiality and non-disclosure set forth in this Agreement will survive, without limitation, the expiration of earlier termination, for any reason, of this Agreement for a period often (10) years from the date of expiration or termination of this Agreement in accordance with Section 4 hereunder.

7. Intellectual Property.

7.1. Except as set forth in this Agreement and in the License Agreement, nothing contained herein (including the delivery of any information hereunder)

shall be deemed to grant to any party any right or license under any patents or patent applications or to any know-how, technology or inventions of the disclosing party.

7.2. A. Subject to Section 7.3 below, GTC hereby assigns to PharmAthene all rights GTC may have in any invention, technology, know-how, information, process, computer software, data or other intellectual property to the extent first developed or produced under the SOW (the "Services Intellectual Property") as applicable to BChE. With respect to the Services Intellectual Property, GTC shall reasonably cooperate with PharmAthene and provide PharmAthene with reasonable assistance in order for PharmAthene to comply with its obligations to the U.S. Government under its contract with the U.S. Army Space and Missile Command for the development, procurement and licensure of Bioscavenger Increment II, and to obtain or extend protection for the Services Intellectual Property, in either case, at PharmAthene's expense.

B. GTC shall have an irrevocable, worldwide, non-exclusive license to utilize such invention, technology, know-how or other intellectual property outside the scope of this Agreement; provided, however, that the license provided by the foregoing sentence may not be used for any Competing Products (as defined below). For purposes of this Section 7.2, the term "Competing Products" means any product using BChE.

C. GTC warrants that it has and shall make every effort to continue to have right, title and interest to the intellectual property required to conduct its business to effect the terms of this Section 7.2 and shall enforce such intellectual property agreements as necessary to provide PharmAthene the benefits granted under this Section.

7.3. GTC hereby represents to PharmAthene that GTC possesses certain inventions, processes, know-how, trade secrets, improvements, other intellectual property and assets, including but not limited to data processes, technology, means or know-how developed by GTC which relate to animal maintenance and management, analytical methods, procedures and techniques related to the purification and processing of proteins in the milk of transgenic animals, regulatory policy and procedures, computer technical expertise and software (including codes) which have been independently developed without the benefit of any information or support provided directly by PharmAthene or indirectly through funding support of the U.S. Department of Defense or any other U.S. Government Agencies ("GTC Property"). All GTC Property or improvements thereto are and shall remain the sole and exclusive property of GTC, except for rights to those improvements that may be vested in the U.S. Government as they relate to the SOW. For the avoidance of doubt, the terms and conditions of the License Agreement are not affected by the terms and conditions of this Agreement, specifically, the services to be provided by GTC under this Agreement (as outlined in the SOW) are funded under a U.S. Government contract.

7.4. GTC will disclose promptly to PharmAthene or its nominee any and all new inventions, discoveries, new uses and improvements regarding PharmAthene property conceived, made or reduced to practice by GTC. While providing such Services as defined in the SOW to PharmAthene pursuant to this Agreement all such inventions, discoveries, new uses and improvements, notwithstanding FAR 52.227-11, shall belong solely to PharmAthene. GTC agrees to assign all its interest therein to PharmAthene or its nominee with GTC receiving a worldwide, royalty free, non-exclusive license to utilize such intellectual property outside the scope of this Agreement, Services and SOW. GTC will execute any and all applications, assignments, or other instruments and give testimony which PharmAthene shall deem necessary to apply for and obtain Letters of Patent of the United States or of any foreign country or to otherwise protect PharmAthene's interests therein, and PharmAthene shall provide compensation to GTC for the time devoted to said activities and reimburse it for expenses incurred.

None of the above requirements shall alter or amend the requirements set forth in the Original License Agreement, or to be set forth in the License Agreement.

8. Publication.

Subject to the provisions of Section 8, neither Party may publish any articles or make any presentations relating to the Services or referring to data, information or materials generated as part of the Services without the prior written consent of the other Party, which consent shall not be unreasonably withheld.

9. Indemnification.

9.1. PharmAthene shall indemnify, defend and hold harmless GTC, its respective affiliates, and its and their officers, directors, employees and agents from and against any and all loss, damage, liability, cost or expense (each, a "Loss"), joint and several, resulting or arising from any third-party claim, demand, assessment, action, suit or proceeding relating to or arising from or in connection with this Agreement or the Services under this Agreement (each, a "Claim"), to the extent such Claim or Loss is determined not to have resulted from GTC's gross negligence or intentional misconduct.

9.2. GTC shall indemnify, defend and hold harmless PharmAthene, its affiliates, and each its and their officers, directors, employees and agents from and against any and all Claim or Loss, joint or several, resulting or arising from or relating to the Services to the extent such Claim or Loss is not determined to have resulted from the gross negligence or intentional misconduct of PharmAthene or resulting from PharmAthene's breach of any of its obligations under this Agreement.

9.3. Any party obligated to provide indemnification hereunder with respect to a Claim or Loss shall be entitled to control the defense and settlement of the Claim or Loss, as applicable, provided the indemnifying party shall act reasonably and in good faith with respect to all matters relating to the settlement or disposition of the Claim or Loss, as applicable, as such disposition or settlement relates to the party. The indemnified party shall reasonably cooperate in the investigation, defense and settlement of a Claim or Loss for which indemnification is sought hereunder and shall provide prompt notice of the Claim or Loss or reasonably expected Claim or Loss to the indemnifying party. An indemnified party may retain separate legal counsel at its own expense.

10. International Traffic in Arms Regulations.

GTC acknowledges and understands that the PharmAthene Confidential Information (as defined above) may be subject to the export control and sanctions laws and regulations of the United States and other applicable countries (collectively, "Export Control Laws"), including without limitation, the International Traffic in Arms Regulations, the Foreign Assets Control Regulations, and the Export Administration Regulations. Diversion of the PharmAthene Confidential Information contrary to United States and other laws is strictly prohibited. In addition to any other obligations of GTC to generally comply with applicable laws, GTC will comply with all applicable export control laws and regulations and shall ensure, at its sole expense, that PharmAthene Confidential Information is maintained, used disclosed, and transferred in accordance with those laws and regulations, including, without limitation, any restrictions on disclosures to non-United States persons, export license requirements, or reporting requirements.

11. Status Reporting.

GTC will inform PharmAthene of the progress and status of Services through regularly prepared and delivered reports. Such reports shall be distributed at predetermined intervals as agreed to in writing between the Parties, but not less frequently than once per month. PharmAthene and GTC shall mutually agree upon acceptable formatting for such reports.

12. Non-Discrimination.

GTC hereby certifies by executing this Agreement that (i) Services are provided without discrimination on the basis of race, age, color, religion, national origin, disability, or gender and (ii) GTC does not maintain nor provide for its employees any segregated facilities other than restrooms and locker rooms that are segregated based upon gender.

13. Compliance with Laws, Audit and Inspections.

GTC represents and warrants that, to the best of its knowledge the Services were not performed, and are not being sold or priced, in violation of any federal, state, or local law, executive order, or administrative ruling. Without limiting the generality of the foregoing, GTC represents and warrants that to the best of its knowledge it complies with the following provisions of federal law and all applicable regulations and Executive Orders issued thereunder, which are hereby incorporated by reference into this Services Agreement: (1) the Federal Food, Drug and Cosmetic Act, as amended; (2) the Civil Rights Act of 1964, as amended; and (3) the Fair Labor Standards Act, as amended. PharmAthene is a holder of U.S. Government contracts and is subject to certain additional statutory, regulatory, and contract requirements by virtue thereof. If an SOW is issued under a U.S. Government prime contract or a subcontract under a U.S. Government prime contract, GTC agrees to comply with all statutory, regulatory, and contract requirements applicable to the prime contract or subcontract with respect to such SOW, copies of which may be furnished to GTC upon GTC's request. Subject to the foregoing, GTC's standard operating procedures will be used in performance of the Services, unless otherwise agreed to in writing between the Parties. PharmAthene represents and certifies that it will not require GTC to perform any assignments or tasks in a manner that would violate any applicable law or regulation. PharmAthene further represents that it will cooperate with GTC in taking any actions that GTC reasonably believes are necessary to comply with any legal or regulatory obligations that have been transferred to GTC.

Each party acknowledges that the other party may respond independently to any regulatory correspondence or inquiry in which such party or its affiliate is named. Each party, however, shall

(a) Notify the other party promptly of any FDA or other governmental or regulatory inspection or inquiry concerning any Services pursuant to this Agreement, including, but not limited to, inspections of applicable laboratories and/or manufacturing sites;

(b) Forward to the other party copies of any correspondence from any regulatory or governmental agency relating to the Services, including, but not limited to, FDA Form 483 notices and warning letters, or equivalents; and

(c) Permit the truthful use of the other party's name or the names of any of its applicable corporate affiliates in any regulatory correspondence.

Where reasonably practicable, PharmAthene will be given the opportunity to have a representative present during an FDA or regulatory inspection related to any Services conducted by GTC under this Agreement. PharmAthene, however, acknowledges that it may not direct the manner in which GTC fulfills its obligations to permit inspection by governmental entities.

Each party agrees that, during an inspection by the FDA or other regulatory authority concerning any Proposal of PharmAthene in which GTC is providing Services, it will not disclose information and materials that are not required to be disclosed to such agency, without the prior consent of the other party, which shall not unreasonably be withheld.

14. Independent Contractor Relationship.

For the purposes of this Agreement, the parties hereto are independent contractors, and nothing in this Agreement or the arrangements for which it is made shall constitute either party, or anyone furnished or used by either party in the performance of the Services contemplated by this Agreement, as an employee, joint venturer, partner, or servant of the remaining party. Neither party shall have the right to bind or obligate the other, nor shall a party hold itself out as having such authority.

15. Publicity.

Except as required by law, neither party shall use the name of the other party nor of any Agent of the other party in connection with any publicity without the prior written approval of the other party.

16. Force Majeure.

If either party shall be delayed or prevented from the performance of any act required hereunder by reason of strike, lockout, labor strife, restrictive governmental or judicial order or decree, riot, insurrection, war, Act of God, inclement weather or other similar reason or cause beyond such party's control ("Disability"), then performance of such act shall be excused for the period of such Disability. Any timelines affected by such Disability shall be extended for a period equal to that of the Disability. Notice of the start and stop of any Disability shall be provided to the other party.

17. Record Storage.

17.1. During the Term, GTC shall maintain all materials and all other data obtained or generated by GTC in the course of providing the Services hereunder, including all computerized records and files. GTC shall cooperate with any internal review or audit requested by PharmAthene and make available to PharmAthene for examination and duplication, during normal business hours and at mutually agreeable times, all documentation, data and information relating to a Proposal.

17.2. Within thirty (30) days of the expiration or termination of this Agreement other than for PharmAthene's breach of Section 3, all materials and all other data and information obtained or generated by GTC in the course of providing the Services hereunder shall, at the election of PharmAthene and at PharmAthene's option and expense, be (i) delivered to PharmAthene at its offices in Annapolis, Maryland in such form as is then currently in the possession of GTC, (ii) retained by GTC for PharmAthene for a period of two years, or (iii) disposed of as directed by written request of PharmAthene, unless such materials are otherwise required to be stored or maintained by GTC under applicable law. If GTC is required or requested to maintain and/or store such material for a

period beyond two years after the termination or expiration of this Agreement, the parties shall mutually agree on GTC's further compensation therefore. In no event shall GTC dispose of any materials or data or other information obtained or generated by GTC in the course of providing the Services hereunder without first giving PharmAthene sixty (60) days prior written notice of its intent to dispose same. Notwithstanding the foregoing, GTC may retain copies of any such materials, data and information as is reasonably necessary for regulatory purposes or to demonstrate the satisfaction of if its obligations hereunder, all subject to the confidentiality obligations set forth herein.

17.3. GTC shall employ all reasonable and appropriate measures and processes to ensure that all data collected and stored by GTC on its premises or offsite at any storage facility pursuant to this Agreement will be safeguarded against loss, damage and destruction arising from any cause including, but not limited to, theft, fire, flood, earthquake, lightening and electrical disruption. Such measures and processes shall include, but not be limited to, (a) storage of hard-copy documents and computer storage disks in locked, fireproof containers, and (b) back-up and recovery systems (which are periodically tested) for computer-based systems.

18. Debarment.

18.1. GTC warrants that it has not been debarred by the FDA or any other governmental or regulatory agency having jurisdiction over the provision of drug development services. If GTC or any of its agents who perform Services becomes debarred or receives notice of action or threat of action with respect to debarment, GTC, upon learning same, shall notify PharmAthene immediately thereof. Additionally, GTC certifies that there are no debarment proceedings pending for GTC.

18.2. GTC warrants that it will not employ or contract with any person to perform Services under this Agreement (i) who has been debarred by any regulatory agency having jurisdiction over the provision of drug development services, (ii) who has been disqualified pursuant to 21 C.F.R. Part 312 or (iii) who has been convicted of a crime which could lead to debarment. If GTC receives notice of the debarment or threatened debarment of any such person, GTC shall immediately notify PharmAthene thereof. GTC shall use its best efforts to ascertain whether any person that will perform Services has been debarred or disqualified as described in this Section 18.2

19. Notices.

Any notice required or permitted to be given hereunder by either party hereto shall be in writing and shall be deemed given on the date received if (i) delivered personally, (ii) by recognized overnight courier, (iii) by facsimile or (iv) by registered or certified mail, return receipt requested, postage prepaid. All notices shall be sent to the address set forth below. Either party may change its notice address by notice to the other party hereto in the form and manner herein presented.

If to PharmAthene:
175 Admiral Cochrane Drive, Suite 101
Annapolis, Maryland 21401
Attention: Richard Schoenfeld
Telephone: (410)571-8920
Facsimile: (410) 571-8927

with a copy to:		Elizabeth Mackessy-Lloyd Contracts Manager PharmAthene, Inc. 175 Admiral Cochrane Drive, Suite 101 Annapolis, Maryland 21401 Telephone: (410)571-8920 Facsimile: (410) 571-8927
If to GTC:	Name:	GTC Biotherapeutics 175 Crossing Blvd
	Address:	Framingham, MA 01702 Attention: Gregory Liposky Telephone: (508) 370-5212 Facsimile: (508) 370-3797

20. Governing Law.

This Agreement and the rights and obligations of the parties hereunder shall be governed by the laws of Delaware.

21. Arbitration.

If any dispute arises with respect to Services to be provided under this Agreement, the parties shall submit such dispute to binding arbitration at a mutually acceptable location pursuant to the commercial arbitration rules of the American Arbitration Association then in effect. The decision of an arbitrator selected hereunder shall be final, binding and enforceable by any court of competent jurisdiction.

22. Severance.

If one or more provisions of this Agreement shall be found to be illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, provided the surviving agreement materially comports with the parties' original intent.

23. Waiver.

Waiver, failure or forbearance by either party to claim a breach of any provision of this Agreement or exercise any right or remedy provided under this Agreement or by applicable law, shall not be deemed to constitute a waiver with respect to any subsequent breach, right or remedy.

24. Changes and Modification.

No changes or modifications of this Agreement hereto shall be effective unless in writing signed by the parties hereto.

25. Assignment and Subcontracting.

The rights and obligations set forth in this Agreement may not be assigned or subcontracted by either party without the prior written consent of the other party; provided, however, that the parties may assign this Agreement to a successor-in interest to the party's business.

26. Incorporation Of Far Clauses.

The Federal Acquisition Regulation (FAR) clauses referenced below are incorporated herein. The complete text of those clauses is set forth in Exhibit D, and is applicable, including any notes following the clause citation, to this Agreement. The Contracts Dispute Act shall have no application to this Agreement. Any reference to a "Disputes" clause shall mean the "Arbitration" clause of this contract.

The following FAR and DFARS Clauses apply to this contract:

52.222-21	PROHIBITION OF SEGREGATED FACILITIES (FEB 1999)
52.222-26	EQUAL OPPORTUNITY (APR 2002)
52.222-35	EQUAL OPPORTUNITY FOR SPECIAL DISABLED VETERANS, VETERANS OF THE VIETNAM ERA, AND OTHER ELIGIBLE VETERANS (DEC 2001)
52.222-36	AFFIRMATIVE ACTION FOR WORKERS WITH DISABILITIES (JUN 1998)
52.222-39	NOTIFICATION OF EMPLOYEE RIGHTS CONCERNING PAYMENT OF UNION DUES OR FEES (DEC 2004)
52.225-13	RESTRICTIONS ON CERTAIN FOREIGN PURCHASES (MAR 2005)
52.227-11	PATENT RIGHTS--RETENTION BY THE CONTRACTOR (SHORT FORM) (JUN 1997)
52.244-6	SUBCONTRACTS FOR COMMERCIAL ITEMS (FEB 2006)
52.247-64	PREFERENCE FOR PRIVATELY OWNED U.S.-FLAG COMMERCIAL VESSELS (FEB 2006)
252.247-7023	TRANSPORTATION OF SUPPLIES BY SEA (MAY 2002)
252.247-7024	NOTIFICATION OF TRANSPORTATION OF SUPPLIES BY SEA (MAR 2000)

CERTIFICATIONS AND REPRESENTATIONS:

52.209.5	CERTIFICATION REGARDING DEBARMENT, SUSPENSION, PROPOSED DEBARMENT, AND OTHER RESPONSIBILITY MATTERS. (1) GTC certified that, to the best of its knowledge and belief, GTC and/or any of its Principals, (as defined in FAR 52.209-5) are not presently debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency. (2) GTC shall provide immediate written notice to PharmAthene, Inc. if any time prior to award to any contract, it learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.

52.219-1 SMALL BUSINESS PROGRAM REPRESENTATIONS.

(1) The North American Industry Classification System (NAICS) code for this acquisition is 325414.

(2) The small business size standard is 500 employees.

(3) In accordance with 52.219-1 and 13 CFR Part 121, GTC represents that it is, at the time of signing this agreement, a small business concern.

52.222-21 PREVIOUS CONTRACTS AND COMPLIANCE REPORTS. GTC represents that if GTC has participated in a previous contract or subcontract subject to Equal Opportunity clause (FAR 52.222-26): (i) GTC has filed all required compliance reports, and (ii) that representations indicating submission of required compliance reports, signed by proposed subcontractors, will be obtained before subcontract awards.

52.222-25 AFFIRMATIVE ACTION COMPLIANCE. GTC represents: (i) that GTC has developed and has on file at each establishment, Affirmative Action programs required by the rules and regulations of the Secretary of Labor (41 CFR 60-1 and 60-2), or (ii) that in the event such a program does not presently exist, GTC will develop and place in operation such a written Affirmative Action Compliance Program within one-hundred twenty (120) days from the award of this Contract.

27. Entire Agreement.

This Agreement represents the complete and entire understanding between the parties regarding the subject matter hereof and supersedes all prior negotiations, representations and agreements, either written or oral, with respect to the subject matter hereof.

28. Amendments.

No changes may be made to this Agreement except by written amendment. In the event a change in the terms of this Agreement or SOW, is identified by PharmAthene or GTC, the identifying party will promptly notify the other party of such change in writing. During the period over which a written amendment is being prepared and assessed, GTC shall continue to perform the Services, unless directed by PharmAthene to stop work, but shall not implement the proposed change to the Services without the written amendment signed by PharmAthene. Both parties agree to act in good faith and promptly when considering an amendment and will not unreasonably withhold approval.

[SIGNATURES FOLLOW]

IN WITNESS THEREOF, this Agreement has been executed by the parties hereto through their duly authorized officers as of the date first set forth above.

GTC Biotherapeutics, Inc.	PharmAthene, Inc.
By: /s/ Geoffrey F. Cox	By: /s/ David P. Wright
Name: Geoffrey F. Cox	Name: David P. Wright
Title: Chairman, President and CEO	Title: President and CEO
Date: March 2, 2007	Date: March 2, 2007

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT WITH RESPECT TO THE OMITTED PORTIONS.
OMITTED PORTIONS ARE INDICATED BY [***].

LICENSE AGREEMENT

by and between

GTC BIOTHERAPEUTICS, INC.

AND

PHARMATHENE, INC.

Dated as of March 12, 2007

LICENSE AGREEMENT

This License Agreement ("Agreement"), made as of this 12th day of March, 2007 (the "Effective Date"), is between GTC Biotherapeutics, Inc., a Massachusetts corporation, with offices at 175 Crossing Boulevard, Suite 410, Framingham, Massachusetts, U.S.A. 01702 ("GTC") and PharmAthene, Inc., a Delaware corporation, with its principal executive offices located at 175 Admiral Cochrane Drive, Annapolis, Maryland 21401 ("PharmAthene"), GTC and PharmAthene are each referred to as "Party" and, collectively, the "Parties."

R E C I T A L S

WHEREAS, GTC and PharmAthene each have substantial programs and know-how in the development of transgenic animals and biopharmaceuticals sourced therefrom;

WHEREAS, GTC and Nexia Biotechnologies ("Nexia") entered into a license agreement on September 17, 2004 (the "Original Agreement") for GTC's Transgenic Animal Production Technology and an option to license GTC's product processing technology;

WHEREAS, Nexia has paid to GTC $[***] toward certain milestone payments as required by the Original Agreement;

WHEREAS, PharmAthene, through its wholly-owned subsidiary, PharmAthene Canada, acquired substantially all of the assets of Nexia on March 10, 2005, pursuant to which the Original Agreement was novated to PharmAthene Canada on January 17, 2005;

WHEREAS, PharmAthene and GTC wish to terminate the Original Agreement and enter into this Agreement; and

WHEREAS, both Parties understand that the license granted herein extends only to the production of recombinant BChE produced from the milk of transgenic goats and/or mice.

NOW, THEREFORE the Parties agree as follows:

ARTICLE 1
DEFINITION OF TERMS

Capitalized terms used in this Agreement shall have the meaning ascribed to them in Schedule 1 unless otherwise specifically defined herein.

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*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

ARTICLE 2
LICENSE GRANT

2.1 License Grant from GTC to PharmAthene.

2.1.1 Grant.

Subject to the terms and conditions of this Agreement, GTC hereby grants to PharmAthene an exclusive worldwide license under the GTC Intellectual Property to develop, test, manufacture, use, sell, offer for sale, export and import the Product and recombinant BChE only produced from the milk of transgenic goats or mice (the "License").

GTC shall retain all of its rights to the GTC Intellectual Property exclusively outside of the BChE Field, in accordance with Article 4.

The License granted herein with respect to GTC Intellectual Property is sole and exclusive and precludes GTC or any of its Affiliates from (i) making any commercial use of GTC Intellectual Property in connection with the production of BChE or the Product (ii) out-licensing or granting any rights in GTC Intellectual Property to any third party in connection with the production of BChE or the Product.

With respect to Transgenic Technology Patent Rights which GTC does not own, but to which it has non-exclusive licenses (the "Non-Exclusive Third Party Patents"), the rights provided to PharmAthene hereunder will be non-exclusive and subject to the same Territory that GTC has with respect to such rights. With respect to such Non-Exclusive Third Party Patents, GTC hereby agrees not to use such patents in any way in connection with the production of BChE or the Product or license or grant any rights in such patents to any third party in connection with the production of BChE or the Product.

Subject to Section 9.4.1, the License granted to PharmAthene herein shall not terminate upon and shall survive an Insolvency Event relating to GTC.

2.1.2 Sublicensing. Subject to the terms and conditions of this Agreement, GTC hereby grants to PharmAthene the right to grant sublicenses under the GTC Intellectual Property, to any person, including third party contract manufacturing organizations and Affiliates. Such sublicenses can only be granted for the purpose of facilitating the development, testing, manufacture and/or sale of recombinant transgenically derived BChE. Such sublicensees shall not have the right to further sublicense any of GTC Intellectual Property, as is applicable.

Subject to Section 9.4.1, the sublicensing rights granted to PharmAthene herein shall not terminate and shall survive an Insolvency Event relating to GTC.

2.1.3 Diligence. GTC and PharmAthene each agree to use commercially reasonable efforts to diligently conduct the research and development activities required to commercialize the recombinant transgenically derived BChE.

2.1.4 Consideration.

(a) Initial License Fees. In consideration of the License and the sublicensing rights granted pursuant to Section 2.1.1, PharmAthene shall pay to GTC the following license fees:

(i) USD $[***] to be received by GTC no later than the tenth (10th) business day following the signing of this Agreement;

(ii) USD $[***] to be received by GTC no later than December 21, 2007;

(iii) USD $[***] on the date PharmAthene files its first IND for a Product with the FDA or pursuant to a similar filing within a different jurisdiction, specifically including Europe; and

(iv) USD $[***] on the date PharmAthene files its first BLA for a Product with the FDA or pursuant to a similar filing within a different jurisdiction, specifically including Europe.

(b) Royalties. In addition to the payments due under Section 2.1.4(a) above, PharmAthene shall pay to GTC the following royalties (the "Royalties"):

(i) [***]% of Net Sales for any Product produced with the use of GTC Intellectual Property in transgenic animals (regardless of whether those Net Sales are Commercial Sales).

(ii) If the Product is not made in transgenic animals, then a reduced Royalty (from Subsection (i) above), the amount of which shall be determined by the mutual agreement of the Parties based upon a good faith determination by the Parties as to the contribution of GTC Intellectual Property to the Product.

(c) Minimum Royalty. PharmAthene shall:

(i) within thirty (30) days after the end of the twelve-month period following the date of the first Commercial Sale (the "First Period") or equivalent foreign agency, pay the positive difference, if any, between (i) USD $[***]; and (ii) the aggregate Royalties on Net Sales during the First Period;

(ii) within thirty (30) days after the end of the twelve-month period following the First Period (the "Second Period"), pay the positive difference, if any, between (i) USD $[***]; and (ii) the aggregate Royalties on Net Sales during the Second Period; and

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*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

(iii) within thirty (30) days after the end of the twelve month period following the Second Period and each subsequent twelve-month period thereafter, pay the positive difference, if any, between (i) USD $[***] ; and (ii) the aggregate Royalties on Net Sales during any such twelve-month period.

2.2 No Involvement. Other than as provided in the Services Agreement, or as otherwise mutually agreed to by the parties, GTC agrees not to be involved or otherwise be engaged, directly or indirectly, in the development, production or sale of BChE throughout the Term of this Agreement.

2.3 Quarterly Reporting and Payment of Royalties Due. Within thirty (30) days following the end of each calendar quarter after having filed an BLA for BChE or a similar filing within a different jurisdiction, PharmAthene shall submit to GTC a written report for the immediately preceding calendar quarter setting forth in reasonable detail the Net Sales in such quarter and the calculation of any Royalties owed by PharmAthene to GTC for such Net Sales. All reports will be reported in U.S. dollars and converted from other currencies, as applicable, at the prevailing rate published in The Wall Street Journal on the date of payment to GTC. Concurrently with the submission of such report, PharmAthene shall pay to GTC, in a manner reasonably specified by GTC from time to time, all amounts accrued in such immediately preceding calendar quarter less any applicable taxes or other withholdings therefrom required by applicable law. All payments to GTC shall be made in United States dollars.

2.4 Taxes. Licensee may withhold from payments due to the Licensor under this Agreement any taxes which it is required to withhold under applicable Law as a result of any of the transactions made or contemplated under this Agreement.

2.5 Audit Rights. During the Term and for a period of five (5) years thereafter, PharmAthene shall keep, and shall require all Affiliates to keep, full, true and accurate books of accounts and other records containing all information and data which may be necessary to ascertain and verify the royalties payable hereunder. During the Term and during the period ending six (6) months thereafter, GTC will have the right once annually, at its own expense, to have an independent, certified public accountant, selected by GTC and reasonably acceptable to PharmAthene, review financial and sales records of PharmAthene for the prior twenty-four (24) month period related to sales of Products, in all cases in the location(s) where such records are maintained by PharmAthene, upon reasonable notice during regular business hours and under obligations of strict confidence, for the purpose of verifying the basis and accuracy of royalty payments due or made or other compliance with the terms and conditions of this Agreement. Costs and expenses incurred by GTC in connection with the exercise of its audit rights hereunder shall be borne entirely by GTC; provided, however, that if an audit reveals an underpayment of Royalties or other payments to GTC by more than five percent (5%), then GTC shall be entitled to reimbursement of all such costs and expenses of the audit as well as all unpaid monies due with interest calculated at the annual rate of six per cent (6%) per annum calculated from the payment first became due until it is received by GTC.

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*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

2.6 Avoidance of Illegal Payments. Where Royalties are due hereunder for sales of Products in a country where, by reason of currency regulations or taxes of any kind, it is impossible or illegal for PharmAthene to transfer Royalty payments to GTC for sales in that country, such Royalties shall be deposited in whatever currency is allowable by the person not able to make the transfer for the benefit or credit of GTC in an accredited bank in that country that is reasonably acceptable to GTC.

ARTICLE 3
CONFIDENTIAL INFORMATION

3.1 Restrictions. The Parties agree that, for the Term of this Agreement and for five (5) years thereafter, either Party that receives Confidential Information (a "Receiving Party") from the other Party (a "Disclosing Party") shall keep completely confidential and shall not publish or otherwise disclose to any third party (other than contractors and consultants as set forth in Section 3.2) and shall not use for any purpose (except as expressly permitted hereunder) any Confidential Information of the Disclosing Party.

3.2 Employees and Consultants. Each Party shall inform its employees, contractors and consultants of the obligations of confidentiality under this Agreement, and each Party shall cause all such persons employed or engaged by it, including employees, contractors and consultants, in connection with the performance of a Party's obligations hereunder on a "need to know" basis, to be bound (in writing) by obligations of confidentiality consistent with those in this Agreement.

3.3 Distribution of GTC Intellectual Property within PharmAthene. PharmAthene agrees not to make any copies of documents which GTC reasonably designates are covered by this Agreement without the express written permission of GTC. GTC will clearly mark those documents as, "GTC Confidential Information - - Do Not Duplicate." PharmAthene further agrees to maintain control of all original documents plus any copies that are authorized by GTC. In addition, GTC may audit the system used to control documents transferred from GTC to PharmAthene.

3.4 Exceptions to Restrictions. Each Party's respective obligations under Section 3.1 shall not apply to information that: (a) was already known to the Receiving Party, other than under an obligation of confidentiality to the Disclosing Party; (b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the Receiving Party; (c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the Receiving Party in breach of this Agreement; (d) was subsequently lawfully disclosed to the Receiving Party by a third party; (e) can be shown by written records to have been independently developed by the Receiving Party without reference to the Confidential Information received from the Disclosing Party and without breach of any of the provisions of this Agreement; or (f) is information that the Disclosing Party has specifically agreed in writing that the Receiving Party may disclose.

3.5 Permitted Disclosures.

3.5.1 Regulations; Law. Notwithstanding anything to the contrary herein, either Party may disclose Confidential Information of the Disclosing Party as required by law (including as required by the Securities Act of 1933, the Securities Exchange Act of 1934, and the listing regulations of a self regulatory organization) , government regulation, court order or alternative dispute resolution process; provided, however, in any such case the Party seeking to make such disclosure provides, to the extent not prohibited, the Disclosing Party with advance written notice of such disclosure and provides the Disclosing Party with a reasonable opportunity to secure protection of the Confidential Information therein.

3.5.2 Customers. To the extent that it is reasonably necessary to fulfill its obligations with its customers and exercise its rights under this Agreement, a Receiving Party may disclose Confidential Information of the Disclosing Party to potential and actual customers who require the information to develop or assist in the development or sale of recombinant BChE; provided however, that any such customer shall first acknowledge in writing such Receiving Party obligations of confidentiality consistent with those of the Parties herein.

3.5.3 Disclosures Required for Patent Application. In the event that a Receiving Party intends to submit a patent application in accordance with this Agreement that will disclose the Confidential Information of the Disclosing Party, then such Disclosing Party shall be provided at least thirty (30) days to review the proposed patent application to suggest ways to minimize the extent of disclosure and/or to file a patent application of its own on such Confidential Information. The filing of any patent application disclosing the Confidential Information of the Disclosing Party shall be delayed for up to thirty (30) additional days after the initial thirty (30) day waiting and review period upon written request by the Disclosing Party Confidential Information. After such waiting and review period(s), a Receiving Party shall be permitted to file a patent application containing the Confidential Information of the Disclosing Party to the limited extent reasonably necessary to support patentability of the subject invention.

ARTICLE 4
OWNERSHIP

4.1 Ownership of Inventions and Improvements in the BChE Field. Any (i) intellectual property created and/or invented by GTC during the Term, and/or any improvements made to GTC Intellectual Property during the Term, to the extent required for the BChE Field or used in the production, purification or manufacture of the Product. GTC hereby agrees to assign and cooperate in the appropriate filing of all necessary documents reasonably requested by PharmAthene to reflect the exclusive ownership by PharmAthene of newly developed technology/improvements within the BChE Field.

4.2 Joint Ownership. Any intellectual property created and/or invented by GTC during the term of this Agreement, which has an application both within BChE Field and outside the BChE Field shall be jointly owned by GTC and PharmAthene.

4.3 Ownership outside the BChE Field. Any intellectual property created and/or invented by GTC during the term of this Agreement and/or any improvements made by GTC to intellectual property owned by GTC that relates exclusively to applications outside the BChE Field shall be owned exclusively by GTC.

4.4 Inventorship. Inventorship for inventions or data conceived, reduced to practice, discovered or generated by a Party exercising its rights under this Agreement shall be determined in accordance with United States patent laws for determining inventorship.

4.5 Sole Ownership. Unless otherwise agreed in writing, each Party shall, in its sole discretion and at its sole expense, be responsible for all preparation, filing, prosecution and maintenance of intellectual property rights associated with the inventions or data that a Party solely owns in accordance with Section 4.1.

ARTICLE 5
PATENT PROSECUTION & MAINTENANCE

5.1 Joint Ownership - Patent Applications. GTC shall inform in writing PharmAthene of any invention or improvement pursuant to Sections 4.1 or 4.2 (an "Invention Notice"). In the case of subject matter owned jointly in accordance with Section 4.2, GTC shall have the first option to pursue patent(s) or other forms of registered intellectual property protection for such subject matter in one or several jurisdictions by notifying PharmAthene of its intention to do so (the "Filing Notice"). If PharmAthene responds in writing of its desire to join in the prosecution of such intellectual property protection in any or all such jurisdictions, within thirty (30) days of the Filing Notice by GTC, then GTC shall file the application in selected relevant jurisdiction(s) for such registered form of intellectual property protection in the name of both Parties as joint owners, and the Parties shall share equally all costs and expenses reasonably incurred by GTC in connection with the preparation, filing, prosecution of the subject application and maintenance of any registered form of intellectual property resulting therefrom. If PharmAthene does not notify GTC, within thirty (30) days of the Filing Notice, of its desire to join in the prosecution of the intellectual property protection in one or several of the jurisdictions proposed by GTC, GTC shall be free to file the application for such protection as sole owner of the invention in such jurisdiction(s), at its sole cost and expense, and PharmAthene shall execute all documents required assign its rights to GTC. As a joint owner of any registered form of intellectual property, subject to any other Transgenic Technology Patent Rights of the other joint owner or other duties of obligations of the Parties under this Agreement, such joint owner may freely assign or license its interest therein without accounting to the other joint owner(s) and shall have no duty of contribution to the other joint owner(s) in respect of any such assignment or license. The assignee or licensee shall, however, acknowledge and accept in writing the terms and conditions set forth in this Section 5.1prior to such assignment or license becoming effective. Moreover, the assigning or licensing Party shall, within thirty (30) days following the assignment or license, notify in writing the other Party of the identity of the assignee or licensee.

If GTC has not, within sixty (60) days of the Invention Notice or of the moment PharmAthene advises that it becomes aware of the invention or improvement, sent a Filing Notice to PharmAthene or if GTC has not, within four (4) months of sending a Filing Notice to PharmAthene, filed a patent

application, PharmAthene may file patent applications as sole owner of the invention or improvement in any jurisdiction where GTC has not filed a patent application, with the sole cost being borne by PharmAthene.

5.2 Joint Ownership - Management. The Parties agree that a patent attorney designated by the prosecuting Party and agreed to by the Notified Party, agreement not being unreasonably withheld, shall be responsible for the management and prosecution of any patent application for intellectual property which is jointly owned pursuant to this Agreement. If GTC desires to abandon any patent or patent application within the BChE Field or to decline responsibility for the maintenance or prosecution of any such patent or patent application in any country, GTC shall provide PharmAthene with sufficient prior written notice of such intended abandonment or declination of responsibility such that PharmAthene shall have the opportunity to assume responsibility for such patent or patent application without the loss of any rights therein, and PharmAthene shall have the right, at its cost and expense, to prepare, file, prosecute, and maintain the relevant patents and/or patent applications in the relevant country or countries in the name of PharmAthene. In such an event, GTC shall cooperate, and cause its Affiliates to cooperate, with PharmAthene with respect thereto.

5.3 Patent Prosecution and Maintenance. GTC shall reasonably prosecute and maintain the GTC Intellectual Property and, to the extent patentable, any patents or pending patent applications existing as of the Effective Date hereof and during the Term of this Agreement. GTC shall have the ultimate responsibility for meeting all payment, cost, and filing deadlines concerning GTC Intellectual Property, and any other form of intellectual property protection associated therewith.

ARTICLE 6
INFRINGEMENT BY A THIRD PARTY

6.1 Obligation to Notify. Should PharmAthene or GTC become aware of any infringement or potential infringement of the GTC Intellectual Property, each shall give to the other Party prompt written notice including a reasonable amount of factual details concerning such infringement or potential infringement.

6.2 Patent Litigation. GTC shall initiate, defend and save PharmAthene harmless against any infringement lawsuit and claims made by a person against PharmAthene related to PharmAthene's use of GTC's Intellectual Property provided herein, the whole without prejudice to PharmAthene's right to intervene in any such proceedings with legal counsel of its choice. If, however, applicable law requires that PharmAthene be joined to the legal proceedings as a necessary party-plaintiff, GTC shall reimburse PharmAthene for expenses and costs (including reasonable legal fees and costs) incurred by PharmAthene, or representatives of PharmAthene whose involvement is reasonably required, provided however that such expenses and costs are reasonable.

6.3 Infringement Proceedings. In the event a third party is believed to be infringing on the GTC Intellectual Property, GTC shall institute and direct legal proceedings against such third party provided however, that GTC shall not settle any claim or proceeding relating to the GTC Intellectual Property in a

manner that prejudices the License, the sublicense rights granted hereunder or any other rights of PharmAthene hereunder without the prior written consent of PharmAthene. All costs, including attorneys' fees, relating to such legal proceedings shall be borne by GTC and all damages and awards, if any, shall belong to GTC after reimbursement of any costs and expenses incurred by PharmAthene in connection with such proceedings, provided however that such expenses and costs are reasonable.

6.4 Cooperation in Patent Infringement Proceedings. In the event that either Party takes action pursuant to this Section 6, the other Party shall cooperate to the extent reasonably necessary. GTC shall reimburse PharmAthene for the costs incurred in such cooperation, including the salary of PharmAthene's employees and agents involved in such cooperation.

ARTICLE 7
REPRESENTATIONS AND WARRANTIES

7.1 Authority. Each Party represents and warrants that it has the full right, power and authority to enter into this Agreement and that this Agreement has been duly executed by such Party and constitutes a legal, valid and binding obligation of such Party, enforceable in accordance with its terms.

7.2 No Conflicts. Each Party represents and warrants that the execution, delivery and performance of this Agreement do not conflict with, or constitute a breach or default under any of its charter or organizational documents, any law, order, judgment or governmental rule or regulation applicable to it, or any material agreement, contract, commitment or instrument to which it is a party. Each Party represents and warrants that its obligations under this Agreement are not encumbered by any rights granted by such Party to any third party or by any third party to such Party that are or may be inconsistent with the rights and licenses and sublicenses granted in this Agreement.

7.3 Intellectual Property. GTC represents and warrants to PharmAthene that:

(a) the Transgenic Technology Patent Rights and the GTC Intellectual Property licensed to PharmAthene under this Agreement are valid and enforceable;

(b) GTC possesses the necessary rights to grant the License and the sub-license rights hereunder;

(c) GTC has not received any notice from any third party asserting the invalidity, misuse, unenforceability or non-infringement of any of the Transgenic Technology Patent Rights licensed to PharmAthene under this Agreement and to the extent applicable, in the GTC Intellectual Property, and GTC has not received any notice from any third party challenging its right to use or ownership of any of such Transgenic Technology Patent Rights or the GTC Intellectual Property;

(d) GTC has no knowledge that the testing, manufacture, use, sale, offer for sale or importation of recombinant BChE as contemplated hereunder will infringe or otherwise violate the patent rights or other intellectual property rights of any third party; and

(e) GTC is not aware of any pending or threatened claim or litigation that alleges that the Transgenic Technology Patent Rights or the GTC Intellectual Property have violated the intellectual property rights of any third party.

7.4 Warranties Relative to the Right to Practice. PharmAthene hereby warrants that as of the date hereof:

7.4.1 PharmAthene is not aware of any rights to any valid patent claim (other than the rights licensed by GTC to PharmAthene herein or that PharmAthene already has) that are necessary in order to allow PharmAthene to commercialize BChE;

7.4.2 PharmAthene is not aware that the commercialization of BChE by PharmAthene would infringe any valid patent claims of any third party;

7.4.3 To its knowledge and as of the date of this Agreement, PharmAthene owns or has rights to the intellectual property currently required to commercialize BChE as it intends to commercialize it; and

7.4.4 there are no patent infringement suits or patent infringement claims asserted against PharmAthene relative to BChE.

7.5 Disclaimer of Warranties. Except as expressly set forth in this Agreement, neither Party makes any representations and extends no warranties or conditions of any kind, either express or implied, including, but not limited to, warranties of merchantability, fitness for a particular purpose or non-infringement.

7.6 Limitation on Liability. Neither Party shall be liable to the other Party for special, indirect, incidental or consequential damages, whether based in contract, warranty, tort, negligence, strict liability or otherwise, including, but not limited to, loss of profits or revenue; provided, however, such limitation shall not apply to the indemnification obligations of one Party under Sections 8.1 or 8.2, as the case may be, with respect to claims by a third party against the other Party, nor shall it apply to Sections 8.1.2 and 8.2.2 or with respect to a breach of Section 11.4.

ARTICLE 8
INDEMNIFICATION

8.1 Indemnification by GTC.

8.1.1 General. Subject to Section 7.6 hereof and except as provided specifically in Section 8.1.2, GTC shall indemnify, defend and hold PharmAthene and its employees, officers, directors, contractors, consultants and agents (the "PharmAthene Indemnitees") harmless from and against any and all liability, damage, loss, cost or expense (including reasonable attorneys' fees)

(collectively, "Losses") arising out of: (a) GTC's performance of its obligations under this Agreement; (b) the testing, manufacture, use, importation, offer for sale or sale of Products by GTC and its distributors, agents or customers; (c) a material breach by GTC of any of its covenants, representations or warranties set forth in this Agreement, and (d) any third party claim made against PharmAthene relating to its use of the Transgenic Technology Patent Rights pursuant to the terms and conditions of this Agreement except to the extent such Losses result from the material breach of any of the provisions of this Agreement by PharmAthene or the PharmAthene Indemnitees or the gross negligence or willful misconduct of PharmAthene or the PharmAthene Indemnitees.

8.1.2 Confidentiality. Notwithstanding Sections 7.6 and 8.1.1 herein, GTC shall defend, indemnify and hold harmless PharmAthene and the PharmAthene Indemnitees from and against any and all Losses that may result, in whole or part, from any breach of the obligations of confidentiality under this Agreement by GTC or the GTC Indemnitees or otherwise caused by the GTC Indemnitees or customers and potential customers of GTC that should have an obligation of confidentiality to GTC as a Receiving Party in accordance with this Agreement.

8.1.3 Conditions of Indemnities and Settlement. The indemnities under Sections 8.1.1 and 8.1.2 are conditioned upon: (i) promptly notifying GTC in writing of the claim; (ii) providing GTC all reasonably requested information that PharmAthene has concerning the claim; (iii) reasonably cooperating with, and assisting GTC in, defending the claim at GTC's expense; and (iv) granting GTC authority to defend and control the defense of the claim (provided that PharmAthene may participate in the defense to the extent it deems appropriate and at its expenses). GTC shall not settle any such claim or suit without the prior written consent of PharmAthene, unless: (i) GTC or the GTC Indemnitees shall have first waived its/their rights to indemnification hereunder; (ii) the settlement involves the payment of monetary damages by GTC only; and (iii) the settlement would not result in any injunctive or other relief against, or the assumption or admission of any liability by, PharmAthene.

8.2 Indemnification by PharmAthene.

8.2.1 General. Subject to Section 7.6, PharmAthene shall indemnify, defend and hold GTC and its employees, officers, directors, contractors, consultants and agents (the "GTC Indemnitees") harmless from and against any and all Losses arising out of: (a) PharmAthene's performance of its obligations under this Agreement; (b) subject to Section 8.1, the manufacture, use, importation, offer for sale or sale of Products by PharmAthene and its distributors, agents or customers; and (c) a material breach by PharmAthene of any of its covenants, representations or warranties set forth in this Agreement, except to the extent such Losses result from the breach of any of the provisions of this Agreement by GTC or the GTC Indemnitees or gross negligence or willful misconduct of GTC or the GTC Indemnitees.

8.2.2 Confidentiality. Notwithstanding Sections 7.6 and 8.2.1, PharmAthene shall defend, indemnify and hold harmless GTC and the GTC Indemnitees from and against any and all Losses that may result, in whole or part, from any breach of the obligations of confidentiality under this Agreement by PharmAthene or the PharmAthene Indemnitees or otherwise caused by the PharmAthene Indemnitees or customers and potential customers of PharmAthene that should have an obligation of confidentiality to PharmAthene as a Receiving Party in accordance with this Agreement.

8.2.3 Conditions of Indemnities and Settlement. The indemnitees under Sections 8.2.1 and 8.2.2 are conditioned upon: (i) promptly notifying PharmAthene in writing of the claim; (ii) providing PharmAthene all reasonably requested information that GTC has concerning the claim; (iii) reasonably cooperating with, and assisting PharmAthene in, defending the claim at PharmAthene's expense; and (iv) granting PharmAthene authority to defend and control the defense of the claim (provided that GTC may participate in the defense to the extent it deems appropriate and at its expense). PharmAthene shall not settle any such claim or suit without the prior written consent of GTC, unless: (i) PharmAthene or the PharmAthene Indemnitees shall have first waived its/their rights to indemnification hereunder; (ii) the settlement involves the payment of money damages by PharmAthene only; and (iii) the settlement would not result in any injunctive or other relief against, or the assumption or admission of liability by, GTC.

8.3 Insurance. Each Party shall maintain necessary insurance, including product liability insurance and workers compensation or an insurance product with a similar purpose, with respect to its activities hereunder. Such insurance shall be in such amounts and subject to such deductibles as the Parties may agree based upon standards prevailing in the industry at the time. Each Party may satisfy its obligations under this Section 8.3 through self-insurance to the same extent.

ARTICLE 9
TERM AND TERMINATION

9.1 Term. This Agreement shall commence on the Effective Date hereof and, unless extended by mutual written agreement of the Parties or terminated sooner under this Article 9, this Agreement and its provisions shall expire on December 31, 2026 (the "Term").

9.2 Termination for Breach. The failure by a Party to comply in any material respects with any of the material obligations contained in this Agreement shall entitle the other Party to give notice to have the default cured. Failure by PharmAthene to pay any Royalty, milestone payment, annual fee or licensing fee due pursuant to Section 2.1.4 or failure by GTC to comply with its obligations pursuant to Section 2.1.1 shall be considered a material failure to comply with a material obligation. If such default is not cured within sixty (60) days after the receipt of such notice, or if diligent steps are not taken to cure or if, by its nature, such default could not be cured within sixty (60) days, the notifying Party shall be entitled, without prejudice to any of its other rights conferred on it by this Agreement, and in addition to any other remedies that may be available to it, to terminate this Agreement in its entirety. This ability to terminate, however, shall be stayed in the event that, during such sixty (60) day period, the Party alleged to have been in default shall have: (a) initiated arbitration in accordance with Article 10, below, with respect to the alleged default, and (b) diligently and in good faith cooperates in the prompt resolution of such arbitration proceedings.

9.3 Termination by PharmAthene. PharmAthene may terminate this Agreement at any time upon notice to GTC, but in such case shall forfeit all rights to any refund of any prior payment and shall also forfeit any and all licenses, access or utilization of the GTC Intellectual Property or any other intellectual property rights granted herein.

9.4 Insolvency or Bankruptcy.

9.4.1 Termination. Either Party may, in addition to any other remedies available by law or in equity, terminate this Agreement by written notice to the other Party in the event (collectively, an "Insolvency Event"): (i) the latter Party (the "Insolvent Party") shall have become insolvent or bankrupt, or shall have assigned its property for the benefit of its creditors, or there shall have been appointed a trustee or receiver of the Insolvent Party or for all or a substantial part of its property; or (ii) any other proceeding that shall have been commenced or other action taken by or against the Insolvent Party in bankruptcy or seeking reorganization, liquidation, dissolution, winding-up, arrangement or readjustment of the Insolvent Party's debts or any other relief under any bankruptcy, insolvency, reorganization or other similar act or law of any jurisdiction now or hereafter in effect; or (iii) there shall have been issued a warrant of attachment, execution, restraint or similar process against any substantial part of the property of the Insolvent Party, and any such event shall have continued for ninety (90) days undismissed, unbonded and undischarged.

9.4.2 Intellectual Property. All rights, licenses and sublicenses granted under or pursuant to this Agreement by GTC are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code, licenses of right to "Intellectual Property" as defined under Section ss.101 of the United States Bankruptcy Code. The Parties agree that PharmAthene as licensee of such rights under this Agreement shall retain and may fully exercise all of its rights and elections under the United States Bankruptcy Code. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against GTC under the United States Bankruptcy Code, PharmAthene shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments or descriptions of such licensed intellectual property, and same, if not already in its possession, shall be promptly delivered to it (a) upon any such commencement of a bankruptcy proceeding upon its written request therefor, unless GTC elects to continue to perform all of its obligations under this Agreement or (b) if not delivered under (a) above, upon the rejection of this Agreement by or on behalf of GTC upon written request therefor by the non-debtor Party.

9.4.3 GTC Rights in Bankruptcy. PharmAthene shall notify GTC in writing promptly after: (i) the filing by or against PharmAthene of any petition in bankruptcy or similar filing seeking relief from creditors; (ii) receipt by PharmAthene of any notice of foreclosure and/or default that could be reasonably foreseen to have the effect of preventing the commercialization of BChE or the filing of a BLA.

9.4.4 Right of First Negotiation. PharmAthene hereby grants to GTC a right of first negotiation for the purpose of negotiating in good faith a license to any intellectual property owned by PharmAthene with respect to the production or development of BChE, including all rights assigned by GTC to PharmAthene pursuant to this Agreement. This right of first negotiation may only be exercised if PharmAthene becomes bankrupt or otherwise, for any reason,

completely ceases its operations, other than as a result of a sale of its business to an Affiliate or a third party. If, after good faith negotiations, the Parties fail to reach an agreement within thirty (30) days following PharmAthene's bankruptcy or the end of PharmAthene's operations, then PharmAthene shall be free to negotiate with other parties for the licensing or assignment of its intellectual property relevant to the production or commercialization of BChE. If PharmAthene, at any moment before the expiry of a four (4) month period after the above thirty (30) day period, wants to enter into an agreement with a third party on terms that are less favorable to PharmAthene than the best offer from GTC, PharmAthene shall give a written notice thereof to GTC and the Parties shall negotiate again, in good faith and for a period of thirty (30) days, an agreement for the purchase of the intellectual property referred to above. This Section 9.4.4 shall not survive in the event of an assignment of the Agreement by PharmAthene pursuant to Section 11.4.

9.5 Survival of Obligations. The termination or expiration of this Agreement shall not relieve the Parties of any obligations accruing prior to such termination, and any such termination shall be without prejudice to the rights of either Party against the other. The provisions of Sections 1.1.1, 2.1.1 (only in the case of a termination by PharmAthene under Section 9.3 or the expiration of the Term set forth in Section 9.1), 2.1.2 (only in the case of a termination by PharmAthene under Section 9.3 or the expiration of the Term set forth in Section 9.1), 2.1.4(a)(i), 2.1.4(a)(ii), 2.3 (only with respect to Net Sales that give rise to the payment of a royalty), 3.1, 3.5, 4.1, 4.2, 4.3, 8.1, 8.2, 9.5, 9.6, Article 10 and Sections 11.12 and 11.5 shall survive any termination of this Agreement.

9.6 Effects of Termination.

9.6.1 Confidential Information. Upon termination of this Agreement for any reason, all use by the Receiving Party of the Confidential Information of the Disclosing Party shall immediately cease, and within thirty (30) days after termination, the Disclosing Party shall return or destroy, as directed by the Disclosing Party, all Confidential Information of the Disclosing Party, regardless of the form in which it is stored, and certify to the Disclosing Party when such return or destruction is complete.

9.6.2 Elimination of License and Termination of Obligations. Subject to Sections 9.4.2 and 9.5, upon termination of this Agreement, the License and sublicense right granted under Article 2 shall immediately terminate and all of the obligations of the Parties under this Agreement shall also terminate at such time.

ARTICLE 10
DISPUTE RESOLUTION

10.1 Dispute Resolution Process. Both Parties understand that their long term mutual interest will be best served by affecting a rapid and fair resolution of any claims or disputes which may arise out of services performed under this contract or from any dispute concerning the terms of this Agreement. Therefore, both Parties agree to use their commercially reasonable best efforts to resolve all such disputes as rapidly as possible on a fair and equitable basis. Toward this end, both Parties agree to develop and follow a process for presenting, rapidly assessing, and settling claims on a fair and equitable basis

that takes into account the precise subject and nature of the dispute. All discussions, summaries and papers generated in connection with such dispute resolution process shall be considered settlement negotiations for the purpose of any applicable rules of discovery or evidence.

10.2 Dispute Resolution Panel. If any dispute or claim arising under this Agreement cannot be readily resolved by the Parties pursuant to the process described above, then the Parties agree to refer the matter to a panel consisting of the Chief Executive Officer of PharmAthene and the Chief Executive Officer of GTC or their duly authorized designees for review and pursuit of a resolution. A copy of the terms of this Agreement, agreed upon facts (and areas of disagreement), and concise summary of the basis for each side's contentions will be provided to both such officers who shall review the same, confer and attempt to reach a mutual resolution of the issue. All discussions, summaries and papers generated in connection with such dispute resolution panel shall be considered settlement negotiations for the purpose of any applicable rules of discovery or evidence.

10.3 Arbitration. If the matter has not been resolved utilizing the foregoing process and/or the Parties are unwilling to accept the non-binding decision of the dispute resolution panel, the Parties may elect to pursue definitive resolution through binding arbitration, in lieu of litigation or other legally available remedies (with the exception of injunctive relief where such relief is necessary to protect a Party from irreparable harm pending the outcome of any such arbitration proceeding). If the Parties elect to settle a dispute by binding arbitration, the arbitration shall be settled in accordance with the Rules of the International Chamber of Commerce by a panel of three arbitrators chosen in accordance with such Rules. If such dispute relates primarily to the Transgenic Technology Patent Rights or otherwise relate to transgenic product processing, molecular biology, and/or recombinant protein secretion by transgenic mammals, such arbitrators shall be selected in such a manner to ensure that they will have sufficient technical expertise and training to handle such a dispute. The arbitration and all hearings and proceeding in connection therewith will be held in Boston, Massachusetts or other mutually agreeable location. Judgment upon the award rendered may be entered in any court having jurisdiction and the Parties irrevocably agree that a judgment or order in any such proceeding shall be conclusive and binding upon the Parties and may be enforced in any court of competent jurisdiction.

10.4 Governing Law. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of Delaware and the federal laws of the United States of America, applicable therein without reference to its conflicts of laws principles.

ARTICLE 11
MISCELLANEOUS PROVISIONS

11.1 Entire Agreement. This Agreement and each of the Schedules hereto constitute and contain the entire understanding and agreement of the Parties respecting the subject matter of this Agreement and cancels and supersedes any all prior negotiations, correspondence, understandings and agreements between the Parties, whether oral or written, regarding such subject matter.

11.2 Further Actions. Each Party agrees to execute, acknowledge and deliver such further instruments and to do all such other acts as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

11.3 Binding Effect. This Agreement and the rights and obligations granted herein shall be binding upon and shall inure to the benefit of PharmAthene, GTC and their respective successors and permitted assigns.

11.4 Assignment. Neither Party shall assign this Agreement and GTC shall not assign any intellectual property licensed or to be licensed hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed; provided, however, that either Party may assign this Agreement without the prior written consent of the other to an Affiliate or in connection with the Change of Control of such Party if such permitted assignee first assumes (by operation of law or otherwise) all obligations of its assignor under this Agreement.

GTC shall not assign any intellectual property licensed or to be licensed hereunder, without the prior written consent of PharmAthene, which consent shall not to be unreasonably withheld, provided, however, that GTC may assign its intellectual property licensed or to be licensed hereunder without the prior written consent of PharmAthene to an Affiliate in connection with the Change of Control of GTC if such permitted assignee first assumes (by operation of law or otherwise) all obligations of GTC under this Agreement.

11.5 No Waiver. No waiver, modification or amendment of any provision of this Agreement shall be valid or effective unless made in writing and signed by a duly authorized officer of each Party. The failure of either Party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition.

11.6 Independent Contractors. Both Parties are independent contractors under this Agreement. Nothing contained in this Agreement is intended nor is to be construed so as to constitute PharmAthene or GTC as partners or joint venturers with respect to this Agreement. Neither Party shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other Party or to bind the other Party to any other contract, agreement or undertaking with any third party.

11.7 Notices and Deliveries. Any formal notice, request, delivery, approval or consent required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been sufficiently given when it is received, whether delivered in person, transmitted by facsimile with contemporaneous confirmation, delivered by registered letter (or its equivalent) or delivered by certified overnight courier service, to the Party to which it is directed at its address shown below or such other address as such Party shall have last given by notice to the other Parties.

If to PharmAthene:

PharmAthene, Inc.
175 Admiral Cochrane Drive, Suite 101
Annapolis, Maryland 21401
Attention: David P. Wright
President and Chief Executive Officer
Telephone: (410) 571-8921
Facsimile: (410) 571-8927

If to GTC:

GTC Biotherapeutics, Inc.
175 Crossing Boulevard
Suite 410
Framingham, MA 01702
Attention: Daniel S. Woloshen,
Senior Vice President and General Counsel
Telephone: (508) 620-9700
Facsimile: (508) 370-3797

11.8 Publicity. Except to the extent already disclosed in the initial press release or other public communication and subject to Section 3.5, no public announcement concerning the existence or the terms of this Agreement or concerning the transactions described herein or any other publicity or publication shall be made, either directly or indirectly, without first obtaining the approval of the other Party and agreement upon the nature, text, and timing of such announcement or publication, which approval and agreement shall not be unreasonably withheld.

11.9 Notice. The Party desiring to make any such public announcement shall provide the other Party with a written copy of the proposed announcement in sufficient time prior to public release to allow such other Party to comment upon such announcement, prior to public release.

11.10 Non-Disparagement. Neither Party shall disparage the other regarding their respective technologies, programs, or marketing strategies relative to the Transgenic Technology Patent Rights or the BChE development program.

11.11 Headings. The captions to the sections and articles in this Agreement are not a part of this Agreement, and are included merely for convenience of reference only and shall not affect its meaning or interpretation.

11.12 Severability. If any provision of this Agreement becomes or is declared by a court of competent jurisdiction or binding arbitration panel to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision, so long as the Agreement, taking into account said voided provision(s), continues to provide the Parties with the same practical economic benefits as the Agreement containing said voided provision(s) did prior to the voiding of such provision. If, after taking into account said voided provision(s), the Parties are unable to realize the practical economic

benefit contemplated, the Parties shall negotiate in good faith to amend this Agreement to reestablish the practical economic benefit contemplated by the Parties prior to the voiding of such provision.

11.13 Counterparts. This Agreement may be executed in counterparts, or facsimile versions, each of which shall be deemed to be an original, and both of which together shall be deemed to be one and the same agreement.

11.14 Force Majeure. If the performance of this Agreement or any obligation hereunder is prevented, restricted or interfered with by reason of fire or other casualty or accident, strikes or labor disputes, inability to procure raw materials, power or supplies, terrorist act or other violence, any law, order, proclamation, regulation, ordinance, demand or requirement of any government agency, or any other act or condition whatsoever beyond the control of a Party hereto, the Party so affected, upon giving prompt notice to the other Party, shall be excused from such performance to the extent of such prevention, restriction or interference; provided, however, that the Party so affected shall use reasonable efforts to avoid or remove such causes of non-performance and shall continue performance hereunder with reasonable dispatch whenever such causes are removed.

11.15 Non-Solicitation of Employees. Neither Party shall solicit for employment or hire any employee of the other party without the prior written consent of such other party. This restriction shall apply for the term of this Agreement, and any extensions thereto and for one (1) year after thereafter.

THE REST OF THIS PAGE LEFT INTENTIONALLY BLANK

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized officers as of the Effective Date, each copy of which shall for all purposes be deemed to be an original.

PHARMATHENE, INC.

By: /s/ David P. Wright

David P. Wright
President and Chief Executive Officer

GTC BIOTHERAPEUTICS, INC.

By: /s/ John B. Green

John B. Green
Senior Vice President and Chief Financial Officer

SCHEDULE 1

DEFINITIONS

"Affiliate" means, with respect to any Party, any corporation, partnership or other business entity that controls, is controlled by, or is under common control with such Party. A corporation, partnership or other entity shall be regarded as in control of another corporation, partnership or entity if it owns or directly or indirectly controls at least fifty percent (50%) of the voting stock or other ownership interest of the other corporation, partnership or entity (or alternatively with respect to any non-USA entities, if it owns the maximum such ownership interest permitted by law), or if it possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the corporation, partnership or other entity or the power to elect or appoint at least fifty percent (50%) of the members of the governing body of the corporation, partnership or other entity.

"BChE" means recombinant butyrylcholinesterase (BChE) or an amino acid sequence substantially similar to the human BChE sequence that has the same physiological mode of action and activity thereof in all its variants.

"BChE Field" means the development or production (including any purification process) of BChE.

"BLA" means Biological License Application.

"Change of Control" means with respect to a Party: (i) a sale or assignment, by operation of law or otherwise, of all or substantially all of such Party's assets (or, with respect to PharmAthene, of all or substantially all of its assets relating to the BChE Field) to an entity not an Affiliate of such Party; (ii) an amalgamation, plan of arrangement, merger or consolidation by such Party with or into an entity that is not an Affiliate of such Party where, as a result of such transaction, the stockholders of the unaffiliated entity own more than fifty percent (50%) of the combined entity; or (iii) a sale of beneficial ownership of a Party's voting securities to an entity that is not an Affiliate of such Party, where such entity, as a result of such sale, owns more than fifty percent (50%) of the outstanding voting securities of such Party. PharmAthene's pending transaction with Healthcare Acquisition Corporation shall not be deemed a Change of Control for purposes of this Agreement.

"Commercial Sale" means any sale by PharmAthene or an Affiliate, as the case may be, of Products within the Territory following the filing and obtaining of a BLA with the FDA or an equivalent filing or approval within another jurisdiction in the Territory

"Confidential Information" shall mean any and all confidential and non-public information of a Party, which includes but is not limited to, trade secrets, privileged records, proprietary information, data, case report forms, laboratory work sheets, slides, reports, results, material, or information, whether in written, verbal, physical, electronic, tangible or intangible form, made available, disclosed, or otherwise made known to a Party and its employees, including without limitation as a result of services to be rendered under the Services Agreement.

"Effective Date" means the execution date hereof.

"FDA" means the United States Foods and Drug Administration, or its successors.

"GTC Intellectual Property" means an exclusive license under the Transgenic Technology Patent Rights to develop, test, manufacture, use, sell, offer for sale, export and import recombinant BChE only produced from the milk of transgenic goats or mice and an exclusive license to all inventions, processes, know-how, trade secrets, improvements, other intellectual property, including but not limited to data processes, technology, means or know-how developed by GTC which relate to animal maintenance and management, analytical methods, procedures and techniques related to the purification and processing of proteins in the milk of transgenic animals, regulatory policies and procedures, and filings (excluding any preclinical or clinical information relating to specific products) which have been independently developed without the benefit of any information or support provided by PharmAthene.

"IND" means an Investigational New Drug Application or the equivalent filing in another jurisdiction.

"Net Sales" means: (a) the gross amount of payment received (whether structured as an up-front payment, milestone payment, R&D reimbursement, success payment or other form of compensation) for the Commercial Sale of Products by PharmAthene to a third party or to an end user in the Territory, excluding Commercial Sales of Product to an Affiliate; and (b) in the case of Commercial Sales of the Product to an Affiliate, the gross amount of payment received (whether structured as an up-front payment, milestone payment, R&D reimbursement, success payment or other form of compensation) for the Commercial Sale of Products by the Affiliate to a third party or an end-user in the Territory, in each case, after deduction of the following items (to the extent actually incurred or reasonably estimated and accrued and to the extent not already deducted in the amount invoiced): (i) customary trade, quantity and cash discounts, wholesaler-charge backs, or rebates (including, but not limited to, rebates to governmental agencies, managed care organizations, health management organizations, pharmacy benefit managers and group purchasing organizations); (ii) customary credits or allowances for rejection or return of previously sold Products; (iii) withholding excise, sales and other consumption taxes and customs duties; and, (iv) any charge for freight or insurance if separately stated on the same invoice as for the sale of Products and directly related to the sale or distribution of the Products.

"Product" means BChE produced for therapeutic use.

"Services Agreement" means that certain agreement entered into between the Parties of even date herewith with respect to the clarification, downstream process and analytical methods development program and pre-clinical services relating to the Product.

"Territory" means all countries World-Wide.

"Transgenic Technology Patent Rights" means the patents and patent applications listed in Appendix A in the United States, and their issued or pending counterparts in various European Jurisdictions or other specific countries. Moreover, with respect to any particular patent or patent application listed in attached Appendix A it also includes all predecessor or priority patent applications upon which such patent or patent application is based in whole or in part, all continuation or divisional applications for such patent or patent application and its predecessor patent or priority applications, any patent, reissue, re-examination, renewal or extension (including any supplemental patent certificate) of any of the foregoing patents or patent applications or resulting from any of the foregoing patent applications, all confirmation patent or registration patent or patent of addition based upon any of the foregoing, and all international counterparts or equivalents of any of the foregoing.

"USD" means United States dollars.

Other Defined Terms

In addition to the defined terms in this Schedule I, each of the following capitalized terms shall have the meaning ascribed thereto in the corresponding Sections:

Term	Section
Agreement	Preamble
Disclosing Party	3.1
Effective Date	Preamble
First Period	2.1.4(c)(i)
GTC	Preamble
GTC Indemnitees	8.2.1
Insolvency Event	9.4.1
Insolvent Party	9.4.1
License	2.1.1
Losses	8.1.1
PharmAthene	Preamble
PharmAthene Indemnitees	8.1.1
Non-Exclusive Third Party Patents	2.1.1
Notified Party	5.1
Notifying Party	5.1
Option	1.1.1
Option Notice	1.1.1
Option Period	1.1.1

TRANSGENIC ANIMAL PRODUCTION TECHNOLOGY

PATENT NO.	INVENTOR	EXPIRATION DATE	ASSIGNEE/OWNER
4,873,316	Meade et al.	6/23/2007	Biogen, Inc. / Pharming
Title: Isolation of exogenous recombinant proteins from the milk of transgenic mammals			
5,610,053	Chung et al.	3/11/2014	National Institutes of Health
Title: DNA sequence which acts as a Chromatin insulator element to protect expressed genes from cis-acting regulatory sequences in mammalian cells			
EP 264166	Gordon et al.		Genzyme Corporation
Title: Transgenic Animals secreting desired proteins into milk			(exclusively licensed by GTC)

PATENT NO.	INVENTOR	EXPIRATION DATE	ASSIGNEE/OWNER
6,580,017	Echelard et al.	11/02/2018	GTC Biotherapeutics, Inc.
Title: Methods of Reconstructed Goat Embryo Transfer			
6,727,405	Katherine Gordon	4/27/2021	Genzyme Corporation
Title: Transgenic Animals Secreting Desired Proteins into Milk			(exclusively licensed by GTC)
EP 347431	Meade et al.		Gene Pharming Europe BV
Title: Expression of proteins in milk			

Country	Sub Case	Case Type	Status	Application Number	Filing Date	Patent Number	Issue Date
Japan	D	DIV	Pending	341067/96	20-Dec-1996		
United States of America	C2	CON	Pending	07/938,322	31-Aug-1992		(Pre-GATT)
United States of America	D3	DIV	Pending	07/839,194	20-Feb-1992		(Pre-GATT)

Abstract:A DNA sequence containing a gene encoding a protein, the gene being under the transcriptional control in the DNA sequence of a mammalian milk protein promoter which does not naturally control the transcription of the gene, such DNA sequence including DNA enabling secretion of the protein.

Exhibit 10.27

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT
HAS BEEN OMITTED AND FILED SEPARATELY WITH THE
SECURITIES AND EXCHANGE COMMISSION (THE "SEC")
PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT WITH RESPECT TO THE OMITTED PORTIONS.
OMITTED PORTIONS ARE INDICATED BY [***].

BIOPHARMACEUTICAL DEVELOPMENT

AND MANUFACTURING SERVICES AGREEMENT

Between

PHARMATHENE, INC.

And

LAUREATE PHARMA, INC.

TABLE OF CONTENTS

BIOPHARMACEUTICAL DEVELOPMENT AND
MANUFACTURING SERVICES AGREEMENT

This BIOPHARMACEUTICAL DEVELOPMENT AND MANUFACTURING SERVICES AGREEMENT, effective as of this 15th day of June 2007 (the "Effective Date"), between PharmAthene, Inc., a Delaware corporation ("Customer"), having its principal place of business at 175 Admiral Cochrane Drive, Suite 101, Annapolis, MD 21401 and LAUREATE PHARMA, INC., a Delaware corporation ("Laureate"), having a principal place of business at 201 College Road East, Princeton, NJ 08540, (each a "Party", collectively the "Parties").

W I T N E S S E T H:

WHEREAS, Laureate provides a full range of bioprocessing services to the biopharmaceutical industry, including cell line development, process development, protein production, cell culture, protein purification, bioanalytical chemistry, aseptic filling and QC testing.

WHEREAS, on July 31, 2006, Laureate entered into a letter of intent and purchase order with Customer (the "LOI") and a Material and Technology Transfer Agreement (the "Medarex MTA") with Medarex, Inc. ("Medarex"), Customer's strategic partner with respect to the Drug Product, pursuant to which Laureate commenced the performance of certain bioprocessing services for Customer.

WHEREAS, on April 12, 2007, Laureate and Medarex entered into an amended and restated Medarex MTA (the "Amended and Restated Medarex MTA").

WHEREAS, for reference purposes only, a copy of the LOI is attached hereto as Annex A of this Agreement.

WHEREAS, Customer now desires Laureate to continue to perform those bioprocessing services and to perform additional bioprocessing services in accordance with the terms of this Agreement and any executed Scope (as hereinafter defined) related to the cGMP production and purification of a monoclonal antibody, produced by an engineered cell line, and Laureate desires to perform such services on behalf of Customer.

NOW, THEREFORE, in consideration of the above statements and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the Parties hereto agree as follows:

Section 1. Definitions.

Terms defined elsewhere in this Agreement shall have the meanings set forth therein for all purposes of this Agreement unless otherwise specified to the contrary. The following terms shall have the meanings set forth below in this Section 1:

(a) "Affiliate(s)" for purposes of this Agreement shall mean any person, firm, trust, partnership, corporation, company or other entity or combination thereof which directly or indirectly: (i) controls a Party; (ii) is controlled by a Party; or (iii) is under common control with a Party. As used in this definition, the terms "control" and "controlled" shall mean ownership of fifty

percent (50%) or more (including ownership by trusts with substantially the same beneficial interests) of the voting and equity rights of such person, firm, trust, partnership, corporation, company or other entity or combination thereof or the power to direct the management of such person, firm, trust, corporation or other entity or combination thereof.

(b) "Agreement" means this document as signed by the Parties including the Scope and any referenced attachments and any amendments and additions to this document.

(c) "Assumptions" shall have the meaning as set forth in Section 9.

(d) "Batch" means a number of vials each filled at the same time with the same Lot or a group of Lots of Drug Product.

(e) "Batch Record" means a complete manufacturing record for a Batch generated by Laureate and approved by Customer made concurrently with the performance of each step of the production, purification and aseptic filling process for the Drug Substance, Drug Substance testing and lot release data, such that successive steps in such processes may be traced.

(f) "Cell Line" means the Chinese Hamster Ovary ("CHO") cell line that has been designed and engineered to produce the corresponding monoclonal antibody product as shown in Appendix 1, supplied by Medarex to Laureate pursuant to the Medarex MTA, particulars of which are set out in the Scope.

(g) "Certificate of Analysis" means a document signed by an authorized representative of Laureate, describing Specifications for, and testing methods applied to, any Drug Product, Drug Substance, samples or other Materials, and the results thereof.

(h) "Claim" shall have the meaning set forth in Section 18.

(i) "Compound" means the monoclonal antibody product candidate known as MDX-1303 or Valortim(TM).

(j) "Compound Materials" shall have the meaning given such term in the Amended and Restated Medarex MTA.

(k) "Contaminants" shall have the meaning set forth in Section 18(c).

(l) "Customer Confidential Information" means any information, business, technical or financial data related to the Program that is provided to Laureate by Customer.

(m) "Customer Know How" means all scientific, technical and other information relating to the Drug Product or the Process provided by Customer or Medarex other than Laureate Confidential Information.

(n) "Debarred Entity" means an entity that has been debarred by the FDA pursuant to 21 U.S.C. ss. 335(a) or (b).

(o) "Debarred Individual" means an individual that has been debarred by the FDA pursuant to 21 U.S.C. ss. 335(a) or (b).

(p) "Drug Product" means the final dosage form pharmaceutical medicine containing Drug Substance that Customer or its Affiliates will use for clinical trials or for commercial supply, as applicable.

(q) "Drug Substance" is the bulk purified Compound produced using the Cell Line and the Process.

(r) "Facility" means Laureate's manufacturing facility located at 201 College Road East, Princeton, NJ 08540.

(s) "FDA" means the United States Food and Drug Administration, or any successor entity thereto having substantially the same functions.

(t) "Filling Components" means vials, stoppers and crimps used for an aseptic fill of the Drug Product.

(u) "Filled Product" means vials filled with Drug Product from an identified Lot or Lots which are in a form ready for release and shipment from the Facility.

(v) "Good Manufacturing Practices" or "GMP" or "cGMP" means current good manufacturing practices, as specified in regulations promulgated from time to time by the FDA for the manufacture and testing of pharmaceutical products. Laureate's operational quality standards are defined in internal cGMP policy documents and are based on Laureate's current interpretation of cGMP, which interpretation Laureate has reason to believe is in compliance with cGMP.

(w) "Laureate Confidential Information" means any information, business, technical or financial data, including, but not limited to, Laureate's production, purification and aseptic filling process and techniques and Laureate Know How, supplied by Laureate to Customer (excluding any such information or data provided by Medarex to Laureate in writing pursuant to the Amended and Restated Medarex MTA).

(x) "Laureate Group" shall have the meaning set forth in Section 18(b).

(y) "Laureate IP" shall have the meaning set forth in Section 12(b).

(z) "Laureate Know-How" shall have the meaning set forth in Section 12(b).

(aa) "Laureate SOP" means the written standard operating procedures and methods of Laureate, as the same may be amended, in Laureate's sole discretion, from time to time, but in any event, such SOPs will comply with all applicable laws in the United States.

(bb) "Loss" shall have the meaning set forth in Section 18.

(cc) "Lot" means the Drug Substance produced in a single production run, which may be contained in one or more containers thereof.

(dd) "Materials Invention" means any invention relating to the Compound Materials discovered or developed by Laureate, its employees, agents, consultants or contractors, solely or jointly with Medarex and/or Customer, in connection with the activities described in this Agreement or the Amended and Restated Medarex MTA.

(ee) "Medarex" shall have the meaning set forth in the Recitals.

(ff) "Media Fill" means a fill of bacteriological growth media into vials for validation purposes.

(gg) "Modification" shall have the meaning set forth in Section 9.

(hh) "Permitted Regulatory Authority" shall have the meaning set forth in Section 7(b).

(ii) "Person" means an individual, partnership, corporation, limited liability company, joint stock company, unincorporated organization or association, trust or joint venture, or a governmental agency or political subdivision thereof.

(jj) "Process" means the production methods, purification processes and other know-how as provided by PharmAthene or Medarex pursuant to the Amended and Restated Medarex MTA for use by Laureate in the manufacture of Drug Substance and Drug Product from the Cell Line, and (ii) any modifications, enhancements or improvements to such methods or processes that may be made by Laureate, its employees, agents, consultants or contractors, solely or jointly with Customer, or Medarex from time-to-time.

(kk) "Process Consumables" means raw materials, filters, membranes, disposable analytical test kits, tubing, filling needles, disposable bags, disposable glass/plasticware, cleaning supplies and other changeover parts consumed during the manufacture of Drug Substance or Drug Product.

(ll) "Process Invention" means any invention relating to the Process discovered or developed by either Party or by Medarex (including each of its respective employees, agents, consultants or contractors, solely or jointly, in connection with the activities described in this Agreement or the Amended and Restated Medarex MTA.

(mm) "Product-Dedicated Equipment" means equipment such as chromatography columns and resins and filters and filter housings that will be used by Laureate solely for the manufacture of Drug Substance or Drug Products pursuant to a Scope under this Agreement.

(nn) "Product Invention" means any improvement or invention relating to the Compound (but excluding any Materials Invention or Process Invention) that is discovered by Laureate, its employees, agents, consultants or contractors, solely or jointly with Medarex and/or Customer, in connection with the activities described in this Agreement or the Amended and Restated Medarex MTA.

(oo) "Program" means the services to be performed by Laureate for Customer as described in a particular Scope.

(pp) "Quality Agreement" shall have the meaning set forth in Section 3(c).

(qq) "Scope" means a detailed scope-of-work document entered into by the parties for the performance by Laureate of certain services on behalf of Customer relating to the Drug Substance, which shall be governed by, made part of, and be subject to this Agreement.

(rr) "Specification" means the requirements for tests, analysis, test procedures and acceptable test results with which Drug Substance and, as applicable, Drug Product, raw materials and excipients shall conform as set forth in a Scope, as amended from time-to-time by the Parties.

(ss) "Third Party" shall mean any party other than Customer or Laureate and their respective Affiliates.

Section 2. Scope of Work; Orders for Products.

(a) From time to time, the parties will prepare and enter into detailed Scopes for the Program and mutually agree to the associated Service Fees for each Scope. The Scopes shall be prepared by Laureate under Customer's direction and shall be subject to the final approval of Customer and shall be attached as an Appendix 4 to this Agreement. The first Scope document is attached hereto as Appendix 4-1. Each additional Scope shall be sequentially numbered (i.e., Scope #2, Scope #3) and shall be attached as additional appendices and numbered as follows: Appendix 4-2, Appendix 4-3, etc. Laureate will perform the services for Customer in accordance with each executed Scope. Each Scope will specify the Program design, information desired, estimated duration of the Program, and all other matters pertinent to completion of the Program, and will be deemed to be a part of this Agreement and incorporated herein by reference. Scope #1 was prepared by Laureate under Customer's direction and approved by Customer. The Service Fees associated with Scope #1 are attached to this Agreement as Appendix 4-1, Section II - "Service Fees and Payment Schedule."

(b) During the Term the parties will undertake the following procedures with respect to submitting forecasts and purchase orders for production runs under a Scope:

(i) Within [***], Customer will submit to Laureate for acceptance a written forecast for the scheduling of the bioreactor runs described in Scope #1. Within [***] of acceptance of the foregoing forecast by Laureate (the "Scope #1 Forecast"), Customer will submit to Laureate a purchase order (and corresponding reservation fees) for all production runs scheduled to take place within the [***] of the Scope #1 Forecast. Customer will submit to Laureate additional purchase orders (and corresponding reservation fees), on a [***] basis, if additional production runs are scheduled to occur on the Scope #1 Forecast but are scheduled to take place more than [***] after the delivery of the Scope #1 Forecast, provided such production runs have not been canceled as permitted by Section 22 of this Agreement. Each subsequently submitted purchase order shall include production runs scheduled to take place within [***] of the date of the purchase order.

(ii) Within [***] of the Effective Date, Customer shall, for Scope #2, submit to Laureate a written non-binding (except as set forth below), [***] rolling forecast setting forth the number of production runs of Drug Substance

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*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

Customer reasonably believes it will require for each [***] during that period and the estimated timing for the delivery of those production runs of Drug Substance. Upon agreement by the Parties in writing, such forecast shall be deemed to be the initial forecast (the "Initial Forecast"). The Parties acknowledge that the Initial Forecast assumes the successful completion of [***] pursuant to Scope #1. If any consistency Lots are not completed successfully, as determined by Company in its reasonable discretion based on mutually agreed specifications for the consistency Lots, then the Initial Forecast shall be resubmitted by Customer to Laureate pursuant to this subsection (ii) and any [***] paid by Customer under the previously submitted [***], notwithstanding any other provision of this Agreement.

(iii) At the time that the [***] is determined by the Parties, Customer shall also submit to Laureate a purchase order for the total number of production runs of Drug Substance for the [***], if any, and the requested delivery dates for such production runs of Drug Substance, which dates will be the same as the dates set forth in the [***].

(iv) Customer will provide additional forecasts within [***] of the end of each calendar quarter during the period that the Scope is being performed, updating the information set forth in the Initial Forecast or any updated forecast (each, a "Forecast") for the [***] period following the completion of the first quarter of the immediately prior Forecast. For each additional Forecast, Laureate and Customer shall agree as to the delivery dates for production runs of Drug Substance not previously agreed to in a prior Forecast.

(v) At the time that each Forecast (other than the Initial Forecast) is agreed to by Customer and Laureate, Customer shall also deliver a purchase order for production runs of Drug Substance for the [***] of the Forecast. For the avoidance of doubt, the purchase order for the [***] of each subsequently delivered Forecast will already have been submitted to Laureate with the prior period's Forecast.

Any purchase order submitted under clauses (i), (iii) and (v) above, shall be firm and binding on Laureate and Customer at the time that Laureate receives the reservation fee for such production runs (such reservation fee to be determined in accordance with the appropriate Appendix 4). The purchase price for any purchase order for production runs shall be determined in accordance with, and shall be payable at the times set forth in the appropriate Appendix 4.

Additionally, if [***] notifies Laureate (either pursuant to a notification by Customer or a solicitation by Laureate) that it intends to schedule a production run [***], then Laureate shall promptly provide Customer with [***]. The notice from Laureate to Customer shall include the specific production runs of Drug Substance [***]. Customer shall have five (5) business days from the receipt of the notice to notify Laureate [***], at which time, such notification shall require Customer to pay Laureate a reservation fee in the manner set forth below. Failure by Customer to notify Laureate within such five (5) business day period shall be deemed to be [***]. Within ten (10) days after such notification by Customer, Customer will provide Laureate with the corresponding reservation fees for the Conflicting Customer Production Runs. [***] Laureate shall act in good faith and with a reasonable belief with respect to the notices that it is

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*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

obligated to Provide Customer under this paragraph and such notices shall be provided by Laureate to Customer via electronic mail to the Customer project manager and to a member of Customer's senior management to be identified by Customer. Reservation fees paid by Customer under this paragraph shall be nonrefundable except as provided by Section 22(c); provided that once Customer notifies Laureate of its request to have [***], Customer shall be required to pay such reservation fees to Laureate, in the manner set forth above.

(c) Laureate shall consult with Customer in developing the Program design in a manner consistent with Laureate's current reasonable understanding of United States (the "US") regulatory guidelines, including cGMP. Provided that the Drug Product meets the Specifications in accordance with the terms of this Agreement (which Specifications may require compliance with cGMP), Laureate does not represent or warrant that any Program and/or any Program results will result in obtaining marketing approval for the Drug Product at the time of submission of the Program's results to such agencies.

(d) Laureate's performance of the Program will be based on technical information provided by or for the Customer. This information will be incorporated by Laureate into Program documents (scale up plans, Batch Records, Specifications, etc.) that will be reviewed and approved by the Customer prior to use by Laureate. These Program documents will form the sole basis upon which manufacturing runs will be performed. Laureate makes no representations or warranties that the execution of the Program according to the Program documents will result in any specific quantity of Drug Product or Drug Substance. Until the successful production of three (3) consistency Lots of Drug Substance, Laureate makes no representations or warranties that the execution of the Program according to the Program documents will result in any specific quality of Drug Substance.

(e) In addition to routine Program meetings, senior representatives of the Parties shall meet on an occasional basis or as necessary, the first meeting being no later than one (1) month from the Effective Date of a particular Scope, to review progress of the Program relative to the Scope and to agree on any necessary changes to the Scope. Any disagreement between the Parties concerning a Scope (including, without limitation, the failure of the Parties to agree upon any necessary changes to the Scope) shall be resolved in accordance with the dispute-resolution procedures set forth in Section 17 hereof.

Section 3. Program Performance.

(a) Laureate shall provide the Facility, supplies, and staff necessary to complete the Program as provided in a particular Scope, as it may be modified as provided herein, in accordance with the terms of this Agreement. In the event of any conflict between the terms and provisions of this Agreement and a Scope, the terms of this Agreement shall control.

(b) Laureate will appoint a Laureate representative (the "Program Manager") to be responsible for the completion of the Program pursuant to a Scope by Laureate. The Program Manager will coordinate performance of the Program with a representative designated by Customer (the "Customer Representative"), which representative shall have responsibility over all matters relating to performance of the Program on behalf of Customer. Unless otherwise agreed in a Scope, or mutually agreed to by the Parties, all communications between Laureate and the Customer regarding the conduct of the Program pursuant to a Scope shall be addressed to or routed through the Program

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Manager and Customer Representative. Laureate may, at its option, substitute the Program Manager during the course of the Program, on the condition that the substitute Program Manager is reasonably acceptable to Customer. Customer may, at its option, substitute the Customer Representative during the course of the Program.

(c) The parties have prepared and executed a detailed document ("Quality Agreement") specifying the quality and regulatory procedures and responsibilities of the parties hereunder with respect to the manufacture of Drug Substance and Drug Product.

Section 4. Program Materials.

(a) Laureate acknowledges that the Cell Line has been provided to Laureate by Medarex under the Medarex MTA. Customer is responsible for providing Laureate with sufficient amounts of Cell Line as reasonably requested by Laureate. Under any Scope, Customer is responsible for providing Laureate with reference standards and other substances, with which to perform the Program as specified in a particular Scope, as well as all documentation and such other data as may be necessary for Laureate to perform the Program as specified in a particular Scope and to apprise Laureate of the stability of the Compound and Compound Materials, process characteristics, proper storage, and manufacturing and safety requirements including, without limitation, the Certificate of Analysis and/or Material Safety Data Sheet, as applicable, relating to the Cell Line and reference standards as specified in a relevant Scope.

(b) Laureate shall procure the Compound, Filling Components, cell culture media, and Process Consumables for use in the Program and each manufacturing run all of which will comply with the Specifications. By written notice to Laureate, Customer may procure certain Filling Components specified in a Scope, such as media, resins, vials, overseals or stoppers. By written notice to Laureate from Customer, Laureate will procure and store, at Customer's sole cost and expense, materials, Filling Components, cell culture media, and Process Consumables in sufficient quantities to serve as "safety stock" for the completion of one 2000L production run. For clarity, the Parties acknowledge and agree that some materials described in this Section 4(b) may be obtained by Laureate from Medarex's supplier of media pursuant to written authorizations from Medarex to Laureate and from Medarex to its supplier of media, authorizing direct procurement by Laureate from Medarex's media supplier of media relating to the Program; copies of such authorizations attached hereto as Schedule 4(b).

(c) Laureate shall procure any Product-Dedicated Equipment and pass through the costs to the Customer consistent with Section 8. For any Scope, Laureate will obtain the written consent of Customer prior to procuring any single piece of Product-Dedicated Equipment that costs $[***] or more, or multiple pieces of Product-Dedicated Equipment that cost more than [***], in the aggregate. By written notice to Laureate, Customer may procure and provide certain Product-Dedicated Equipment for use in the Program at its own expense. If Customer provides any Product-Dedicated Equipment to Laureate, such equipment shall be in good operating condition and free from all material defects and Contaminants. All right, title and interest in any Product-Dedicated Equipment

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shall be vested in Customer. Customer may file financing statements or other similar documentation in order to serve as notice or otherwise perfect its interest in any Product-Dedicated Equipment.

(d) Upon completion of the Program, (i) the Product-Dedicated Equipment will be returned to the Customer, at the Customer's expense and (ii) any remaining samples of the Compound or other substances, documentation or data provided to Laureate will be returned, at the Customer's request, to Customer or retained by Laureate in compliance with applicable regulatory requirements or destroyed/disposed of by Laureate under written authorization from Customer.

Section 5. Use of Subcontractors.

(a) Laureate reserves the right to employ subcontractors from time-to-time to undertake certain activities related to the Program. All such subcontractors will be pre- approved by Customer, in any case, and by Medarex, in the case that such subcontractor will perform activities relating to the Process or that require access to the Process, Process Inventions, Compound Materials, or Materials Inventions. All approved subcontractors for the Program will perform services under a separate written agreement. A list of the pre-approved subcontractors as of the Effective Date is attached hereto as Appendix 2. Laureate will use commercially reasonable efforts to have each written agreement with a subcontractor for the Program contain (i) obligations of confidentiality and non-use consistent with Section 10 of the Agreement, (ii) obligations regarding compliance with laws consistent with Sections 19(h), 19(i) and any Scope specific terms which are mutually agreed to by the Parties in writing, and (iii) assignments, licenses or similar transfers of intellectual property rights to the extent any intellectual property rights are vested in the subcontractor as a result of performing services for Customer, in each case for the benefit of Customer (or, in the case of Materials Inventions, Process Inventions and the Process, for the direct benefit of Medarex). If Laureate's written agreements with its subcontractors do not contain these provisions or Laureate is not able to obtain written agreements, then Laureate will notify Customer prior to commencing work with that subcontractor and Laureate will not commence work with that subcontractor for the Program until Customer provides its consent, or in the case where such subcontractor will perform activities relating to the Process or such subcontractor requires access to the Process, Medarex also provides its consent. Customer will be responsible for obtaining Medarex's consent to use subcontractors other than those set forth on Appendix 2. Customer will be responsible for delays to the performance of the Program resulting from Customer unreasonably delaying, conditioning or hindering this consent. No subcontracting arrangement will relieve Laureate of its obligations under this Agreement, and Laureate shall remain primarily liable for the performance of all obligations delegated to any subcontractor, provided, however, that if a subcontractor agrees in writing that Customer is and shall be a third party beneficiary of the applicable service agreement(s) between Laureate and such subcontractor, with full right of enforcement, then Laureate shall not be liable for any breach of this Agreement by subcontractor.

(b) Laureate will not be held responsible or liable for the performance of any Third Party retained directly by Customer or Medarex to perform services related to the Program, including, without limitation, distributors, consultants and testing entities.

(c) Laureate acknowledges that it shall not transfer the Compound in a manner not permitted in the Amended and Restated MTA. Notwithstanding the foregoing, Medarex has provided Laureate with consent to transfer Compound to such pre-approved subcontractors as set forth on Schedule 5(c). In the event that Medarex revokes its consent to use such pre- approved subcontractors, Laureate shall not be responsible for any delays associated with obtaining such revocation.

Section 6. Compliance with Government Regulations.

(a) Laureate will perform each Program in accordance with the Scope. Subject to paragraph (c) of this Section 6, Laureate will comply with applicable government regulatory requirements concerning cGMP appropriate to a particular Program.

(b) Should such government regulatory requirements concerning cGMP applicable to the Program be changed or Customer requires Laureate to comply with regulatory requirements other than those of the United States, Laureate will comply with the new requirements or foreign requirements, as applicable, subject to the remaining terms of this Section 6(b). In the event that compliance with such new or foreign regulatory requirements necessitates, in the reasonable discretion of Laureate, a change in the Scope or the Program or the cost of the services provided by Laureate, Laureate will submit to Customer a revised technical and cost proposal for Customer's acceptance. This technical and cost proposal may take into account undue burden or interruption to Laureate's business. Unless the parties agree to a revised Scope or Program or cost structure, as the case may be, Laureate will not be obligated to continue to perform the Program as Customer has requested that it be revised.

(c) In the event of a conflict in government regulations, Customer will designate, in writing, which regulations shall be followed by Laureate in its performance of the Program and shall hold Laureate harmless for following such written designation.

Section 7. Facility Visits, Audits and FDA Inspections.

(a) Customer's representatives may visit the Facility at appropriate times consistent with the Program to observe the progress of the Program or to audit the Program subject to the limitations provided in Appendix 3 to this Agreement. In addition, Customer will use its reasonable efforts to include a right of audit by Laureate in all its agreements with sites, laboratories and analytical subcontractors used by Customer (except for Customer's contract manufacturers) or any Third Party analytical subcontractor engaged by Customer in connection with the Compound, Cell Line, the Drug Product, Drug Substance, Compound Materials and other materials provided by or on behalf of Customer to Laureate. The foregoing right to "audit by Laureate" may only be exercised to the extent Customer and Laureate agree that such audit is required to comply with applicable law, rule or regulation.

(b) Laureate acknowledges and agrees that the FDA or the EMEA (each a "Permitted Regulatory Authority") may visit Laureate's Facility in accordance with this Section 7(b) and Appendix 3. If Customer believes or wishes to have any other regulatory authority having jurisdiction or oversight authority over a particular Program (each an "Additional Regulatory Authority") visit a Laureate Facility for the Program-related Visit (as defined herein), Customer shall provide Laureate with reasonable prior written notice and such Program-related

Visit may take place upon terms reasonably acceptable to Laureate. If Laureate permits the Program-related Visit by an Additional Regulatory Authority in accordance with the preceding sentence, then that Additional Regulatory Authority shall be considered a Permitted Regulatory Authority for the purposes of this Section 7(b). If a Permitted Regulatory Authority notifies a Party that it plans to visit Laureate's Facility or the facility of a subcontractor for any purposes related to the Program (a "Program-related Visit"), then that Party shall provide the other Party with notice thereof within [***] (or a shorter period, if possible) of receiving the notice from the Permitted Regulatory Authority. If the Permitted Regulatory Authority performs the Program-related Visit without notice, then the applicable Party shall provide the other Party with notice thereof within [***] of the Program-related Visit. Each Party shall also provide the other Party with copies (or summaries) of any written or oral inquiries by the Permitted Regulatory Authority concerning the Program, the Drug Substance or the Drug Product, subject to applicable confidentiality obligations. To the extent practicable, the Parties shall consult with one another in an effort to arrive at a mutually acceptable response to the Permitted Regulatory Authority. Each Party shall promptly furnish to the other Party any report or correspondence issued by or provided to any Permitted Regulatory Authority in connection with such Program-related Visit, redacted only of any information that is unrelated to the Program, Drug Substance or Drug Product, as the case may be, subject to any confidentiality obligation with respect to Laureate's or its Affiliate's or subcontractors. If prior notice of the Program-related Visit is provided, then Customer shall have the right to be present at Laureate's facility during that visit to the extent permissible by the Permitted Regulatory Authority.

(c) Customer shall have the responsibility for communications with any Permitted Regulatory Authority and Additional Regulatory Authority relating to the Program. Laureate shall provide Customer in a timely manner, all information reasonably in its (or its Affiliate's) control concerning the Program reasonably necessary to meet Customer's regulatory obligations, at Customer's cost and expense, and Customer shall provide Laureate or its Affiliates, in a timely manner, all information reasonably in its control concerning the Program necessary to meet Laureate's or its Affiliates regulatory obligations.

(d) Subject to the next to last sentence of subsection (b) above (i.e., Laureate's confidentiality obligations to its other customers), within forty-five (45) days following any inspection of Laureate's facility by a Permitted Regulatory Authority (in each case, an "Inspection"), Laureate shall provide Customer with [***]. Additionally, within [***] of the receipt by Laureate of the [***] referred to above, Laureate will provide Customer with [***], subject to Laureate's confidentiality obligations to third parties. In addition, Medarex and Customer agree that Laureate may provide [***] related to the Program in accordance with this Section 7(d) to customers of Laureate if requested by such customers.

Section 8. Compensation.

Laureate shall be paid the development and service fees as set forth in a Scope (the "Service Fees") as specified in the applicable Appendix 4 to perform the services set forth therein, which Service Fees shall be subject to increase in accordance with the provisions of Section 9. Customer shall pay Laureate the

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Service Fees in accordance with the payment schedule set forth in the relevant Scope. Laureate will invoice the Customer for Product-Dedicated Equipment purchased for the Program. An administrative fee equal to [***] of Laureate's actual cost of Product-Dedicated Equipment purchased for the Program will be added to Product-Dedicated Equipment invoices. Invoices containing charges related to Product-Dedicated Equipment shall be accompanied by supporting documentation, including Third Party invoices. Payments shall be wired to an account designated by Laureate and are due thirty (30) days from the date of receipt, except that the Service Fees' payments are due at the times indicated in the relevant Scope. For the purposes of this Section 8, if Laureate sends an invoice via electronic mail (e-mail), receipt shall be deemed to occur on the business day following the day such e-mail is transmitted by Laureate to the email addresses designated in Section 24 for the receipt of invoices. Late payments are subject to an interest charge of one percent (1%) per month.

Section 9. Change Orders.

(a) The Service Fees are subject to a number of specific and general assumptions described in the particular Scope. The specific assumptions relate to each particular Scope and Program design and objectives, timing, capital expenditure requirements, if any, and other matters relating to the completion of the Program as set forth in a Scope (the "Program Assumptions"). Laureate also assumes that the Customer will cooperate and perform its obligations under the Agreement and Scope in a timely manner and to the extent reasonably consistent with similarly situated customers, that no event outside the reasonable control of Laureate will occur, including, without limitation, the events described in Section 20, and that there are no changes to any applicable laws, rules or regulations that materially affect the Program (the foregoing assumptions together with the Program Assumptions, collectively, the "Assumptions"). In the event that any of the Assumptions require material modification or the Program objectives cannot be achieved based on the Assumptions (each being, a "Modification") then the Scope may be amended as provided in paragraph (b) of this Section 9.

(b) In the event a Modification is identified by the Customer or by Laureate, the identifying Party shall notify the other Party as soon as is reasonably possible. Laureate shall provide the Customer with a change order containing an estimate of the required adjustments to the Service Fees within [***] of receiving or delivering such notice (the "Change Order"). The Customer shall respond in writing to such Change Order promptly. If Customer does not approve such Change Order and has not terminated this Agreement, the relevant Scope and Program in accordance with Section 22, but wants the Program to be modified to take into account the Modification, then Customer and Laureate shall use commercially reasonable efforts to agree on a Change Order that is mutually acceptable. If in any way practicable in the context of the prospective change order, Laureate will continue to work on the Program during any such negotiations. Laureate shall not commence work with respect to a Change Order unless authorized in writing. Any disagreement between the Parties concerning a Change Order (including, without limitation, the failure of the Parties to agree upon a mutually acceptable Change Order) shall be resolved in accordance with the dispute-resolution procedures set forth in Section 17 hereof.

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Section 10. Confidential Information/Legal Proceedings.

(a) Laureate will not disclose, without Customer's written permission, Customer Confidential Information to any Third Party or use any Customer Confidential Information for any purpose other than the performance of Programs under this Agreement. Notwithstanding the foregoing, Laureate may disclose Customer Confidential Information (i) to an Affiliate of Laureate that is under a similar obligation to keep such information confidential; (ii) to Medarex; or (iii) to a subcontractor of Laureate that has been pre-approved pursuant to Section 5(a) above and that is under a similar obligation to keep such information confidential. Laureate may also make disclosures of Customer Confidential Information to the extent required by any law, rule, regulation, order decision, decree, subpoena or other legal process to be disclosed; provided, that if such disclosure is required by law, Laureate will make all reasonable efforts to notify Customer as applicable, of this request promptly prior to any disclosure to permit Customer to oppose such disclosure by appropriate legal action and, in any event, will make only such disclosures as are necessary to comply with the applicable order. Additionally, if such disclosure is being made in connection with a filing with the Securities Exchange Commission, Laureate will use commercially reasonable efforts to obtain "confidential treatment" for the disclosure and to redact such information as Customer may reasonably request. The foregoing obligations of confidentiality and non-use will not apply with respect to any Customer Confidential Information that: (i) is or becomes publicly available other than as a result of a breach of this Agreement by Laureate; (ii) is disclosed to Laureate by a Third Party which Laureate reasonably believes is entitled to disclose it without restriction; (iii) is already known to Laureate as shown by its prior written records other than through Customer; or (iv) is independently developed by Laureate without the use of Customer Confidential Information, as evidenced by contemporaneous written records.

(b) Customer will not disclose, without Laureate's written permission, Laureate Confidential Information to any Third Party or use any Laureate Confidential Information for any purpose other than the performance of Programs under this Agreement. Notwithstanding the foregoing, Customer may disclose Laureate Confidential Information (i) to Medarex (provided that Medarex shall be required to keep such information confidential pursuant to the confidentiality agreement between Medarex and Laureate dated June 1, 2004) or to an Affiliate of Customer that is under a similar obligation to keep such information confidential; (ii) to the extent necessary, is required pursuant to a United States Government contract or grant; provided that Laureate shall be given reasonable prior notice of such disclosure; or (iii) to a subcontractor of Customer that has been pre-approved by Laureate and that is under a similar obligation to keep such information confidential. Customer may also make disclosures of Laureate Confidential Information to the extent required by any law, rule, regulation, order decision, decree, subpoena or other legal process to be disclosed; provided, that if such disclosure is required by law, Customer will make all reasonable efforts to notify Laureate of this request promptly prior to any disclosure to permit Laureate to oppose such disclosure by appropriate legal action and, in any event, will make only such disclosures as are necessary to comply with the applicable order. Additionally, if such disclosure is being made in connection with a filing with the Securities Exchange Commission, Customer will use commercially reasonable efforts to obtain "confidential treatment" for the disclosure and to redact such information as Laureate may reasonably request. The foregoing obligations of confidentiality and non-use will not apply with respect to any Laureate Confidential Information that: (i) is or becomes publicly available other than as a result of a breach of

this Agreement by Customer; (ii) is disclosed to Customer by a Third Party which Customer reasonably believes is entitled to disclose it without restriction; (iii) is already known to Customer as shown by its prior written records other than through Laureate; or (iv) is independently developed by Customer without the use of Laureate Confidential Information, as evidenced by contemporaneous written records.

(c) Laureate will not transfer any Compound without Customer's written permission to any Third Party unless such transfer is to a pre-approved subcontractor, is consistent with the relevant Program and is permitted by the Amended and Restated Medarex MTA. Medarex acknowledges that it has provided its consent to transfer such Compound to pre-approved subcontractors as of June 13, 2007, pursuant to the written consent attached hereto as Schedule 5(c).

(d) If Laureate shall be obliged to provide testimony or records regarding a particular Program in any legal or administrative proceeding, then Customer shall reimburse Laureate for its reasonable and documented out-of-pocket costs plus a reasonable hourly fee for its employees or representatives at Laureate's standard commercial rates.

(e) Notwithstanding the provisions of subsection (b) above, Customer may only disclose standard operating procedures used by Laureate that are directly related to the Process, and the Batch Record to any party manufacturing Drug Substance or Drug Product on Customer's behalf, including (i) to Medarex, or (ii) to a Third Party that needs to know such information to manufacture Drug Substance or Drug Product and that agrees to be bound by the provisions of subsection (b) with respect to such information and further agrees not to use the information for any other purpose.

Section 11. Work Product.

All work outputs (e.g., reports) under this Agreement and any Scope will be prepared on Laureate's standard format unless otherwise specified in the Scope.

Section 12. Inventions and Patents.

(a) With respect to any Materials Invention, Process Invention, or Product Invention, Laureate shall comply with the provisions of Section 5(f) of the Amended and Restated Medarex MTA.

(b) Laureate shall retain all rights to (i) any manufacturing methods and processes including, without limitation, any production, purification and aseptic filling processes, discovered or developed by Laureate prior to the effective date of the Medarex MTA ("Laureate IP"), (ii) any inventions, and enhancements, improvements, or modifications made by Laureate to the Laureate IP (but excluding any Materials Inventions, Process Inventions, or Product Inventions), and (iii) all scientific, technical, or other information that are generally applicable to the maintenance or operation of a manufacturing facility or operation of a manufacturing business and that are generated by Laureate as a result of performing the activities described in this Agreement (including any enhancements, modifications or improvements thereto) ("Laureate Know-How"). Customer acknowledges that all Laureate IP and Laureate Know-How is vested in Laureate and, except as expressly set forth in Article 12 of this Agreement or in Section 5(i) of the Amended and Restated Medarex MTA, Customer shall not have at any time any right, title, license or interest in or to such Laureate IP or Laureate Know-How.

(c) Laureate hereby grants to Customer a [***].

(d) To the extent requested by Customer, Laureate shall provide reasonable technology transfer assistance services to Customer in the event that Customer transfers the services provided hereunder by Laureate to a third party manufacturer. Customer shall compensate Laureate for these transfer assistance services as follows: (i) services shall be performed on a [***] basis at Laureate's standard rates, (ii) the cost of reasonable third party out of pocket expenses incurred by Laureate in performing those services; and (iii) a mutually agreed upon and commercially reasonable technology transfer fee for work not covered by the fees charged under subsection (i) above, if such work is requested by Customer. If this Agreement is terminated by Laureate pursuant to Section 22(e), then [***]:

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Section 13. Independent Contractor.

Laureate shall perform each Program as an independent contractor of Customer and shall have complete and exclusive control over its Facility, equipment, employees and agents. Nothing in this Agreement or other arrangements for which it is made shall constitute Laureate, or anyone furnished or used by Laureate in the performance of the Program, as an employee, joint venture, partner, or servant of Customer. Laureate also agrees that it shall not have any rights to receive any employee benefits such as health insurance and accident insurance, sick leave or vacation as are in effect generally for employees of Customer. Laureate will not enter into any agreements or incur obligations on behalf of Customer nor commit Customer in any other manner without prior written consent from a duly authorized officer or representative of Customer.

Section 14. Insurance.

(a) Laureate agrees to maintain standard insurance policies covering the Drug Product, Compound and Product-Dedicated Equipment while under control and care of Laureate, during the performance of any Program, including general liability insurance in the amount of [***] Dollars (US $[***]) per occurrence and [***] Dollars (US $[***]) in the aggregate. Customer agrees to maintain (i) general liability insurance in the amount of [***] Dollars (US $[***]) per occurrence and [***] Dollars (US $[***]) in the aggregate and (ii) clinical trial insurance in the amount of [***] Dollars (US $[***]) per occurrence and [***] Dollars (US $[***]) in the aggregate covering the Cell Line, Drug Substance, Drug Product and Compound or any harm caused by the Cell Line, Drug Substance, Drug Product and Compound, and to name Laureate as an additional insured under such policy at no cost to Laureate. Upon the commencement of the commercial manufacturing or supply of the Drug Product, Customer will have the appropriate levels of insurance which are customary to cover the Cell Line, Drug Substance, Drug Product and Compound or any harms caused by the Cell Line, Drug Substance, Drug Product and Compound, and to name Laureate as an additional insured under such policy at no cost to Laureate; provided that in no event will such insurance levels be less than [***] Dollars (US $[***]) per occurrence and [***] Dollars (US $[***]) in the aggregate. Customer further agrees to provide Laureate with a Certificate(s) of Insurance issued to Customer for an insurance policy or policies directed to the aforementioned insurance coverage, in which Laureate is named as an additional insured.

(b) Prior to the delivery of the Drug Substance, Drug Product, or Compound under Section 15(a) below, Laureate shall [***]. If the Drug Substance, Drug Product or Compound is lost due to any reason other than a Laureate Failure, then Customer shall bear the risk of loss therefore.

(c) Prior to the delivery of the Drug Substance, Drug Product, or Compound under Section 15(a) below. Laureate shall [***]. If the Drug Substance, Drug Product or Compound is lost due to destabilization, then Customer shall bear the risk of loss therefore, unless the destabilization is due to Laureate's negligence or intentional misconduct.

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Section 15. Shipping; Risk of Loss; Inspection.

(a) Laureate shall package for shipment Drug Substance, Drug Product, samples or other Compound in accordance with Customer's written instructions and at the Customer's expense, including the procurement of reasonable insurance. Laureate shall not knowingly ship any Drug Substance, Drug Product, samples or other Compound that do not conform to the Specifications. Delivery of Drug Substance, Drug Product, samples or other materials by Laureate will be F.C.A. (Incoterms 2000) the Facility and Customer shall bear all packaging, shipping and insurance charges as per Appendix 5. Subject to the provisions of Section 14(b) above, title and risk of loss shall transfer to Customer on transfer to carrier at the Facility.

(b) Each shipment of Drug Substance or Drug Product shall be accompanied by quality assurance documents as required under the Quality Agreement, including a Certificate of Analysis and/or Material Safety Data Sheet, as applicable, attesting to the compliance of each Batch with Specifications for each of the Drug Substance and Drug Product as set forth in the relevant Scope. Customer shall carry out appropriate visual inspection of the shipment, as well as any other analysis which Customer may deem appropriate or necessary, upon receipt. Should it occur that any of the Drug Substance, Drug Product or corresponding samples do not meet the stated Specifications, Customer shall, as soon as possible and in any case within [***], give notice in writing to Laureate specifying in detail the claimed non-conforming characteristics of the shipment. In the absence of Customer's notification within the said term, Customer shall be deemed to have accepted such Drug Substance or Drug Product, samples or other Compound. Should Laureate agree that such Drug Substance or Drug Product does not meet the approved Specifications or it is determined that the Specifications are not met under the last sentence of this subsection (b), and provided that Customer demonstrates that the Drug Substance, Drug Product or related samples has been properly handled and stored after delivery, Laureate shall [***] such Drug Substance or Drug Product and shall use commercially reasonable efforts to make replacement Drug Substance or Drug Product as soon as practicable (i.e., Laureate shall use its best efforts to promptly reschedule production of Drug Substance or Drug Product for Customer [***]. Regardless, in no event shall Laureate [***] following the date that the Drug Substance or Drug Product was identified as not meeting Specifications (the "Identification Date"), provided that in the case of a Disputed Defect (as defined below), Laureate shall not be required to commence such manufacturing in [***]. Should Laureate not be in agreement with Customer's claim of defect (a "Disputed Defect"), a sample of the alleged defective Drug Substance or Drug Product shall be submitted to an agreed upon independent laboratory and the decision of such laboratory shall be final and binding for both Laureate and Customer and the corresponding expense will be paid by the party found to be in error.

(c) Laureate shall retain representative samples of Drug Product and Filled Products solely for record keeping, testing and regulatory purposes.

Section 16. Default.

(a) If Laureate is in default of its obligations under this Agreement or any Scope, then Customer shall promptly notify Laureate in writing of any such

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default. Laureate shall have a period of [***] from the date of receipt of such notice within which to cure such default, or if the default is not capable of being cured within such [***] period, then Laureate shall have commenced actions to cure the default within such period and shall have an [***] to cure the default. If, however, the default renders a production run unusable, then Laureate shall, at Customer's option, either [***]. If Laureate shall fail to cure such default within the specified cure period or repeat the Program, as the case may be, then the particular Scope and/or this Agreement shall, at Customer's option, immediately terminate. In the event that Customer chooses the remedy specified in this Section 16(a)(l) or Section 16(a)(2), then such remedy shall be Customer's sole and exclusive remedy for Laureate's default hereunder and Laureate's liability to Customer shall be subject to the limitations set forth in Section 18(e).

(b) If Customer is in default of its material obligations under this Agreement or any Scope, Laureate shall promptly notify Customer in writing of any such default. Customer shall have a period of [***] from the date of receipt of such notice within which to cure such default; provided, that, if Customer fails to cure such breach within the specified cure period, then the particular Scope and/or this Agreement shall, at Laureate's option, immediately terminate. Notwithstanding the cure period specified in the preceding sentence, if Customer fails to make any payment to Laureate within the time period specified in a Scope, Laureate may, in its discretion, suspend performance of the relevant Program until Laureate receives such outstanding payment.

Section 17. Dispute Resolution.

(a) In the event any dispute shall arise between the Customer and Laureate with respect to any of the terms and conditions of this Agreement, a Scope or the Program, then senior executives of the Customer and Laureate shall meet (in person or telephonically) as promptly as practicable after notice of such dispute (but in no event more than 7 business days after) to resolve in good faith such dispute.

(b) If the Customer and Laureate are unable to satisfactorily resolve the dispute, then such dispute shall be finally settled by arbitration in accordance with this Section 17. The arbitration will be held in the State of New York, and except as noted below, shall be conducted in accordance with the rules of the American Arbitration Association (or such successor organization) by two (2) arbitrators appointed, one by each Party. If the arbitrators appointed cannot agree on the resolution of the dispute within [***] after the dispute is submitted to them, they shall thereupon appoint a third arbitrator, and if they fail to agree upon a third arbitrator within [***] after a deadlock is declared by either arbitrator, a third arbitrator will be appointed by the American Arbitration Association (or such successor organization) upon the request of either arbitrator. The arbitrators shall have no authority to vary from or ignore the terms of this Agreement or the relevant Scope and shall be bound by controlling law. Finally, the Parties may seek judicial intervention for emergency relief, such as restraining orders and injunctions where appropriate.

(c) Any decision by the initial two (2) arbitrators or the third arbitrator and either one of the initial two (2) arbitrators shall be binding upon the Parties and may be entered as final judgment in any court having

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jurisdiction. The cost of any arbitration proceeding shall be borne by the Parties as the arbitrators shall determine if the Parties have not otherwise agreed. The arbitrators shall render their final decision in writing to the Parties.

Section 18. Indemnification; Limitation of Liability.

(a) Laureate shall indemnify Customer, their respective Affiliates and their respective officers, directors and employees from any loss, cost, damage or expense (a "Loss") from any lawsuit, action, claim, demand, assessment or proceeding (a "Claim") to the extent arising from or related to (i) personal injury to Program participants or to any employee of Customer or its Affiliates or property damage arising or occurring during the conduct of the Program as a result of Laureate's gross negligence or intentional misconduct; (ii) Laureate's breach of any of the representations, warranties or covenants (including [***]) contained in this Agreement or a Scope; (iii) the gross negligence or intentional misconduct or wilfull omission of Laureate in the performance of its obligations under this Agreement or a Scope related to the Program; or (iv) the infringement by Laureate of any patents or other intellectual property rights vested in any Third Party to the extent arising from Laureate Know-How or Laureate IP; provided, that, if such Loss or Claim arises in whole or in part from any circumstance for which Customer is required to indemnify Laureate pursuant to Section 18(b) below, then the amount of the Loss that Laureate shall indemnify Customer for pursuant to this Section 18 shall be reduced by an amount in proportion to the percentage of Customer's responsibilities for such Loss as determined in accordance with Section 17 or in a binding settlement between the Parties.

(b) Customer shall indemnify Laureate and Laureate's Affiliates and their respective officers, directors, employees and agents (the "Laureate Group") from any Loss from any Claim to the extent arising from or related to (i) personal injury or property damage to a participant in the Program, any employee of the Laureate Group or any Third Party directly or indirectly caused by the Cell Line, Compound, Product-Dedicated Equipment, Process Consumables, cell culture media, Drug Product, Drug Substance or the Program except to the extent the injury or damage was due to Laureate's failure to follow any applicable U.S. laws, regulations, or guidelines, or the applicable Scope, Specifications, or Laureate SOPs; (ii) the harmful or otherwise unsafe effect of the Compound, Process Consumables, cell culture media, Drug Product or Drug Substance including, without limitation, a Claim based upon Customer's or any other person's use, consumption, sale, distribution or marketing of any substance, including the Compound, Process Consumables, cell culture media, the Drug Substance or the Drug Product; (iii) the negligence, gross negligence or intentional misconduct or wilfull omission of Customer in the performance of its obligations under this Agreement or a Scope related to the Program; (iv) Customer's breach of any of the representations, warranties or covenants contained in this Agreement or a Scope, (v) a breach of the representation set forth in Section 19(a) if that representation was affirmatively stated [***], or (vi) breaches or the representations set forth in Sections 19(c) and (d) if those representations were affirmatively stated and without [***]; provided, that, if such Loss or Claim arises in whole or in part from any circumstance for which Laureate is required to indemnify Customer pursuant to Section 18(a) above, then the amount of such Loss that Customer shall indemnify the Laureate Group for pursuant to this Section 18 shall be reduced by an amount in proportion to the percentage of Laureate's responsibilities for such Loss as determined in accordance with Section 17 or in a binding settlement between the Parties.

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(c) Customer assumes full responsibility and liability for any and all direct damages to Laureate in the event that the handling of Cell Line, Compound, Compound Materials, Process Consumables, cell culture media, Drug Product or Drug Substance on its premises, or the use of the Product-Dedicated Equipment, in accordance with Laureate SOP, a Scope and the terms of this Agreement results in contamination of equipment, facilities, personnel or Third Parties by noxious, toxic, infectious, and/or corrosive agents (collectively, "Contaminants") in the Cell Line, Compound, Compound Materials, Process Consumables, cell culture media, Drug Product, Drug Substance or associated materials, as initially received by Laureate, and to the extent that said contamination can be conclusively determined to have arisen from such materials, wherein infectious agents refers to any microbiological or viral agents of infection, including but not limited to bacteria, fungae, mycoplasmas, prions, and viruses. To the extent that any contamination of equipment, facilities, personnel or Third Parties results from Laureate's negligence or failure to follow its SOP or the terms of this Agreement or a Scope, then Laureate will assume full responsibility and liability for any such direct damages, provided, however, that Laureate's conduct in this regard had an effect that contributed materially to the contamination or its consequences. Laureate agrees to use commercially reasonable efforts to mitigate any direct damages in the event of a contamination incident caused by Compound, Compound Materials, Process Consumables, cell culture media, Drug Products, Drug Substance or associated materials.

(d) Upon receipt of notice of any Claim that may give rise to a right of indemnity from the other Party hereto, the Party seeking indemnification (the "Indemnified Party") shall give written notice thereof to the other Party (the "Indemnifying Party"), of the Claim for indemnity within thirty (30) days of receiving such notice. Such Claim for indemnity shall indicate the nature of the Claim and the basis therefore. Promptly after a claim is made for which the Indemnified Party seeks indemnity, the Indemnified Party shall permit the Indemnifying Party, at its option and expense, to assume the complete defense of such Claim, provided, that, (i) the Indemnified Party will have the right to participate in the defense of any such Claim at its own cost and expense; (ii) the Indemnifying Party will conduct the defense of any such Claim with due regard for the business interests and potential related liabilities of the Indemnified Party; and (iii) the Indemnifying Party will, prior to making any settlement, consult with the Indemnified Party as to the terms of such settlement. The Indemnifying Party will not, in defense of any such Claim, except with the consent of the Indemnified Party, consent to the entry of any judgment or enter into any settlement which does not include, as an unconditional term thereof, the giving by the claimant or plaintiff to the Indemnified Party of a release from all liability in respect thereof. After notice to the Indemnified Party of the Indemnifying Party's election to assume the defense of such Claim, the Indemnifying Party shall only be liable to the Indemnified Party for such reasonable legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof at the request of the Indemnifying Party. As to those Claims with respect to which the Indemnifying Party does not elect to assume control of the defense, the Indemnifying Party shall be liable for all reasonable legal or other expenses incurred by the Indemnified Party in connection with the defense thereof and the Indemnified Party will afford the Indemnifying Party an opportunity to participate in such defense at the Indemnifying Party's own cost and expense, and will not settle or otherwise dispose of any of the same without the consent of the Indemnifying Party, which consent shall not be unreasonably withheld.

(e) Limitations on Total Liability of Laureate.

(i) Consequential Damages Waiver. EXCEPT AS OTHERWISE SET FORTH IN SECTION 18(C) OR TO THE EXTENT RESULTING FROM A BREACH OF SECTION 10, UNDER NO CIRCUMSTANCES SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY OR ANY THIRD PARTY FOR INCIDENTAL, INDIRECT, CONSEQUENTIAL OR SPECIAL DAMAGES ARISING IN CONNECTION WITH THIS AGREEMENT, A SCOPE OR ANY DOCUMENTS OR APPENDICES RELATED THERETO. Except in the case of [***], in no event shall Laureate's maximum liability under this Agreement for all claims (whether or not brought by Third Parties), whether in connection with a warranty claim, an indemnity claim, a combination thereof, or otherwise and whether arising under contract, warranty, tort (including negligence), strict liability, product liability, a combination thereof, or any other theory of liability or indemnification [***]. The limitations of liability reflect the allocation of risk between the parties. The limitations specified in this Section 18(e) will survive and apply even if any limited remedy specified in this Agreement is found to have failed of its essential purpose.

(ii) Product Loss. By way of clarification, Laureate's aggregate liability resulting from the loss, destabilization, alteration or contamination of Drug Product of a particular Batch in crude or purified form as a result of Laureate's breach of this Agreement or a Scope, failure to comply with Master Batch Record or negligence, wherein such Drug Product is lost, destabilized, altered or contaminated such that it cannot be used in clinical trials or cannot be placed into commerce, shall not exceed the Service Fees to be received by Laureate with respect to the Batch giving rise to the liability in question.

(iii) For purposes of the limitations set forth in Section 18(e)(i) above, direct damages shall be deemed to include all third party damages, including consequential or incidental damages, for which the arbitrators, in accordance with Section 17 or a court of law or other governing tribunal or agency, determines a party to be responsible and/or liable.

Section 19. Representations, Warranties and Covenants.

(a) Customer hereby represents and warrants to Laureate that prior to the first commercial sale of Drug Product, Customer shall have legal title and/or a valid license to the Cell Line, Process, Compound, Compound Materials, Drug Product and Drug Substance (with rights to allow Laureate to perform the Services hereunder) and that Laureate's performance of the Program (including its use of the Process) will not violate or infringe on the patents, industrial property rights, trade secrets, trademarks, tradenames, servicemarks, copyrights or any other intellectual property rights of any Third Party. Customer further represents and warrants that prior to the commencement of any Program under this Agreement it shall be entitled to supply Cell Line, Compound, Compound Materials, Drug Product, Drug Substance and Customer Confidential Information to Laureate.

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(b) Customer will notify Laureate immediately if Customer knows or should know that it is no longer entitled through Medarex or directly to supply the Cell Line, Compound, Compound Materials, process patents, Drug Products, Drug Substance, any other materials and/or the Customer Confidential Information to Laureate or that the use by Laureate of such materials and/or information infringes or is alleged to infringe any rights (including any intellectual or industrial property rights) vested in any Third Party.

(c) To the best of Customer's knowledge, it hereby represents and warrants to Laureate that the Customer has performed testing to assure itself reasonably that the Compound, Compound Materials, Cell Line, Drug Substance and Drug Product are safe and stable and are and will be in compliance with all federal, state and local laws and regulations required for use, distribution and testing of such materials and that such materials pose no environmental risk. Customer hereby represents and warrants to Laureate that the Process has been operated by Medarex in a manner that can be consistently reproduced at the scale of a 35 liter bioreactor.

(d) To the best of Customer's knowledge, it hereby represents to Laureate that any technical or regulatory information or documentation supplied by Customer or on its behalf to Laureate (including, but not limited to, process details, analytical methods, Specifications, development reports, technology transfer documents, plans, engineering documents and other documents) and required for execution of the Program is accurate and suitable for its intended use in all material respects.

(e) Each Party hereby represents and warrants to the other Party that it has full power and authority to enter into, deliver and perform its obligations under this Agreement, and it has taken all action required to authorize the execution and delivery of this Agreement and to consummate the transactions contemplated hereby, and the person signing this Agreement on behalf of such Party has been duly authorized to act on behalf of and to bind such Party.

(f) Laureate warrants and represents that (i) each Program will be performed in accordance in with standard industry custom, (ii) it will use all commercially reasonable efforts to achieve the estimated deadlines for the Program, (iii) the Drug Product will meet the Specifications set forth in the Program at the time of delivery to Customer, and (iv) after applicable regulatory approval of the Process and the Drug Product, Laureate will not knowingly ship Drug Substance to Customer that is considered to be adulterated or misbranded, within the meaning of the U.S. Food, Drug & Cosmetics Act, or any comparable U.S. laws, rules or regulations as a result of any act or omission of Laureate, unless Customer has authorized Laureate in writing to do so.

(g) Laureate warrants and represents that (i) it has never been, is not currently, and during the term of this Agreement will not become, a Debarred Entity and (ii) to the best of its knowledge no Debarred Entity or Debarred Individual, including any subcontractors or third parties, will perform any services on the Customer's behalf. In the event that Laureate becomes aware of FDA investigations of, or debarment proceedings against, Laureate or any Person performing the Program, Laureate will immediately notify the Customer of any such circumstances during the term of this Agreement.

(h) Laureate represents and warrants that the services provided pursuant to this Agreement shall be in compliance with all applicable laws in the United States.

(i) Customer is a holder of U.S. Government contracts and is subject to certain additional statutory, regulatory, and contract requirements by virtue thereof. If this Agreement is issued under a U.S. Government prime contract or a subcontract under a U.S. Government prime contract, Laureate agrees to use commercially reasonable efforts to comply with all statutory, regulatory, and contract requirements applicable to the prime contract or subcontract, copies of which shall be furnished to Laureate.

(j) THE EXPRESS WARRANTIES OF LAUREATE SET FORTH IN SECTIONS 19 OF THIS AGREEMENT AND THE CERTIFICATIONS REGARDING THE FEDERAL ACQUISITION REGULATIONS SET FORTH IN THE APPLICABLE SCOPE ARE IN LIEU OF ALL CONDITIONS, WARRANTIES AND STATEMENTS IN RESPECT OF THE PROGRAM AND/OR THE DRUG PRODUCT, WHETHER EXPRESS OR IMPLIED BY STATUTE, CUSTOM OF THE TRADE OR OTHERWISE INCLUDING ANY SUCH CONDITION, WARRANTY OR STATEMENT RELATING TO THE DESCRIPTION OR QUALITY OF THE DRUG PRODUCT UPON COMPLETION OF LAUREATE'S SERVICES, ITS FITNESS FOR A PARTICULAR PURPOSE OR USE UNDER ANY CONDITIONS, WHETHER OR NOT KNOWN TO LAUREATE, AND THAT ANY SUCH CONDITION, WARRANTY OR STATEMENT IS EXCLUDED FROM THIS AGREEMENT.

Section 20. Force Majeure.

Either Party shall be excused from performing its respective obligations under this Agreement or any Scope if its performance is delayed or prevented by any event beyond such Party's reasonable control, including, but not limited to, acts of God, fire, explosion, weather, disease, war, terrorism, insurrection, civil strife, riots, government action, or power failure, provided that such performance shall be excused only to the extent of and during such disability. Any time specified for completion of performance under a Scope falling due during or subsequent to the occurrence of any or such events shall be automatically extended for a period of time reasonably necessary to recover from such disability. Laureate will promptly notify Customer if, by reason of any of the events referred to herein, Laureate is unable to meet any such time for performance specified in a Scope and will, upon written request from Customer, but at Customer's sole cost and expense, repeat that part of the Program affected by the disability. If the event of force majeure continues for a period greater than ninety (90) days, then the unaffected Party may terminate this Agreement immediately by notice in writing to the affected Party.

Section 21. Use of Names.

Subject to the prior approval of the other party (such approval not to be unreasonably withheld), each party shall be permitted to use the name and logo of the other Party in the "promotion of its business." The promotion of a Party's business means use in (i) sales and marketing materials, (ii) web sites, and (iii) other customary promotional business uses agreed to by the Parties. Neither party shall issue a press release or make any other public statement regarding this Agreement without the prior written consent of the other party; provided, however, disclosures to the United States Securities Exchange Commission shall be governed by Sections 10(a) and 10(b), as applicable.

Section 22. Term; Termination.

(a) Unless earlier terminated in accordance with the other provisions of this Agreement, this Agreement shall commence on the Effective Date and shall continue in full force and effect until December 31, 2017. [***]:

(i) [***];

(b) For purposes of clarification, reservation fees are not refundable and are not creditable toward the termination payments indicated above and will be forfeited by Customer in addition to the termination payments indicated above, except that [***].

(c) [***]

(d) Notwithstanding anything to the contrary contained in this Agreement, Customer may terminate this Agreement at any time, with or without cause, effective upon written notice to Laureate of not less than [***]. If Customer terminates this Agreement pursuant to the foregoing sentence, Customer shall [***].

(e) Notwithstanding anything to the contrary contained in this Agreement, Laureate may terminate this Agreement [***], effective upon written notice to Customer of not less than [***]. Upon issuance of such termination notice, Laureate will solely be required to complete any production runs for which a reservation fee has been paid for a then-current Program, wind down any then-current Programs under which there is a current supply of Drug Product, and to provide the technology transfer assistance services pursuant to Section 12(d), but shall not be required to begin any new or additional Programs or enter into any additional Scopes unless such Scope or Program can be completed within such [***] period.

(f) Either party shall have the right to immediately terminate this Agreement, effective upon written notice of such termination, in the event that: (i) voluntary or involuntary proceedings by or against the other party are instituted in bankruptcy under any insolvency law, (ii) a receiver or custodian is appointed for the other party, (iii) proceedings are instituted by or against the other party for corporate reorganization or dissolution of such party, which proceedings, if involuntary, shall not have been dismissed within sixty (60) days after the date of filing, (iv) the other party makes an assignment for the benefit of creditors, or (v) substantially all of the assets of the other party are seized or attached and not released within sixty (60) days thereafter.

(g) The termination of this Agreement for any reason shall not relieve either Party of its obligation to the other Party for obligations in respect of (i) compensation for services performed (Sections 8, 9 and 22 and pursuant to any effective Scope) (ii) confidentiality and non-use of information (Section 10), (iii) work product (Section 11), (iv) inventions and patents (Section 12), (v) insurance (Section 14), (vi) indemnification (Section 18), and (vii) consents for advertising purposes and publications (Section 23).

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*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

Section 23. Assignment; Third Party Beneficiary.

(a) This Agreement or any Scope entered into hereunder may not be assigned or otherwise transferred by either Party without the prior written consent of the other Party (or, in the case of assignment by Laureate, the prior written consent of Customer); provided, however, either Party may, without such consent, assign this Agreement or any Scope entered into hereunder (i) in connection with the transfer or sale of all or substantially all of the assets of such Party or, in the case of Customer, its rights to the Cell Line, Drug Substance or Drug Product; (ii) in the event of the merger or consolidation of a Party hereto with another company, except in the case of a merger or consolidation of Laureate with a competitor of Customer; (iii) to any Affiliate of the assigning Party; or (iv) to Medarex, in the case of Customer. Any purported assignment in violation of the preceding sentence shall be void. Any permitted assignee shall assume all obligations of its assignor under this Agreement and any existing Scopes, provided however that if Customer assigns this Agreement or a Scope to an Affiliate, the Customer shall continue to remain obligated under this Agreement. [***]

(b) The parties acknowledge and agree that Medarex is an intended third party beneficiary of provisions in this Agreement applicable to Medarex and, accordingly, will be entitled to full right of enforcement of such provisions.

Section 24. Notice.

All notices to be given as required in the Agreement shall be in writing and may be delivered personally, or mailed either by a reputable overnight carrier with required receipt signature or certified mail, postage prepaid to the Parties at the addresses set forth above or at such other address as either Party may provide by written notice to the other Party in accordance with the provisions of this Section 24. Such notice shall be effective: (i) on the date sent, if delivered personally or by facsimile (receipt of which is confirmed); (ii) the date after delivery if sent by overnight carrier; or (iii) on the date received if sent by certified mail.

If to Customer:

PharmAthene, Inc.
175 Admiral Cochrane Drive, Suite 101
Annapolis, MD 21401
Attn: David P. Wright, President and Chief Executive Officer
Telefax: (410)571-8927

with a copy to:

Elizabeth Mackessy-Lloyd
Contracts Manager
PharmAthene, Inc.
175 Admiral Cochrane Drive, Suite 101
Annapolis, MD 21401

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*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

If an invoice is to be delivered by email to:

Ms. Maxine Berritt (accounts payable): berrittm(q)pharmathene.com
Ms. Penny Schnell (accounts payable): schnellp@pharmathene.com

If to Laureate:

Laureate Pharma, Inc.
201 College Road East
Princeton, NJ 08540
Attn: Robert J. Broeze, Ph.D., President & Chief Executive Officer
Telefax: (609)520-3963

With a copy to:
Safeguard Scientifics, Inc.
800 The Safeguard Building
435 Devon Park Drive
Wayne, PA 19087
Attn: Legal Department
Fax: (610)975-0261

Section 25. Choice of Law.

This Agreement, any Scopes entered into hereunder, and all matters arising directly or indirectly hereunder, shall be governed by, and construed in accordance with the laws of the State of New York.

Section 26. Headings.

The heading of each paragraph of this Agreement is for descriptive purposes only and shall not be deemed to modify or qualify any of the provisions, rights, or obligations set forth in this Agreement.

Section 27. Waiver/Severability.

No waiver of any provision of this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed to be or be construed as a further or continuing waiver of any such provision, or of any other provision or condition of this Agreement. The invalidity of any portion of this Agreement shall not affect the validity, force or effect of the remaining portions of this Agreement. If it is ever held that any provision hereunder is too broad to permit enforcement of such provision to its fullest extent, such provision shall be enforced to the maximum extent permitted by law.

Section 28. Entire Agreement; Modification/Counterparts.

(a) This document (and any Scope and Appendices attached hereto) sets forth the entire Agreement between the Parties hereto with respect to the performance of any Program by Laureate for Customer and as such, supersedes all

prior and contemporaneous negotiations, agreements, representations, understandings, and commitments with respect thereto and shall take precedence over all terms, conditions and provisions on any purchase order form or form of order acknowledgment or other document purporting to address the same subject matter, except that if there is any conflict between the terms of this Agreement and the Quality Agreement, the Quality Agreement shall govern; provided, however, that the Amended and Restated Medarex MTA and the confidentiality agreement between Laureate and Medarex dated June 1, 2004 and the LOI; will continue in full force and effect in accordance with its terms. This Agreement and any Scope shall not be waived, released, discharged, changed or modified in any manner except by an instrument signed by the duly authorized officers of each of the Parties hereto, which instrument shall make specific reference to this Agreement and any Scope and shall express the plan or intention to modify same. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. In the event of any conflict between this Agreement, as it may be modified as provided herein, and a Scope, the terms of this Agreement shall control. For purposes of execution, facsimile signatures shall be deemed originals.

(b) This Agreement becomes effective and binding on both Parties as of the Effective Date. Should terms contained herein be at variance with the terms and conditions specified in Customer's written acceptance, then the terms and conditions contained herein take precedence.

(signature page follows)

LAUREATE PHARMA, INC.

By: /s/Robert J. Broeze

Robert J. Broeze, Ph.D
President & Chief Executive Officer

PHARMATHENE, INC.

By: /s/David P Wright

David P. Wright
President & Chief Executive Officer

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT
HAS BEEN OMITTED AND FILED SEPARATELY WITH THE
SECURITIES AND EXCHANGE COMMISSION (THE "SEC")
PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT WITH RESPECT TO THE OMITTED PORTIONS.
OMITTED PORTIONS ARE INDICATED BY [***].

FIRST AMENDMENT TO OFFICE LEASE

THIS FIRST AMENDMENT TO OFFICE LEASE (this "Amendment") is made as of January 22, 2007, by and between Park Place Trust, a Maryland business trust ("Landlord") and PharmAthene, Inc., a Delaware corporation ("Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant entered into that certain Office Lease dated September 14, 2006 (the "Lease").

WHEREAS, pursuant to the Lease, Landlord has agreed to lease to Tenant and Tenant has agreed to lease from Landlord certain space (the "Premises"), consisting of approximately [***] rentable square feet of office space located on the fourth (4th) floor of the building known as Park Place Office Building One and located at West Street and Taylor Avenue, Annapolis, Maryland (the "Building"), as more particularly described in the Lease.

WHEREAS, Landlord has agreed to lease to Tenant, and Tenant has agreed to lease from Landlord, approximately [***] square feet of additional rentable area on the fourth (4th) floor of the Building (the "Expansion Space") as shown on Exhibit A-1 attached hereto.

WHEREAS, Landlord and Tenant have agreed that the Commencement Date as to the Demised Premises Expanded (defined below) occurred on January __, 2007 and simultaneously with the execution hereof, Landlord and Tenant have executed and delivered Exhibit D to the Lease confirming such facts.

WHEREAS, Landlord and Tenant desire to amend the Lease upon the terms and conditions set forth in this Amendment.

WHEREAS, except as otherwise defined herein, all terms used in this Amendment that are defined in the Lease shall have the same meaning as set forth in the Lease.

NOW, THEREFORE, in consideration of the sum of Ten Dollars ($10.00) cash in hand paid, the mutual covenants hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Landlord hereby leases the Expansion Space to Tenant, and Tenant hereby leases the Expansion Space from Landlord. With the addition of the Expansion Space, the Demised Premises (as so expanded, the "Demised Premises Expanded") shall contain approximately [***] rentable square feet.

The Monthly Rent for the Expansion Space ("Expansion Space Monthly Rent") shall be as follows:

Period	Expansion Space Monthly Rent	Rate Per Square Foot
[***]		

With the addition of the Expansion Space, Tenant's Share of Operating Expenses shall be increased from [***]% to [***]%, Tenant's Share of Operating Costs shall be increased from [***]% to [***]% and Tenant's Share of Real Estate Taxes shall be increased from [***]% to [***]%.

The Allowance, computed as [***] Dollars ($[***]) per rentable square foot, shall be increased from [***] Dollars ($[***]) to [***] Dollars ($[***]), of which [***] Dollars ($[***]) may be utilized to pay the costs of installing voice and data cabling in the Demised Premises.

The advance rent deposit referenced in Section 6(A) shall be increased from [***] Dollars ($[***]) to [***] Dollars ($[***]). The Security Deposit Letter of Credit referenced in Section 6(B) shall be increased from [***]

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*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

Dollars ($[***]) to [***] Dollars ($[***]). The Letter of Credit Reduction chart contained in Section 6(B) shall be deemed deleted and replaced with the following:

Reduction Date	Security Deposit Reduction Amount	Security Deposit Remaining After Reduction
[***]		

Exhibit F to the Lease is deemed deleted and replaced with Exhibit F attached hereto.

Except as herein set forth the Expansion Space shall be deemed part of the Demised Premises and the Lease shall apply to the Expansion Space in the same manner it applies to the space originally demised.

2. Landlord agrees to abate and forgive Monthly Rent in the aggregate amount of [***] Dollars ($[***]), such abatement to be applied against Monthly Rent first due and owing.

3. The provisions of Exhibit C to the Lease notwithstanding, Landlord shall permit Tenant to have one or more free standing water coolers (i.e., not connected to the Building's water system) within the Demised Premises Expanded and to allow its personnel to bring dogs into the Demised Premises Expanded, such circumstances to be governed by reasonable mutually acceptable arrangements established with Landlord's property manager.

4. This Amendment shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns.

5. This Amendment may be executed in multiple counterparts, each of which shall be an original, but all of which shall constitute one and the same Amendment. Faxed signatures shall have the same binding effect as original signature, and a faxed Amendment containing the signatures (original or faxed) of the parties shall be binding.

6. In all other respects the Lease shall continue in full force and effect in accordance with its terms.

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*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Amendment to be executed under seal as of the date first above written.

LANDLORD:

PARK PLACE TRUST,
a Maryland business trust

By: JBJ/Carlyle Park Place LP, a
Delaware limited partnership,
as Trustee

By: JBJ Management Company,
Inc., a Maryland limited
liability company, Managing
General Partner

By: /s/ J. Jeremy Parks [SEAL]

Name: J. Jeremy Parks
Date: 1-22-07

TENANT:

PHARMATHENE, INC.,
a Delaware corporation

By: /s/ Christopher Camut [SEAL]

Name: Christopher Camut
Title: CFO/VP

OFFICE LEASE

FOR

PHARMATHENE, INC.

Suite No. 450
Park Place
Office Building One
200 Park Place
Annapolis, Maryland

TABLE OF CONTENTS

Exhibits

OFFICE LEASE

THIS LEASE, made and entered into on this 14th day of September, 2006 by and between Park Place Trust, a Maryland Business Trust, hereinafter called "Landlord," and PharmAthene, Inc., a Delaware corporation, hereinafter called "Tenant."

WITNESSETH, That, for and in consideration of the rents, mutual covenants, and agreements hereinafter set forth, the parties hereto do hereby mutually agree as follows:

1. BASIC LEASE INFORMATION

Landlord: Park Place Trust, a Maryland Business Trust

Landlord's Address: c/o Jerome J. Parks Companies, 15 School Street, Annapolis, Maryland 21404, Attn: Jerome J. Parks.

Tenant: PharmAthene.

Tenant's Current Address: 175 Admiral Cochrane Drive, Suite 101, Annapolis, Maryland 21401.

Building: Park Place Office Building One, Annapolis, Maryland.

Land: See Exhibit A-1.

Demised Premises: As shown on Exhibit A and known as Suite 450 on the fourth floor.

Rentable Area of the Demised Premises: approximately [***] rentable square feet.

Rentable Area of the Building: 160,358 rentable square feet.

Term: ten (10) years.

Anticipated Commencement Date: January 1, 2007.

Rent Commencement Date: three (3) months following the Commencement Date (See Section 3(B)), but not earlier than March 1, 2007. See Section 5.

Anticipated Rent Commencement Date: April 1, 2007.

Anticipated Expiration Date: March 31, 2017.

Security Deposit: See Section 6(B).

Monthly Rent: See chart following:

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Period	Monthly Rent	Annual Rate Per Square Foot
[***]		

Right of First Offer: See Section 9.

Tenant's Special Right to Terminate: See Section 3(E).

Base Year: calendar year 2007.

Tenant's Share of Operating Expenses: [***]%.

Tenant's Share of Operating Costs: [***]%.

Tenant's Share of Real Estate Taxes: [***]%.

Parking: Four (4) reserved spaces. See Section 8.

Allowance: [***] Dollars ($[***]) per rentable square foot. See Exhibit B.

Tenant's Broker: CB Richard Ellis

Landlord's Broker: CB Richard Ellis

Lease Year: The term "Lease Year" shall mean a period of twelve (12) consecutive months commencing on the Rent Commencement Date, and each successive twelve (12) month period thereafter; provided, however, that if the Rent Commencement Date is not the first day of a month, then the second Lease Year shall commence on the first day of the month following the month in which the first anniversary of the Rent Commencement Date occurs.

2. DEMISED PREMISES

Landlord does hereby lease to Tenant, and Tenant does hereby lease from Landlord, for the term and upon the conditions hereinafter provided, approximately [***] square feet of rentable area on the fourth (4th) floor of

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the office building known as Park Place Office Building One situated at West Street and Taylor Avenue, Annapolis, Maryland (such building being hereinafter referred to as the "Building" and such rentable area being hereinafter referred to as the "Demised Premises"). The Demised Premises has been assigned Suite No. 450, and is outlined on the floor plan attached hereto and made a part hereof as Exhibit A.

The Building and the Land (defined below) is part of Park Place, a Condominium (the "Condominium") and more specifically described on that certain Phase One Condominium Plat for Park Place, a Condominium dated February 15, 2005 and recorded among the land records of Anne Arundel County, Maryland.

3. TERM

(a) The initial term of this Lease shall commence on the Commencement Date. The initial term of this Lease shall expire on the last day of the tenth (10th) Lease Year (the "Expiration Date"). The term of this Lease (the "Lease Term") shall also include any properly exercised renewal or extension of this Lease.

(b) The "Commencement Date" shall be the later of (i) the date on which the shell improvements referenced in Schedule 1 to Exhibit B are substantially complete and the Building is Ready for Occupancy (as defined in Exhibit B) other than Deferrable Base Building Work, or January 1, 2007. Promptly after the Commencement Date is ascertained, Landlord shall provide and Tenant shall execute a certificate confirming the Commencement Date in the form attached hereto as Exhibit D. "Deferrable Base Building Work" shall mean those portions of base building work that can be completed during the period from the Commencement Date to the Rent Commencement Work without interfering with the construction of tenant improvements in the Demised Premises.

(c) For the purposes of this Lease, the term "Commencement Date" shall also mean any extended Commencement Date which may be established pursuant to the operation of the provisions of this section of this Lease.

(d) It is presently anticipated that the shell improvements referenced in Schedule 1 to Exhibit B will be substantially complete and the Building will be Ready for Occupancy (other than Deferrable Base Building Work), on or about January 1, 2007; provided, however, that if those events do not occur by such date, Landlord shall not have any liability whatsoever, and this Lease shall not be rendered void or voidable, as a result thereof.

(e) Notwithstanding anything to the contrary herein, Tenant shall have the right to terminate this Lease for any or no reason ("Tenant's Special Terminate Right") upon written notice to Landlord given no later than October 1, 2006, time being of the essence. Along with Tenant's notice, Tenant shall pay to Landlord a termination fee of Thirty-Five Thousand Dollars ($35,000.00) (the "Termination Fee"), and the payment thereof along with such notice shall be a condition to the effectiveness of such notice. In the event Tenant exercises Tenant's Special Termination Right, Landlord shall promptly return Tenant's Deposits and thereafter neither party shall have any farther rights or obligations hereunder.

4. USE

Tenant shall use and occupy the Demised Premises solely for general office purposes in accordance with the applicable zoning regulations, including reasonable ancillary uses thereto not inconsistent with the operation of a first class office building. The Demised Premises shall not be used for any other purpose without the prior written consent of Landlord. Tenant shall not use or occupy the Demised Premises for any unlawful purpose, and will comply with all present and future laws, including without limitation the Americans With Disabilities Act of 1990 and the regulations promulgated thereunder, as the same may be amended from time to time, ordinances, regulations, and orders of all governments, government agencies and any other public authority concerning the use, occupancy and condition of the Demised Premises and all machinery, equipment and furnishings therein.

5. RENT

(a) Tenant covenants and agrees to pay to Landlord rent of any kind or nature, including Monthly Rent (as hereinafter defined) and any sums, charges, expenses and costs identified in the Lease as additional rent to be paid by Tenant to Landlord. Tenant's obligation to pay rent shall begin on the earlier of (i) the date Tenant commences to utilize the Demised Premises for the actual conduct of business or (ii) the date which is three (3) months following the Commencement Date (the "Rent Commencement Date") and shall continue to remain an obligation of Tenant until completely satisfied. Promptly after the Rent Commencement Date is ascertained, Landlord and Tenant shall execute a certificate confirming the Rent Commencement Date in the form attached hereto as Exhibit D-l.

Tenant shall make all payments of rent by check, payable to Park Place Trust or to such other party as Landlord may designate from time to time by written notice to Tenant, and to such address as Landlord may designate from time to time by written notice to Tenant, without demand and without deduction, set-off or counterclaim. If Landlord at any time or times accepts rent after it shall become due and payable, such acceptance shall not excuse delay upon subsequent occasions, or constitute, or be construed as, a waiver of any or all of Landlord's rights hereunder.

(b) The monthly rent for the Demised Premises (hereinafter referred to as "Monthly Rent") as of the Rent Commencement Date, which Tenant hereby agrees to pay in advance to Landlord and Landlord hereby agrees to accept, shall be as follows:

Period	Monthly Rent	Annual Rate Per Square Foot
[***]		

(c) Monthly Rent as specified above shall be payable in advance on the first day of each calendar month during the term of this Lease. Tenant shall also pay to Landlord with the payment of Monthly Rent such payments of additional rent provided for in the section of the Lease entitled, "OPERATING EXPENSES, OPERATING COSTS AND REAL ESTATE TAXES."

(d) If the Rent Commencement Date, and therefore the obligation under the Lease to pay Monthly Rent hereunder, begins on a day other than the first day of a calendar month, then Monthly Rent from such date until the first day of the following calendar month shall be prorated at the rate of one-thirtieth (l/30th) of Monthly Rent for each day of that month from and including the Rent Commencement Date, payable in advance, as specified above.

6. DEPOSITS

(a) Simultaneously with the execution of this Lease by Tenant, Tenant shall deposit with Landlord the sum of [***] Dollars ($[***]), as a deposit towards payment of Monthly Rent for the first (1st) full calendar month. Any good faith deposit made at the time Tenant executed and delivered to Landlord any letter of intent or proposal to Lease shall be applied toward the amount of this deposit. Such deposit, prior to its being applied to the payment of Monthly Rent, shall be security for the payment and performance by Tenant of all Tenant's obligations, covenants, conditions and agreements under this Lease, and Landlord shall have the right, but shall not be obligated, to apply all or any portion of the deposit to cure any default by Tenant, in which event Tenant shall be obligated to promptly deposit with Landlord the amount necessary to restore the deposit to its original amount In the event Tenant fails to perform its obligations and to take possession of the Demised Premises on the appropriate Commencement Date provided herein, said deposit shall not be deemed liquidated damages and Landlord may apply the deposit to reduce Landlord's damages, and such application of the deposit shall not preclude Landlord from recovering from Tenant all additional damages incurred by Landlord.

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(b) Simultaneously with the execution of this Lease by Tenant, Tenant shall deliver to Landlord an unconditional, irrevocable letter of credit in the amount of [***] Dollars ($[***]) (the "Security Deposit") as security for the payment and performance by Tenant of all Tenant's obligations, covenants, conditions and agreements under this Lease, subject to the following terms and conditions. Such letter of credit shall be (a) hi form and substance satisfactory to Landlord in its sole discretion; (b) at all times in the amount of the Security Deposit (it being agreed that if at any time the amount drawable by Landlord under the letter of credit is less than the amount of the Security Deposit, whether as a result of a draw by Landlord or otherwise, then Tenant shall, within one (1) business day thereafter, cause the amount drawable under the letter of credit to be increased to the amount of the Security Deposit); (c) issued by a commercial bank reasonably acceptable to Landlord from time to time and located in the Baltimore/Annapolis metropolitan area, (d) made payable to, and expressly transferable and assignable at no charge by, the owner from time to time of the Building or its mortgagees (which transfer/assignment shall be conditioned only upon the execution by such owner of a written document hi connection with such transfer/assignment); (e) payable at sight upon presentment to a local branch of the issuer of Landlord's sight draft drawn on the issuer and accompanied by a notarized certificate stating that Landlord is entitled to draw the amount sought; (f) of a term not less than one year; and (g) at least thirty (30) days prior to the then-current expiration date of such letter of credit, renewed (or automatically and unconditionally extended) from time to time through the sixtieth (60th) day after the expiration of the Lease Term. If Landlord transfers the Security Deposit to any transferee of the Building or Landlord's interest therein, then such transferee shall be liable for the return of the Security Deposit, and Landlord shall be released from all liability for the return thereof. Notwithstanding the foregoing, Tenant hereby agrees not to look to Landlord's mortgagees, as mortgagee, mortgagee in possession, or successor in title to the property, for accountability for any Security Deposit required by Landlord hereunder, unless said sums have actually been received by said mortgagees as security for Tenant's performance of this Lease. If Tenant fails to timely comply with the requirements of subsection (g) above, then Landlord or its mortgagees shall have the right to immediately draw upon the letter of credit without notice to Tenant and/or opportunity to cure. Any amounts drawn under the letter of credit shall be applied by Landlord from time to time to amounts owed in connection with (or arising from) any default (including damages), with any remaining proceeds to be held without interest until the sixtieth (60th) day after the expiration of the Lease as cash collateral to secure the payment and performance by Tenant of all of Tenant's obligations, covenants, conditions and agreements under this Lease. Each letter of credit shall be issued by a commercial bank that has a credit rating with respect to certificates of deposit, short term deposits or commercial paper of at least P-2 (or equivalent) by Moody's Investor Service, Inc., or at least A-2 (or equivalent) by Standard & Poor's Corporation, and shall be otherwise acceptable to Landlord in its sole and absolute discretion. If the issuer's credit rating is reduced below P-2 (or equivalent) by Moody's Investors Service, Inc. or below A-2 (or equivalent) by Standard & Poor's Corporation, or if the financial condition of such issuer changes in any other materially adverse way, then Landlord shall have the right to require that Tenant obtain from a different issuer a substitute letter of credit that complies in all respects with the requirements of this Section, and Tenant's failure to obtain such substitute letter of credit within thirty (30) days following Landlord's written

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demand therefor (with no other notice or cure or grace period being applicable thereto, notwithstanding anything in this Lease to (he contrary) shall entitle Landlord or its mortgagees to immediately draw upon the then existing letter of credit in whole or in part, without notice to Tenant and to apply and hold such proceeds in the manner set forth above. In the event the issuer of any letter of credit held by Landlord is placed into receivership or conservatorship by the Federal Deposit Insurance Corporation, or any successor or similar entity, then, effective as of the date such receivership or conservatorship occurs, said letter of credit shall be deemed to not meet the requirements of this Section, and, within thirty (30) days thereof, Tenant shall replace such letter of credit with other collateral acceptable to Landlord in its sole and absolute discretion (and Tenant's failure to do so shall, notwithstanding anything in this Lease to the contrary, constitute a default under the section of this Lease entitled "DEFAULT OF TENANT" for which there shall be no notice or grace or cure periods being applicable thereto other than the aforesaid thirty (30) day period). Except as otherwise expressly set forth in this Lease, Landlord or its mortgagees shall only draw upon the Letter of Credit upon the occurrence of a default and the expiration of any applicable cure or grace period (or if Landlord is precluded by law from sending any notice necessary to establish that a default has occurred, the failure of Tenant to make any payment of rent within five (5) business days after the same is due). Upon the occurrence of a default and the expiration of any applicable cure or grace period, Landlord or its mortgagees shall be entitled to draw on the Letter of Credit in whole or in part and apply cash then held as a Security Deposit (including any amounts) drawn on the Letter of Credit) in the amount necessary to cure the applicable default. Any failure or refusal of the issuer to honor the letter of credit shall be at Tenant's sole risk and shall not relieve Tenant of its obligations hereunder with respect to the Security Deposit. The form Letter of Credit attached hereto as Exhibit F is hereby approved by Landlord.

(c) Provided (a) no default then exists and (b) Landlord has not imposed (nor had the right to impose) a late charge pursuant to Section 35 below during the twelve (12) months preceding the applicable Reduction Date (as hereinafter defined) with respect to any installment of Monthly Rent or Estimated Payments, Tenant shall have the right with respect to each Reduction Date to reduce the Security Deposit by the Security Deposit Reduction Amount set forth below with respect to each Reduction Date. Each reduction of the Security Deposit shall occur by means of delivery by Tenant to Landlord of a substitute letter of credit in such reduced amount and in strict conformity with the terms of this Section 5(B), in which event, the previous letter of credit will be returned to Tenant. Alternatively, if the terms of the letter of credit permit reduction of the stated amount thereof upon delivery by Landlord to the issuer of the letter of credit of notice of reduction, then, in such case, the reduction of the Security Deposit shall occur by Landlord's delivery to the issuer of a letter of credit a notice of reduction complying in all respects with the letter of credit (which Landlord agrees to do promptly upon Tenant meeting the requirements set forth in clauses (a) and (b) above).

Reduction Date	Security Deposit Reduction Amount	Security Deposit Remaining After Reduction
	[***]	

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7. OPERATING EXPENSES. OPERATING COSTS AND REAL ESTATE TAXES

(a) If the Operating Expenses (as defined below) of the Building increase during any calendar year after calendar year 2007(hereafter called the "Base Year"), Tenant shall pay to Landlord, as additional rent, Tenant's proportionate share of the increase in such Operating Expenses. Tenant's proportionate share shall be the percentage which the total rentable square feet of the Demised Premises bears to the total rentable square feet of all office and retail areas in the Building, which percentage as of the date of this Lease is [***]%. The amount of such percentage to be paid by Tenant for any calendar year shall be the percentage of the calendar year that the Demised Premises were leased by Tenant.

(b) The term "Operating Expenses" shall mean any and all expenses, charges and fees incurred in connection with managing, owning, operating, maintaining, servicing, insuring and repairing the Building, atrium (if any), related exterior appurtenances (including the Plaza) and the land upon which the Building is located (the "Land") including all of the following:

(1) premiums and other charges for insurance related solely to the Building (including, but not limited to, property insurance, rent loss insurance and liability insurance);

(2) all management fees incurred in the management of the Building, whether such services are provided by Landlord, an affiliate of Landlord or an independent management company;

(3) all costs incurred in connection with service and maintenance contracts (except elevator maintenance contracts);

(4) maintenance and repair expenses and supplies;

(5) amortization (calculated over the Approved Period (as hereinafter defined), with interest at Landlord's cost of funds or (if the improvement is not financed) at the prime rate reported in The Wall Street Journal) for capital expenditures made by Landlord subsequent to calendar year 2007 for the purpose of (x) complying with legal or insurance requirements imposed subsequent to the date hereof or (y) that are intended to result in a net decrease in Operating Expenses or Operating Costs. The "Approved Period" shall mean the estimated useful life of the improvement except that with respect to an improvement made for the purpose of reducing Operating Expenses or Operating Costs, Landlord may amortize the expense over the period such that the yearly amortization amount is equal to the projected annual savings as reasonably estimated by Landlord;

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(6) salaries, wages, benefits and other expenses of Building personnel, including any General Manager (such costs with respect to personnel serving multiple buildings to be prorated among the buildings receiving such services using a method selected by Landlord in its reasonable discretion);

(7) legal fees for the Building (except as excluded below), administrative expenses, and accounting, architectural and other professional fees and expenses;

(8) costs of any service not provided to the Building on the Commencement Date but thereafter provided by Landlord in the prudent management of the Building;

(9) charges for lobby attendant or security services;

(10) charges for cleaning services and supplies furnished to common and public areas of the Building;

(11) costs associated with the provision or operation of any common facilities and service amenities;

(12) any vault rent or charges for the use of vault space;

(13) the cost of maintaining management or engineering offices for the Building, including rent thereon; and

(14) any and all fees and charges relating to the Condominium.

Exclusions from "Operating Expenses"

Notwithstanding the foregoing to the contrary, "Operating Expenses" shall not include the following (collectively, "Excluded Items"):

(i) debt service, including interest, financing costs and amortization of mortgages;

(ii) painting or decorating other than in common or public areas of the Building;

(iii) any tenant work performed or alteration of space leased to tenants or occupants of the Building whether such work or alteration is performed for the initial occupancy by such tenant or occupant or thereafter;

(iv) the cost of alterations, capital improvements and replacements which under generally-accepted accounting principles are properly classified as capital expenditures, except as set forth in subsection (B)(5) above;

(v) any cash or other consideration paid by Landlord on account of, with respect to, or in lieu of tenant work or alterations described in clause (iii) above;

(vi) base ground rent (if any), plus escalations thereto, but exclusive of real estate taxes, utilities and other "net" elements constituting rent under a ground lease;

(vii) depreciation to work spent on matters unrelated to the Building; or amortization on the Building except as provided in subsection (B)(5) above;

(viii) repairs or replacements (a) necessitated by the gross negligence or willful misconduct of Landlord or its employees or agents, or (b) required to cure violations of governmental laws, ordinances, rules and regulations applicable to the Building as of the date hereof;

(ix) costs of enforcement of leases;

(x) salaries, commissions, fringe benefits and other compensation paid to (a) officers or executives of Landlord, Landlord's Agent (except as specifically permitted herein, it being understood that compensation of personnel above the level of General Manager shall in no event be included in Operating Expenses) Or their affiliates or (b) employees of Landlord who devote only a portion of their time to the maintenance or operation of the Building to the extent that such salaries, fringe benefits and other compensation are properly allocated;

(xi) leasing commissions, advertising and promotional expenses and any other comparable expenses directly related to leasing or procuring tenants or negotiating with prospective tenants;

(xii) legal fees, accounting fees and other professional and consulting fees (a) incurred hi procuring tenants for the Building, (b) incurred in connection with Landlord's gross negligence or willful misconduct or non-compliance with any mortgage, deed of trust or ground lease relating to the Building, (c) relating to enforcing any leases or any landlord/tenant proceeding, (d) relating to the defense of Landlord's title to, or interest in, the Building, (e) relating to the refinancing or sale of the Building or any interest therein; or (f) relating to the internal affairs of the ownership entity or entities constituting Landlord;

(xiii) the cost of repairs incurred by reasons of fire or other casualty or condemnation to the extent that either (a) Landlord is compensated therefor through proceeds of insurance or condemnation awards; or (b) Landlord is not fully compensated therefor due to the failure of Landlord to obtain insurance against such fire or casualty or the decision of Landlord to self-insure; or (c) if Landlord is not fully compensated by reason of the coinsurance provisions of its insurance policies due to Landlord's failure to obtain and maintain a sufficient amount of insurance coverage;

(xiv) any cost representing an amount paid for services or materials to a related person, firm or entity to the extent such amount exceeds the amount that would be paid for such services or materials of comparable quality at the then-existing market rates to an unrelated person, firm or corporation (no management fee or related fees meeting the standard set forth in exclusion (xxiii), or portion thereof, shall be excluded from Operating Expenses pursuant to the provisions hereof);

(xv) all expenses for which Landlord has received reimbursement (such as by insurance and by other tenants of the Building) except as additional rent under comparable provisions in this Section of this Lease;

(xvi) income or franchise taxes or such other taxes imposed upon or measured by Landlord's net income from the operation of the Building;

(xvii) costs allocable to properties other than the Building in which Landlord or any partner thereof has a direct or indirect interest;

(xviii) rentals and other related expenses incurred in leasing air-conditioning systems, elevators or other equipment ordinarily considered to be of a capital nature;

(xix) direct and indirect costs incurred to clean up, contain, abate, remove, or otherwise remedy asbestos or hazardous waste (as determined by federal, state or local laws or regulations) from the Building unless the wastes were in or on the Demised Premises or the Building because of Tenant's acts or those of its agents, invitees, or subtenants;

(xx) the cost of performing special services or installations to or for tenants or occupants to the extent such service exceeds that provided by Landlord to Tenant without charge hereunder;

(xxi) electricity costs or overtime HVAC costs, if charged separately to any other tenant in the Building;

(xxii) recordation and transfer taxes and transfer gain taxes, including, without limitation, any such taxes incurred if this Lease is recorded;

(xxiii) fees or expenses of property management services provided by Landlord or parties related to or affiliated with Landlord, except to the extent such fees or expenses are not in excess of the market rate for services of comparable quality as charged by unaffiliated parties (provided that in no event will the following be deemed in excess of the market rate: property management fees equal to three percent (3%) of gross income derived from the Building, including net parking income (or rent under a garage lease, as applicable) and amounts received as reimbursements for Operating Expenses and Operating Costs and Real Estate Taxes, but excluding reimbursements of a capital nature (insurance or otherwise));

(xxiv) expenses incurred in connection with the management, repair, maintenance, and replacement of the garage facilities, such as by way of example, but not in limitation, parking management fees and restriping of parking spaces; however, utilities, Real Estate Taxes and building security expenses are not separately allocated to the garage and the management services fee included in Operating Expenses will include a percentage of the net income from parking garage operation (or rent under a garage lease, as applicable); and

(xxv) Operating Costs (as hereinafter defined);

(xxvi) Real Estate Taxes (as hereinafter defined);

(xxvii) advertising and promotional expenses;

(xxviii) the cost of installing, operating, and maintaining any specialty facility such as an observatory, broadcasting facility, restaurant or luncheon club, athletic or recreational club, theater or cafeteria;

(xxix) the cost of any additions to the Building that result in a larger building;

(xxx) the cost of artwork;

(xxxi) costs or payments associated with Landlord's obtaining air rights or development rights;

(xxxii) assessments, common charges or the like imposed by the Condominium to the extent the same are imposed to pay for items which if incurred directly by Landlord would constitute Excluded Items.

(c) If the Operating Costs (as defined below) of the Building increase during any calendar year after the Base Year, Tenant shall pay to Landlord, as additional rent, Tenant's proportionate share of the increase in such Operating Costs. Tenant's proportionate share shall be the percentage which the total rentable square feet of the Demised Premises bears to the total rentable square feet of all office areas in the Building, which percentage as of the date of this Lease is [***]%. The amount of such percentage to be paid by Tenant for any calendar year shall be the percentage of the calendar year that the Demised Premises were leased by Tenant.

(d) The term "Operating Costs" shall mean the costs of (i) the cleaning contract and cleaning supplies, (ii) electricity and water and (iii) elevator maintenance contracts. Operating Costs shall not include Operating Expenses and Excluded Items.

(e) If the Real Estate Taxes (as defined below) of the Building increase during any calendar year after the Base Year, Tenant shall pay to Landlord, as additional rent, Tenant's proportionate share of the increase in such Real Estate Taxes. Tenant's proportionate share shall be the percentage which the total rentable square feet of the Demised Premises bears to the total rentable square feet of all office and retail areas in the Building, which percentage as of the date of this Lease is [***]%. The amount of such percentage to be paid by Tenant for any calendar year shall be the percentage of the calendar year that the Demised Premises were leased by Tenant.

(f) The term "Real Estate Taxes" shall mean (i) any and all real estate taxes and ad valorem taxes, surcharges, special assessments and impositions, general and special, ordinary and extraordinary, foreseen or unforeseen, of any kind levied against the Building or land upon which the Building is located, or in connection with the use thereof (including any transit, personal property, sales, rental, use, gross receipts and occupancy tax and other similar charges), any other present or future taxes or governmental charges that are imposed upon Landlord which are in the nature of or in substitution for real estate taxes,

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including any tax levied or measured by the rents payable by tenants of the Building, and business improvement district taxes and (iii) expenses (including reasonable attorneys' fees and appraisers' fees) incurred in reviewing, protesting or seeking a reduction of Real Estate Taxes. Real Estate Taxes shall not, however, include (x) income or franchise taxes or such other taxes imposed directly upon Landlord's net income from the operation of the Building and (y) recordation and transfer taxes. If Landlord's contest of Real Estate Taxes for the Base Year results in a decrease in Real Estate Taxes for such year, the Real Estate Taxes for the Base Year shall mean the amount incurred following such appeals, and Landlord shall have the right to bill Tenant for prior underpayments of Real Estate Taxes thereby resulting.

(g) Landlord shall notify Tenant prior to the beginning of calendar year 2008 and each calendar year thereafter of Landlord's estimate of the amount of Operating Expenses (the "Estimated Operating Expenses"), the amount of Operating Costs (the "Estimated Operating Costs") and the amount of Real Estate Taxes (the "Estimated Real Estate Taxes") that Landlord likely will incur for the Building during the coming calendar year, and pursuant to paragraph (H) hereof, shall advise Tenant of the amount of its Estimated Payments for the coming calendar year.

(h) Tenant shall pay to Landlord, as additional rent, an amount equal to the sum of (a) one-twelfth (l/12th) of Tenant's proportionate share of the amount by which Estimated Operating Expenses exceed the Operating Expenses for the Base Year, (b) one-twelfth (l/12th) of Tenant's proportionate share of the amount by which Estimated Operating Costs exceed the Operating Costs for the Base Year, and (c) one-twelfth (l/12th) of Tenant's proportionate share of the amount by which Estimated Real Estate Taxes exceed the Real Estate Taxes for the Base Year (collectively the "Estimated Payments"). The components of the Estimated Payments described in clauses (a), (b) and (c) of the immediately preceding sentence shall be calculated independently without reference to one another. Tenant shall commence to make its first Estimated Payments on January 1, 2008. Thereafter, Tenant shall make its Estimated Payments on the first day of each calendar month. Tenant shall pay the same amount of the Estimated Payments until the amount is adjusted, effective the next succeeding January 1, based upon Landlord's determination of the Estimated Operating Expenses, Estimated Operating Costs and Estimated Real Estate Taxes for the following calendar year.

(i) Within ninety (90) days after the expiration of each calendar year (including the calendar years in which the Rent Commencement Date and expiration or earlier termination of this Lease occurs), or as soon as reasonably practical thereafter, a firm of certified public accountants selected by Landlord, shall audit Landlord's books and records for the Building. Thereafter, Landlord shall determine any increase in the Operating Expenses, Operating Costs and Real Estate Taxes for such calendar year over the Operating Expenses, Operating Costs and Real Estate Taxes for the Base Year. The Operating Expenses, Operating Costs and Real Estate Taxes for each calendar year shall be those actually incurred provided, however, that if the Building was not at least [***] percent ([***]%) occupied during the entire calendar year on a monthly weighted average basis, the Operating Expenses and Operating Costs shall be adjusted to project the

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Operating Expenses and Operating Costs as if the Building were [***] percent ([***]%) occupied on a monthly weighted average basis. The categories of expenses to be so adjusted in such event shall be limited to (i) electricity, (ii) nighttime janitorial services, (iii) (if and so long as the management fee varies proportionately with the gross income of the Building) the management fee and (iv) water and sewer charges.

(j) Landlord shall submit to Tenant a statement setting forth Landlord's determination of (i) any increases in Operating Expenses, Operating Costs and Real Estate Taxes over the Operating Expenses, Operating Costs and Real Estate Taxes, respectively for the Base Year; (ii) Tenant's proportionate share of such increases; and (iii) Tenant's net obligation for such Operating Expenses, Operating Costs and Real Estate Taxes for the calendar year ("Tenant's Net Obligation") which reflects the credit of Tenant's Estimated Payments for Estimated Operating Expenses, Estimated Operating Costs and Estimated Real Estate Taxes during the prior calendar year. In computing Tenant's Net Obligation, Tenant's obligations with respect to each of (x) increases in Operating Expenses, (y) increases in Operating Costs and (z) increases in Real Estate Taxes shall be computed independently without reference to one another. Within thirty (30) days after the delivery of such statement (including any statement delivered after the expiration or earlier termination of this Lease), Tenant shall pay Landlord the full stated amount of Tenant's Net Obligation. If the aggregate amount of Tenant's Estimated Payments for Estimated Operating Expenses, Estimated Operating Costs and Estimated Real Estate Taxes during the prior calendar year exceeds Tenant's proportionate share of (i) the increases in Operating Expenses, (ii) the increases in Operating Costs and (iii) the increases in Real Estate Taxes, the excess, at Landlord's option, shall be refunded to Tenant or credited to Tenant's next Estimated Payments), until such excess is fully refunded to Tenant.

(k) Tenant, and/or an independent certified public accounting firm offering a full range of accounting services retained by Tenant on a non-contingent fee basis, may, at Tenant's expense, at reasonable times, upon reasonable notice, audit Landlord's books and records for the Building relating to Landlord's determination of any increase in the Operating Expenses, Operating Costs and Real Estate Taxes for (i) the calendar year for which Landlord's current determination is being made, and (ii) the Base Year. In any and all events any such request to audit Landlord's books and records with respect to (x) the Base Year, shall be made no later than one hundred eighty (180) days following the date on which Tenant's first Estimated Payment is due and payable, and (y) any subsequent year, shall be made no later than one hundred eighty (180) days following Tenant's receipt of Landlord's annual statement setting forth Tenant's Net Obligation. Tenant shall (and shall cause its employees, agents and consultants to) keep the results of any such audit or audited statements strictly confidential. Landlord shall compute the Operating Expenses, Operating Costs and Real Estate Taxes on the accrual basis.

(l) Notwithstanding anything herein to the contrary, if it is determined pursuant to an audit undertaken by Tenant pursuant to subsection (K) hereinabove that Landlord overstated (or in the case of the Base Year, understated) the aggregate of Operating Expenses, Operating Costs and Real Estate Taxes for any year, then Landlord shall promptly refund any excess payment to Tenant. If Landlord overstated such aggregate by more than [***] percent ([***]%), then

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Landlord shall reimburse Tenant for the reasonable out-of-pocket costs (exclusive of travel related expenses) of any audit undertaken with respect to such year pursuant to subsection (K) hereinabove. Tenant may not audit any calendar year more than once.

(m) Subject to Section 52 hereof, no payment by Tenant of any amount hereunder shall constitute a waiver of any claim that such amount is in fact not due and owing, in whole or in part.

8. PARKING

Landlord shall obtain for Tenant an allocation of four (4) contracts for reserved parking spaces for use by Tenant and its employees in the parking facility serving the Building, provided that Tenant notifies Landlord in writing of its desire to obtain all or a specified number of said parking contracts, and Tenant enters into said contracts with the parking facility operator (the "Operator") within sixty (60) days after the Rent Commencement Date.

Tenant shall be directly responsible to the Operator for the payment of any and all fees or charges thereunder, and Landlord shall be under no obligation to pay the Operator for said parking contracts. The parking contracts shall contain the same terms and conditions as are usually contained in such contracts with other monthly parking customers of the Operator, and the monthly rate to be paid by Tenant shall be the prevailing monthly rate charged to other monthly parking customers which are office tenants in the Building, (said rate to be established from time to time by the City of Annapolis) and to increase and decrease as the prevailing monthly parking rate for other applicable monthly parking customers increases and decreases from time to time, hi the event Tenant fails to execute with the Operator the monthly parking contracts within the sixty (60) day period, or subsequently relinquishes in any manner its parking contracts, Landlord shall be under no obligation to seek restoration of the relinquished contracts or waive Tenant's failure to execute said contracts prior to expiration of the applicable sixty (60) day period.

Tenant hereby agrees to comply with all traffic and parking rules and regulations imposed from time to time by Landlord, the Operator or the City of Annapolis,

9. RIGHT OF FIRST OFFER

During the term hereof (provided Tenant (x) is not in default under this Lease beyond any applicable cure period on the date Tenant notifies Landlord of its intent to exercise this right and (y) has not sublet more than [***] percent ([***]%) of the Demised Premises or assigned the Lease in a transaction requiring Landlord consent), Tenant shall have the right of first offer for the leasing of any space on the fourth (4th) floor of the Building (the "ROFO Space") when it becomes available after the initial lease up thereof. For purposes hereof, the ROFO Space will be available when it is vacant or otherwise ready, in Landlord's commercially reasonable judgment, to be marketed by Landlord to parties other than the then existing tenant or then current occupant thereof.

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Landlord shall give Tenant written notice of the availability of the ROFO Space and the terms for the leasing thereof, which shall provide for rent equal to [***] percent ([***]%) of the then current market rent as determined by Landlord in its reasonable discretion. Tenant shall have ten (10) business days from the receipt of Landlord's notice to notify Landlord whether it is accepting Landlord's offer.

In the event Tenant timely accepts the right of first offer, the term for which such available space is leased shall be coterminous with the term of this Lease. The ROFO Space shall be delivered in its "as is" condition, the Rent Commencement Date with respect thereto shall be sixty (60) days following delivery of possession thereof to Tenant. In the event Tenant fails to timely accepts the right of first offer, Tenant's right of first offer shall be null and void and of no further force and effect and Landlord shall be free to lease the ROFO Space to any person, partnership, corporation or other entity upon any terms and for any purpose. After the ROFO Space has been leased by Landlord to another person, partnership, corporation or other entity, if the ROFO Space should again become available, Tenant shall again have the first right to lease with respect thereto.

10. ASSIGNMENT AND SUBLETTING

(a) Tenant may not assign or otherwise transfer this Lease, or sublet (including permitting occupancy or use by another party) the Demised Premises, or any part thereof, without giving Landlord thirty (30) days prior written notice of Tenant's intention to assign this Lease or sublet all or any part of the Demised Premises. In the event Tenant seeks permission to sublease a part of the Demised Premises, the notice shall also identify the area of the Demised Premises Tenant seeks to sublease. Within thirty (30) days after receipt of said notice of intent to assign or sublease, Landlord shall have the option (i) to elect to terminate the Lease, if Tenant desires to assign this Lease, or (u) if Tenant desires to sublet a portion of the Demised Premises that (1) when combined with all other portions of the Demised Premises then being sublet, exceeds [***] percent ([***]%) of the rentable area of the Demised Premises, or (2) has a proposed sublet term in excess of [***] percent ([***]%) of the remaining term of this Lease, to terminate the Lease with regard to that portion of the Demised Premises which Tenant seeks to sublet, or alternately to sublet that portion of the Demised Premises from Tenant for the term which Tenant desires to sublet that portion of the Demised Premises, at the rate and upon the same terms and conditions as Tenant is leasing the Demised Premises from Landlord. Landlord may exercise the option by giving Tenant written notice of its election to exercise the option within said thirty (30) day period.

(b) The effective date of termination, or the effective date of commencement of the sublease to Landlord, shall be mutually agreed upon by Landlord and Tenant. If the parties cannot agree upon a termination date or upon a sublease commencement date, the termination date or sublease commencement date shall be the date that is sixty (60) days after the date Landlord received the notice that Tenant desired to assign the Lease or sublet all or any portion of the Demised Premises. Upon termination, all of the rights and obligations of Landlord and Tenant under the terms of this Lease shall be terminated, or terminated with regard to that portion of the Demised Premises that Tenant

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notified Landlord that Tenant desired to sublet, except that Tenant shall continue to be obligated to pay rent and all other charges for the Demised Premises which accrue to the date of termination.

(c) If Landlord does not exercise its option to terminate or sublet, Tenant may assign this Lease or sublet all or any part of the Demised Premises within one hundred twenty (120) days after the date that the thirty (30) day period referenced above expires. Tenant shall be required however to obtain Landlord's prior written consent to any assignee or any subtenant, which consent may not be unreasonably withheld, contingent upon the proposed assignee or subtenant being similar in kind and character to Tenant and financially reliable, hi the event that Tenant fails to present to Landlord any sublease or assignment agreement, fully executed by the parties thereto, within said one hundred twenty (120) day period, Tenant may not assign this Lease or sublet the Demised Premises without first affording Landlord the option to terminate or sublease as previously provided for in this section. The form of documentation implementing any assignment or subletting shall be on Landlord's approved form of sublease or assignment.

(d) Tenant shall reimburse to Landlord, as additional rent, all reasonable costs and expenses, including reasonable attorney's fees, which Landlord incurs by reason of or in connection with any assignment, sublease, or leasehold mortgage proposed or granted by Tenant (whether or not permitted under this Lease), and all negotiations and actions with respect thereto, such additional rent to be due and payable within fifteen (15) days of receipt of a statement of such costs and expenses from Landlord.

(e) No assignment of this Lease shall be effectuated by operation of law or otherwise without the prior written consent of Landlord. For the purposes of this Lease, the transfer of fifty percent (50%) or more of the ownership interest of Tenant or the transfer and/or issuance of more than fifty percent (50%) of the voting stock of Tenant, if Tenant is not a publicly held corporation, to any persons or entities that are not owners or stockholders of Tenant on the date of execution of this Lease shall be deemed an assignment of this Lease thereby giving Landlord the option to terminate this Lease as provided above.

(f) Notwithstanding any other provision of this Lease to the contrary, Tenant has the right to assign this Lease or sublet the Demised Premises in whole or in part to any subsidiary or affiliate upon giving Landlord ten (10) days prior written notice of such assignment or subleasing. Such an assignment or sublease shall not trigger Landlord's right to terminate the Lease or subsequently require Landlord's consent to any assignee or subtenant. A "subsidiary" of Tenant shall mean any corporation not less than fifty percent (50%) of whose outstanding voting stock shall, at the time, be owned, directly or indirectly, by Tenant. An "affiliate" of Tenant shall mean any corporation which, directly or indirectly, controls or is controlled by or is under common control with Tenant. For purpose of the definition of "affiliate," the word "control" (including "controlled by" and "under common control with"), as used with respect to any corporation, partnership, or association, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policy of a particular corporation, partnership or association, whether through the ownership of voting securities or by contract or otherwise. Notwithstanding the foregoing definition of affiliate, SiGA Technologies, Inc., shall be deemed an affiliate of Tenant for the purposes of this Lease.

(g) Notwithstanding any other provision of this Lease to the contrary, Tenant shall have no right to transfer, assign, sublet, enter into license or concession agreements, or mortgage or hypothecate this Lease or Tenant's interest in the Demised Premises or any part thereof to a foreign government or to any individual or entity whereby enforcement of the obligations of the Tenant under this Lease might be limited by sovereign immunity. Any such attempted transfer, assignment, subletting, license or concession agreement, mortgage or hypothecation shall be void and confer no rights on such foreign government or individual or entity.

(h) The consent by Landlord to any assignment or subletting to any party other than Landlord, including a subsidiary or affiliate, shall not be construed as a waiver or release of Tenant from the terms of any covenant or obligation under this Lease. Landlord's collection or acceptance of rent from any assignee of Tenant shall not constitute a waiver or release of Tenant of any covenant or obligation contained in this Lease, nor shall any such assignment or subletting be construed to relieve Tenant from giving Landlord said thirty (30) days notice or from obtaining the consent in writing of Landlord to any further assignment or subletting. In the event that Tenant is in default of any term or provision of this Lease, Tenant hereby assigns to Landlord the rent due from any subtenant of Tenant and hereby authorizes and directs each such subtenant, upon notice from Landlord, to pay said rent directly to Landlord, the collection or acceptance of rent from any subtenant in such instance not to constitute a waiver or release of Tenant of any covenant or obligation contained in this Lease.

(i) Tenant may not mortgage or encumber this Lease without the prior written consent of Landlord.

(j) If any sublease, assignment or other transfer (whether by operation of law or otherwise) provides that the subtenant, assignee or other transferee is to pay any amount in excess of the sum of (i) the rent and other charges due under this Lease and (ii) the reasonable, out-of-pocket costs (including brokerage commissions, marketing costs and construction costs) incurred and paid by Tenant to obtain the assignment or sublease, then, whether such excess is in the form of an increased monthly or annual rental, a lump sum payment, payment for the sale, transfer or lease of Tenant's fixtures, leasehold improvements, furniture and other personal property, or any other form (and if the subleased or assigned space does not constitute the entire Demised Premises, the existence of such excess shall be determined on a pro rata basis), Tenant shall pay [***] percent ([***]%) of any such excess to Landlord as additional rent no later than ten (10) days after Tenant's receipt thereof. Landlord shall have the right to inspect and audit Tenant's books and records relating to any sublease, assignment or other transfer.

11. ALTERATIONS

Tenant shall make no alterations, installations, additions or improvements (hereinafter collectively called "Alterations") in or to the Demised Premises or the Building (other than Immaterial Alterations, hereinafter defined) without Landlord's prior written consent. Consent by Landlord to Tenant's Alterations shall not be unreasonably withheld, except that Landlord may withhold its consent for any reason with regard to requested Alterations by Tenant which (i)

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affect the structure of the Building or the mechanical, plumbing or electrical systems of the Building, or (ii) could cause the imposition of additional costs or obligations on Landlord. Tenant, at its sole cost and expense, shall provide Landlord with a copy of the original or revised full-floor mechanical and electrical plans for the floor or floors on which the Alterations are to be made, revised by the Building architect and engineers to show Tenant's proposed Alterations. If any Alterations are made without the prior written consent of Landlord, Landlord may correct or remove the same, and Tenant shall be liable for any and all expenses incurred by Landlord in the performance of this work. All Alterations shall be made (i) at Tenant's sole expense, (ii) at such limes and in such manner as Landlord may designate, (iii) in a good, workmanlike, first class and prompt manner, (iv) using new materials only, (v) in accordance with all applicable legal requirements and the requirements of any insurance company insuring the Building, (vi) in accordance with Landlord's then Construction Rules and (vii) only by such contractors or mechanics as are approved in writing by Landlord. Approval of contractors or mechanics by Landlord, which approval may not be unreasonably withheld, shall be based upon the contractors or mechanics being properly licensed, their financial posture, experience and past job performance. Prior to the commencement of any Alterations in the Demised Premises, Tenant shall submit to Landlord copies of all permits required in connection therewith, and upon the completion of any Alterations, Tenant, at its expense, shall furnish to Landlord a set of the "as-built" plans for such Alterations constructed or installed in the Demised Premises. An "Immaterial Alteration" is defined as an Alteration which (i) is not visible from the exterior of the Demised Premises or the Building and (ii) is cosmetic in nature and does not affect the Building structure or any Building system.

All Alterations to the Demised Premises, whether made by Landlord or Tenant, and whether at Landlord's or Tenant's expense, or the joint expense of Landlord and Tenant, shall be and remain the property of Landlord. Any replacements of any property or improvements of Landlord, whether made at Tenant's expense or otherwise, shall be and remain the property of Landlord.

Landlord, at the expiration or earlier termination of the term of the Lease, may elect to require Tenant to remove all or any part of the Alterations made by Tenant subsequent to the Rent Commencement Date, unless Landlord agrees in writing not to require the removal of any Alterations at the time Landlord consents to the Alterations. Removal of Tenant's Alterations shall be at Tenant's cost and expense, and Tenant shall, at its cost and expense, repair any damage to the Demised Premises or the Building caused by such removal.

Tenant shall remove all of Tenant's property at the expiration or earlier termination of the Lease. In the event Tenant does not remove Tenant's property at the expiration or earlier termination of the Lease, such property shall become the property of Landlord.

In the event Tenant fails to remove its property or the Alterations requested to be removed by Landlord on or before the expiration or earlier termination of the term of the Lease, then Landlord may remove such property and Alterations from the Demised Premises at Tenant's expense, and Tenant hereby agrees to pay to Landlord, as additional rent, the cost of such removal together with any and all damages which Landlord may suffer and sustain by reason of the failure of Tenant to remove the same. Said amount of additional rent shall be due and payable upon receipt by Tenant of a written statement of costs and damages from Landlord.

Without limiting the generality of the foregoing provisions of this Section, the term "Alterations" shall include, without limitation, all telephone and data wiring and cabling installed by or on behalf of Tenant (collectively, "Cabling"). Notwithstanding anything to the contrary contained in this Section, at the expiration or earlier termination of the term of the Lease, Tenant shall remove all Cabling (whether installed as part of the initial tenant improvements or as a subsequent Alteration) at its cost and expense, and Tenant shall, at its cost and expense, repair any damage to the Demised Premises or the Building caused by such removal.

12. LIENS

If any mechanic's or other lien is filed against the Demised Premises, or the Building of which the Demised Premises are a part, for work claimed to have been done for Tenant or materials claimed to have been furnished to Tenant, such lien shall be discharged by Tenant, at its sole cost and expense, within ten (10) days from the date Tenant receives written demand from Landlord to discharge said lien, by the payment thereof or by filing any bond required by law. If Tenant shall foil to discharge any such lien, Landlord may, at its option, discharge the same and treat the cost thereof as additional rent, due and payable upon receipt by Tenant of a written statement of costs from Landlord. It is hereby expressly covenanted and agreed that such discharge of any lien by Landlord shall not be deemed to waive or release Tenant from its default under the Lease for failing to discharge the same.

Tenant will indemnify and hold harmless Landlord and its mortgagees from and against any and all claims, damages and expenses incurred by Landlord, arising from any liens placed against the Demised Premises or the Building and the land upon which it is situated, as a result of Tenant undertaking construction work in the Demised Premises at its own cost and under its own control and direction, or making any Alterations to the Demised Premises.

13. MAINTENANCE

Tenant, at its sole cost and expense, shall keep the Demised Premises and the fixtures and equipment therein in clean, safe and sanitary condition, shall take good care thereof and shall suffer no waste or injury thereto. At the expiration or earlier termination of the term of this Lease, Tenant shall surrender the Demised Premises broom clean and in the same order and condition in which they were on the Rent Commencement Date, ordinary wear and teat and damage by the elements, fire and other insured casualty excepted.

Landlord shall keep and maintain in good order and repair the base-building structure and systems, including the roof, exterior walls, elevators, electrical, plumbing and HVAC systems, and the ground floor lobby and other common areas and facilities of the Building.

14. SIGNS AND ADVERTISEMENTS

No sign, advertisement or notice shall be inscribed, painted, affixed or displayed on any part of the outside or the inside of the Building, except with Landlord's prior written consent and then only in such place, number, size, color and style (i.e., Building standard lettering) as is authorized by Landlord. If any such sign, advertisement or notice is exhibited without first obtaining Landlord's written consent, Landlord shall have the right to remove the same, and Tenant shall be liable for any and all expenses incurred by Landlord by said removal, as additional rent. Nothing herein shall restrict Tenant's right to post signs or notices within the Demised Premises not visible from common areas of the Building or from the exterior of the Building.

Landlord agrees to display Tenant's name on the Building directory in the size and style of lettering used by Landlord, at Tenant's expense. Tenant may display its name on the main entry door of the Demised Premises in Building standard color, size and style of lettering, at Tenant's expense.

Landlord shall have the right to prohibit any published advertisement of Tenant which in its reasonable opinion tends to impair the reputation of the Building or its desirability as a high-quality office building, and, upon written notice from Landlord, Tenant shall immediately refrain from and discontinue any such advertisement.

15. DELIVERIES AND MOVING OF TENANT'S PROPERTY

No furniture, equipment or other bulky matter of any description shall be received into the Building or carried in the elevators except in the manner and during the times approved by Landlord. Tenant shall obtain Landlord's determination prior to moving said property into the Building. All moving of furniture, equipment and other material within the public areas shall be under the direct control and supervision of Landlord who shall, however, not be responsible for any damage to or charges for moving the same. Landlord shall have the sole right to determine the load capacities of the elevators of the Building and to determine if Tenant's property can be safely transported in the elevators. Tenant agrees promptly to remove from the sidewalks adjacent to the Building any of the Tenant's furniture, equipment or other material there delivered or deposited.

16. TENANT'S EQUIPMENT

Tenant will not install or operate in the Demised Premises any electrically operated equipment or other machinery, other than typewriters, word processing machines, personal desk . top computers, adding machines, radios, televisions, tape recorders, dictaphones, bookkeeping machines, copying machines, clocks, and other business machines and equipment normally employed for general office use which do not require high electricity consumption for operation, but specifically including supplemental HVAC equipment, computer rooms, and cafeterias), without first obtaining the prior written consent of Landlord, who may (without reference to the aggregate amount of electricity consumed within the Demised Premises) (i) condition such consent upon payment by Tenant of additional rent as compensation for additional consumption of electricity and/or other utility services, or (ii) require that such equipment be separately metered or submetered, with Tenant paying the cost of electricity so consumed as measured by such meter or submeter. Such additional rent shall be in addition to Tenant's obligations, pursuant to the section of this Lease entitled, "OPERATING EXPENSES, OPERATING COSTS AND REAL ESTATE TAXES," to pay its proportionate share of increases in Operating Costs.

If any or all of Tenant's equipment requires electricity consumption in excess of the capacity of the electrical system installed by Landlord in the Demised Premises, all additional transformers, distribution panels and wiring that may be required to provide the amount of electricity required for Tenant's

equipment shall be installed by Landlord at the cost and expense of Tenant. If Tenant's equipment causes Tenant's consumption of electricity to exceed an average of eight (8) watts per rentable square foot (of which two and one-half (2.5) watts per rentable square foot shall be high voltage for lighting and five and one half (5.5) watts per rentable square foot shall be low voltage for general power and equipment), or if such equipment is to be consistently operated beyond the normal Building hours of 8:00 a.m. to 6:00 p.m., Monday through Friday, and 8:00 a.m. to 1:00 p.m. on Saturday, Landlord at its option may install (i) a separate electric meter for the Demised Premises at Tenant's sole cost and expense, or (ii) a separate meter for the specific equipment that is causing Tenant's excessive consumption of electricity at Tenant's sole cost and expense. In the event Landlord installs a separate meter for the Demised Premises, Tenant shall then pay the cost of electricity it consumes as recorded by such meter directly to the electric company, and an appropriate adjustment shall be made to Tenant's proportionate share of Operating Costs to reflect Tenant's reduced consumption of electricity because of such separate metering of the Demised Premises. In the event Landlord separately meters the specific equipment, Tenant shall be billed periodically by Landlord based upon such consumption, but no adjustment shall be made to Tenant's proportionate share of Operating Costs.

Tenant shall not install any equipment of any kind or nature whatsoever which will or may necessitate any changes, replacements or additions to, or in the use of, the water system, heating system, plumbing system, air-conditioning system, or electrical system of the Demised Premises or the Building without first obtaining the prior written consent of Landlord. Business machines and mechanical equipment belonging to Tenant which cause noise or vibration that may be transmitted to the structure of the Building or to any space therein to such a degree as to be objectionable to Landlord or to any tenant in the Building shall be installed and maintained by Tenant, at Tenant's expense, on vibration eliminators or other devices sufficient to eliminate such noise and vibration.

Landlord shall have the right to prescribe the weight and position of all heavy equipment and fixtures, including, but not limited to, data processing equipment, record and file systems, and safes which Tenant intends to install or locate within the Demised Premises. Tenant shall obtain Landlord's prior review and approval before installing or locating heavy equipment and fixtures in the Demised Premises, and if installation or location of such equipment or fixtures, in Landlord's opinion, requires structural modifications or reinforcement of any portion of the Demised Premises or the Building, Tenant agrees to reimburse Landlord, as additional rent, for any and all costs incurred by Landlord to make such required modifications or reinforcements, and such modifications or reinforcements shall be completed prior to Tenant installing or locating such equipment or fixtures in the Demised Premises. Tenant shall reimburse Landlord within thirty (30) days of receipt of any statement setting forth those costs.

17. SERVICES AND UTILITIES

(a) Landlord shall provide the following utilities and services:

(1) Hot and cold water and lavatory supplies, it being understood and agreed that hot and cold water shall be furnished by Landlord only at those points of supply provided for general use of other tenants in the Building.

(2) Automatically operated elevator service at all times.

(3) Cleaning and char services, as specified in Exhibit E, after normal business hours, Monday through Friday of each week, except on the holidays listed in subparagraph (4) below.

(4) Heat and air-conditioning in season, Monday through Friday from 8:00 a.m. to 6:00 p.m., and on Saturday from 8:00 a.m. to 1:00 p.m., except for the following holidays: New Year's Day, Dr. Martin Luther King, Jr. Day, Presidents' Day, Memorial Day, Fourth of July, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day, and any other national holiday promulgated by a Presidential Executive Order or Congressional Act. Landlord shall provide heat and air-conditioning at times in addition to those specified in the preceding sentence at Tenant's expense, provided Tenant gives Landlord notice prior to 1:00 p.m. on a business day in the case of after-hours service on that business day and prior to 3:00 p.m. on the immediately preceding business day in the case of after-hours service on a Saturday, a Sunday or a holiday. Landlord shall charge Tenant for said after-hours services the same rate it charges other tenants, which is $50.00 per hour per zone (each floor of the Building being one (1) zone) on the date of execution of this Lease. Landlord reserves the right, in its sole discretion, to reasonably increase the hourly charge for said after-hours service, but in no event shall the rate per hour charged Tenant be more than the rate per hour charged other tenants. In the event the same after-hours service is also requested by other tenants of the Building in addition to Tenant, the charge therefor to each tenant requesting such after-hours service shall be prorated among all requesting tenants based upon the respective square footages of each of the demised premises of the tenants requesting such after-hours service.

(5) Maintenance, painting and electric lighting service for all public areas and special service areas in the Building.

(6) A controlled-access system to the Building comparable to other first-class office buildings in the city or county where the Building is located.

(7) Electricity and proper electrical facilities to furnish sufficient electricity for equipment of Tenant installed pursuant to the section of this Lease entitled, "TENANT'S EQUIPMENT."

(b) In the event any public utility supplying energy requires, or government law, regulation, executive or administrative order results in a requirement, that Landlord or Tenant must reduce, or maintain at a certain level, the consumption of electricity for the Demised Premises or Building, which affects the heating, air-conditioning, lighting, or hours of operation of the Demised Premises or Building, Landlord and Tenant shall each adhere to and abide by said laws, regulations or executive orders without any reduction in rent.

(c) Landlord's inability to furnish, to any extent, these defined services, or any cessation thereof, resulting from, but not limited to, any causes including from entry from inspections, repairs, alterations, improvements and installations by Landlord, its agents, employees or contractors pursuant to the section of this Lease entitled "ENTRY FOR INSPECTIONS, REPAIRS AND INSTALLATION," or from renovation, redecoration or rehabilitation of any area of

the Building, including the lobby, or any of the surrounding public spaces, shall not render Landlord liable for damages to either person or property, nor be construed as an eviction of Tenant, nor work an abatement of any portion of rent, nor relieve Tenant from fulfillment of any covenant or agreement hereof. Should any of the Building equipment or machinery cease to function properly for any cause, Landlord shall use reasonable diligence to repair the same promptly, but Tenant shall have no claim for damages or for a rebate of any portion of rent on account of any interruptions in any services occasioned thereby or resulting therefrom.

(d) Notwithstanding the foregoing, if for reasons within the control of Landlord and not caused by force majeure, any interruption, curtailment, stoppage or suspension of the Essential Services (as hereinbelow defined) shall continue for more than five (5) consecutive business days and shall render the Demised Premises unusable, and if Tenant shall in fact vacate and cease using the Demised Premises, then so long as Tenant is not in default hereunder, all rent and additional rent due hereunder shall be abated for the period beginning on the first (1st) consecutive business day of such failure and shall continue until use of the Demised Premises is restored to Tenant. If due to a force majeure event or an event beyond the control of Landlord, any interruption, curtailment, stoppage or suspension of the Essential Services shall continue for more than twenty (20) consecutive business days and shall render the Demised Premises unusable, and if Tenant shall in fact vacate and cease using the Demised Premises, then so long as Tenant is not in default hereunder, all rent and additional rent payable hereunder shall be abated for the period beginning on the first (1st) consecutive business day of such failure and shall continue until use of the Demised Premises is restored to Tenant. For purposes hereof, "Essential Services" shall mean the provision of (a) cold water, (b) one (1) automatically-operated elevator, (c) heat and air conditioning in season, in reasonably sufficient amounts, during the hours and days provided for in the first sentence of item (4) of subsection (A) of this Section, and (d) electricity.

18. TENANT'S RESPONSIBILITY FOR DAMAGE

Any and ail injury, breakage or damage to the Demised Premises or the Building arising solely from any cause done by Tenant or its agents, contractors, servants, employees and visitors, or by individuals and persons making deliveries to or from the Demised Premises solely for the benefit of Tenant, except as provided for in the section of this Lease entitled, "ALL RISK PROPERTY INSURANCE," shall be repaired by Landlord at the sole expense of Tenant. Payment of the cost of such repairs by Tenant shall be due as additional rent with the next installment of Monthly Rent after Tenant receives a bill for such repairs from Landlord. This provision shall not be in limitation of any other rights and remedies which Landlord has or may have in such circumstances.

19. ENTRY FOR INSPECTIONS. REPAIRS AND INSTALLATIONS

Tenant shall permit Landlord, or its agents, employees or contractors, without notice to Tenant, to enter the Demised Premises at all reasonable tunes and in a reasonable manner, without charge to Landlord or diminution of Monthly Rent payable by Tenant, to examine, inspect and protect the Building, and, upon one (1) day written notice, to make such repairs as in the judgment of Landlord may be deemed necessary to maintain or protect the Building, or to exhibit the

Demised Premises to prospective tenants during the last year of the term of this Lease. Landlord shall use reasonable efforts to minimize interference to Tenant's business when making repairs, but Landlord shall not be required to perform the repairs at a time other than during normal working hours. In connection with any such non-emergency entry, Tenant shall have the right to have one of its personnel accompany Landlord's representative(s) throughout the Demised Premises.

In the event of an emergency, Landlord may enter the Demised Premises without notice and make whatever repairs are necessary to protect the Building.

Tenant shall permit Landlord, or its agents, employees or contractors, upon no less than ten (10) days prior written notice to Tenant, to enter the Demised Premises at reasonable times and in a reasonable manner, without charge to Landlord or diminution of Monthly Rent payable by Tenant, to make installations related to the construction of pre-occupancy tenant work being performed by Landlord for other tenants of the Building, to make repairs, alterations and improvements arising due to repairs, alterations and improvements to any areas adjoining the Demised Premises, to erect, use and maintain pipes and conduits in and through the Demised Premises, or to make installations, improvements and repairs to utility services of the Building located in or about the Demised Premises. Landlord shall use reasonable efforts to minimize interferences with Tenant's business operations, but except in unusual circumstances, Landlord shall not be required to perform such work at a time other than normal working hours. In connection with any such non-emergency entry, Tenant shall have the right to have one of its personnel accompany Landlord's representative(s) throughout the Demised Premises.

20. INSURANCE RATING

Tenant shall not conduct or permit to be conducted any activity, or place any equipment or property in or about the Demised Premises that will increase in any way the rate of All Risk Property insurance or other insurance on the Building, unless consented to by Landlord. Landlord's consent may be conditioned upon Tenant's payment of any costs arising directly or indirectly from such increase. If any increase in the rate of All Risk Property insurance or other insurance on the Building is stated by any insurance company or by the applicable Insurance Rating Bureau to be due to Tenant's activity, equipment or property in or about the Demised Premises, said statement shall be conclusive evidence that the increase in such rate is due to such activity, equipment or property and, as a result thereof, Tenant shall be liable for such increase. Any such rate increase and related costs incurred by Landlord shall be deemed additional rent due and payable by Tenant to Landlord upon receipt by Tenant of a written statement of the rate increase and costs. Tenant may contest, at its sole cost and expense, any insurance rate increase, provided such action by Tenant will not adversely affect the insurance coverage of Landlord.

21. INDEMNITY AND PUBLIC LIABILITY INSURANCE

(a) Tenant shall indemnify and save harmless Landlord, or its mortgagees and its Agent from any and all liability, damage, expense, cause of action, suits, claims, judgments and cost of defense arising from injury to person or personal property in and on the Demised Premises, or upon any adjoining sidewalks or public areas of the Building, which arise out of the act, failure to act or negligence of Tenant, its agents or employees.

(b) Tenant shall, at its sole cost, carry and keep in full force and effect at all times during the term of this Lease, a commercial general liability policy with (i) no exclusion for contractual liability assumed hereunder, (ii) a severability of interest endorsement, and (iii) limits of not less then Two Million Dollars ($2,000,000) combined single limit per occurrence and not less then Two Million Dollars ($2,000,000) in the aggregate for bodily injury, sickness or death and property damage, and umbrella coverage of not less then Five Million Dollars ($5,000,000). Landlord shall have the right to reasonably increase such coverage limits consistent with requirements of owners of first class office buildings in Annapolis, Maryland from time to time.

22. WORKER'S COMPENSATION INSURANCE

Tenant shall carry and keep in full force and effect at all times during the term of this Lease, at its sole cost, worker's compensation or similar insurance in form and amounts required by law. Such insurance shall contain waiver of subrogation provisions in favor of Landlord, its mortgagees and its. Agent.

23. ALL RISK PROPERTY INSURANCE

Landlord shall obtain and maintain All Risk Property insurance covering the Building. Tenant shall obtain and maintain throughout the term of this Lease and any extension periods All Risk Property insurance insuring against damage to and loss of tenant improvements, fixtures, equipment, furniture, and all other personal property in and about the Demised Premises, which policy shall name Landlord and its mortgagees as loss payee. Landlord and Tenant hereby release each other and waive any claims they may have against the other for loss or damage to the Building, Demised Premises, tenant improvements, fixtures, equipment and/or any other personal property arising from a risk insured against under the All Risk Property insurance policies to be carried by Landlord and Tenant, as required above, even though such loss or damage was caused by the negligence of Landlord and Tenant, their agents or employees. Landlord and Tenant agree to obtain and maintain throughout the term of this Lease endorsements to their respective All Risk Property policies waiving the right of subrogation of their insurance companies against the other party and its agents and employees and Landlord's mortgagees. Except to the extent expressly provided herein, nothing contained in this Lease shall relieve Landlord or Tenant of any liability to each other or to their insurance carriers which Landlord or Tenant may have under law or the provisions of this Lease in connection with any damage to the Building, Demised Premises, tenant improvements, fixtures, equipment, furniture, and all other personal property, by fire or other casualty.

24. TENANT'S CONTRACTOR'S INSURANCE

Tenant shall require any contractor of Tenant performing work on the Demised Premises to carry and maintain, at no expense to Landlord:

(a) commercial general liability insurance, including contractor's liability coverage, contractual liability coverage, completed operations coverage for a period of not less than two years following substantial completion of the applicable work, waiver of subrogation against Landlord and its mortgagees and contractor's protective liability coverage, to afford protection with limits, for each occurrence, of not less than One Million Dollars ($1,000,000.00) with respect to personal injury, death, or property damage; and

(b) worker's compensation or similar insurance in form and amounts required by law.

25. REQUIREMENTS FOR TENANT'S INSURANCE POLICIES

The company or companies writing any insurance which Tenant is required to carry and maintain or cause to be carried or maintained pursuant to this Lease as well as the form of such insurance shall at all times be subject to Landlord's approval and any such company or companies shall be a good and responsible insurance company, licensed to do business in the State of Maryland. Tenant's and Tenant's contractors' public liability insurance policies and certificates evidencing such insurance shall name Landlord, its mortgagees and its Agent as additional insured. All of Tenant's insurance policies and certificates evidencing such insurance shall contain a provision by which the insurer agrees that such policy shall not be cancelled except after thirty (30) days written notice to Landlord. Tenant agrees to provide to Landlord no later than five (5) days prior to taking possession of the Demised Premises (and no later than five (5) days prior to each renewal date thereof) the certificates evidencing all insurance required hereunder; Landlord may withhold delivery of the Demised Premises without delaying the Commencement Date, or triggering any abatement of rent, if Tenant fails to provide Landlord with these certificates.

Any insurance carried or to be carried by Tenant hereunder shall be primary over any policy that might be carried by Landlord or its Agent If Tenant shall fail to perform any of its obligations regarding the acquisition and maintenance of insurance, Landlord may perform the same and the cost of same shall be deemed additional rent, payable upon Landlord's demand.

26. LIABILITY FOR DAMAGE TO PERSONAL PROPERTY AND PERSON

All personal property of Tenant, its employees, agents, subtenants, business invitees, licensees, customers, clients, family members, guests or trespassers, in and on the Demised Premises shall be and remain in and on the Demised Premises and the Building at the sole risk of said parties and Landlord shall not be liable to any such person or party for any damage to, or loss of personal property thereof, including loss or damage arising from, (a) any act, including theft, or any failure to act, of any other persons, (b) the leaking of the roof, (c) the bursting, rupture, leaking or overflowing of water, sewer or steam pipes, (d) the rupture or leaking of heating or plumbing fixtures, including security and protective systems, (e) short-circuiting or malfunction of electrical wires or fixtures, including security and protective systems or (f) the failure of the heating or air conditioning systems. Landlord shall also not be liable for the interruption or loss to Tenant's business arising from any of the above-described acts or causes. Tenant specifically agrees to save Landlord harmless in all such cases.

Landlord shall not be liable for any personal injury to Tenant, Tenant's employees, agents, business invitees, licensees, customers, clients, family members, guests or trespassers arising from the use, occupancy and condition of the Demised Premises or the Building, unless such party establishes that there has been negligence or a willful act or failure to act on the part of Landlord, its agents or employees.

27. DAMAGE TO THE BUILDING AND/OR THE DEMISED PREMISES

If the Demised Premises is damaged by fire, casualty or other event insured against by Landlord's All Risk Property insurance policy covering the Building, and the Demised Premises can be fully repaired, in Landlord's opinion, within 180 days from the date of the insured fire, casualty or other event, Landlord, at Landlord's expense, shall repair such damage, provided, however, Landlord shall have no obligation to repair any damage to, or to replace, Tenant's non building standard tenant improvements or any other property located in the Demised Premises. Except as otherwise provided herein, if the entire Demised Premises is rendered untenantable by reason of the insured fire, casualty or other event, then Monthly Rent shall abate for the period from the date of such damage to the date when such damage is repaired, and if only a portion of the Demised Premises is so rendered untenantable, then Monthly Rent shall abate for such period in the proportion which the area of the portion of the Demised Premises so rendered untenantable bears to the total area of the Demised Premises, provided, however, if, prior to the date when all of such damage is repaired, any portion of the Demised Premises so damaged shall be rendered tenantable and shall be used or occupied by Tenant or any person claiming through or under Tenant, then the amount by which the Monthly Rent shall abate shall be equitably apportioned for the period from the date of any such use or occupancy to the date when all such damage is repaired. No compensation or claim or reduction of rent will be allowed or paid by Landlord by reason of inconvenience, annoyance, or injury to business arising from the necessity of repairing the Demised Premises or any portion of the Building of which they are a part.

Notwithstanding the foregoing, if, prior to or during the term of this Lease, (a) the Demised Premises is so damaged that, in Landlord's opinion, the Demised Premises cannot be fully repaired within 180 days from the date the damage occurred, or (b) the Building is so damaged that, in Landlord's opinion, substantial repair or reconstruction of the Building shall be required (whether or not the Demised Premises is damaged or rendered untenantable), then, in any of such events, Landlord, at its option, may give to Tenant, within sixty (60) days after such fire or other casualty, thirty (30) days notice of termination of this Lease and, in the event such notice is given, this Lease shall terminate (whether or not the term shall have commenced) upon the expiration of such thirty (30) days with the same effect as if the date of expiration of such thirty (30) days were the date definitely fixed for expiration of the term of the Lease, and the then-applicable Monthly Rent shall be apportioned as of such date, including any rent abatement as provided above.

In the event that Landlord's restoration of the Demised Premises or access thereto is not substantially completed by Landlord within two hundred ten (210) days from the date of the damage, Tenant shall also have the right to terminate this Lease by delivering thirty (30) days prior written notice to Landlord and its mortgagees, no later than two hundred and forty (240) days from the date of the damage, of the exercise of such right. In the event the restoration of the Demised Premises is substantially completed within such thirty (30) day period, such right of termination shall be deemed to be void and without effect.

28. DEFAULT OF TENANT

This Lease shall, at the option of Landlord, cease and terminate if (i) Tenant fails to pay rent, including any installment of Monthly Rent or any additional rent, although no legal or formal demand has been made, and such failure to pay rent continues for a period of five (5) days after written notice addressed to Tenant has been delivered by Landlord to the Demised Premises, or (ii) Tenant violates or fails to perform any of the other conditions, covenants or agreements of this Lease made by Tenant, and any violation or failure to perform any of those conditions, covenants or agreements continues for a period often (10) days after written notice thereof has been delivered by Landlord to Tenant, or, in cases where the violation or failure to perform cannot be corrected within ten (10) days, Tenant does not begin to correct the violation or failure to perform within ten (10) days after receiving Landlord's written notice and/or Tenant thereafter does not diligently pursue the correction of the violation or failure to perform. Any said violation or failure to perform or to pay any rent, if left uncorrected, shall operate as a notice to quit, any further notice to quit or notice of Landlord's intention to re-enter being hereby expressly waived. Landlord may thereafter proceed to recover possession under and by virtue of the provisions of the laws of the jurisdiction in which the Building is located or by such other proceedings, including re-entry and possession, as may be applicable. If Landlord elects to terminate this Lease, everything herein contained on the part of Landlord to be done and performed shall cease without prejudice to the right of Landlord to recover from Tenant all rent accruing up to and through the date of termination of this Lease or the date of recovery of possession of the Demised Premises by Landlord, whichever is later. Should this Lease be terminated before the expiration of the term of this Lease by reason of Tenant's default as hereinabove provided, or if Tenant abandons or vacates the Demised Premises before the expiration or termination of the term of this Lease, the Demised Premises may be relet by Landlord for such rent and upon such terms as are not unreasonable under the circumstances, and, if the full rent hereinabove provided is not realized by Landlord, Tenant shall be liable for all damages sustained by Landlord, including, without limitation, deficiency in rent, reasonable attorneys' fees, brokerage fees, and expenses of placing the Demised Premises in first-class rentable condition. In the event Landlord terminates the Lease, Landlord shall use reasonable efforts to mitigate its damages in accordance with applicable law. Any damage or loss of rent sustained by Landlord may be recovered by Landlord, at Landlord's option, at the time of the reletting, or in separate actions, from time to time, as said damage shall have been made more easily ascertainable by successive relettings, or, at Landlord's option, may be deferred until the expiration of the term of this Lease, in which event the cause of action shall not be deemed to have accrued until the date of expiration of said term. The provisions contained in this section shall be in addition to and shall not prevent the enforcement of any claim Landlord may have against Tenant for anticipatory breach of the unexpired term of this Lease.

29. REPEATED DEFAULTS

If Tenant is in default of this Lease for the same or substantially the same reason more than twice during any twelve (12) month period during the term of this Lease (Tenant having received notice of each such default), then, at Landlord's election, Tenant shall not have any right to cure such repeated default, the terms and conditions of the section of this Lease entitled, "DEFAULT OF TENANT," notwithstanding. In the event of Landlord's election not to allow a cure of a repeated default, Landlord shall have all of the rights provided for in that section of this Lease for an uncured default.

30. WAIVER

If Landlord institutes legal or administrative proceedings against Tenant and a compromise or settlement thereof is made, the same shall not constitute a waiver of Tenant's obligations to comply with any covenant, agreement or condition, nor of any of Landlord's rights hereunder. No waiver by Landlord of any breach of any covenant, condition, or agreement specified herein shall operate as an invalidation or as a continual waiver of such covenant, condition or agreement itself, or of any subsequent breach thereof. No payment by Tenant or receipt by Landlord (or any party designated by Landlord to receive any payments of rent) of a lesser amount than the amount of rent due Landlord shall be deemed to be other than on account of the earliest stipulated rent, nor shall any endorsement or statement on any check or letter accompanying a check for payment of such rent be deemed an accord and satisfaction, and Landlord, or any party designated by Landlord, may accept such check or payment without prejudice to Landlord's right to recover the balance of such rent or to pursue any other remedy provided for in this Lease or in the governing law of the jurisdiction in which the Building is located. No re-entry by Landlord, and no acceptance by Landlord of keys from Tenant, shall be considered an acceptance of a surrender of the Lease.

31. SUBORDINATION

Unless Mortgagee shall otherwise elect as provided for in this Section, this Lease is subject and subordinate to the lien of all and any mortgages (which term "mortgages" shall include both construction and permanent financing and shall include deeds of trust and similar security instruments) which may now or hereafter encumber or otherwise affect the real estate (including the Building) of which the Demised Premises is a part, or Landlord's leasehold interest therein, and to all and any renewals, extensions, modifications, recastings or refinancings thereof. In confirmation of such subordination, Tenant shall, at Landlord's request, promptly execute any requisite or appropriate certificate or other document. Tenant hereby constitutes and appoints Landlord as Tenant's attorney-in-fact to execute any such certificate or other document for or on behalf of Tenant if Tenant does not execute said certificate or document within five (5) days after receipt thereof. Landlord shall provide to Tenant a Subordination, Non-Disturbance and Attornment Agreement from its current lender and from any future lenders on such lender's standard form. The current lender's standard form is attached hereto as Exhibit G.

Tenant agrees that in the event any proceedings are brought for the foreclosure of any such mortgage, Tenant shall attorn to the purchaser at such foreclosure sale, if requested to do so by such purchaser. Tenant shall also recognize such purchaser as the Landlord under this Lease. Tenant waives the provisions of any statute or rule of law, now or hereafter in effect, which may give or purport to give Tenant any right to terminate or otherwise adversely affect this Lease and the obligations of Tenant hereunder in the event that any such foreclosure proceeding is prosecuted or completed.

If the Building, the Demised Premises or any part respectively thereof is at any time subject to a mortgage or a deed of trust or other similar instrument, and this Lease or the rents are assigned to such mortgagees, trustee

or beneficiary, and Tenant is given written notice thereof including the post office address of such assignee, then Tenant may not terminate this Lease for any default on the part of Landlord without first giving written notice by certified or registered mail, return receipt requested, to such Assignee, Attention: Mortgage Loan Department. The notice shall specify the default in reasonable detail, and afford such assignee a reasonable opportunity to make performance, at its election, for and on behalf of Landlord.

If Landlord's mortgagee shall so elect by notice to Tenant or by the recording of a unilateral declaration of subordination, this Lease and Tenant's rights hereunder shall be superior and prior in right to the mortgage of which such mortgagee has the benefit, with the same force and effect as if this Lease had been executed, delivered and recorded prior to the execution, delivery and recording of such mortgage, subject, nevertheless, to such conditions as may be set forth in any such notice or declaration.

32. CONDEMNATION

If the whole or a substantial part of the Demised Premises or the Building is condemned or acquired in lieu of condemnation by any governmental authority for any public or quasi-public use or purpose, then the term of this Lease shall cease and terminate as of the date when title vests in such governmental authority. Tenant shall have no claim against Landlord or the condemning authority for any portion of the amount of the condemnation award or settlement that Tenant claims as its damages arising from such condemnation or acquisition, or for the value of any unexpired term of the Lease. Tenant may make a separate claim against the condemning authority for a separate award for the value of any of Tenant's tangible personal property and trade fixtures, for moving and relocation expenses and for such business damages and/or consequential damages as may be allowed by law, provided the same shall not diminish the amount of Landlord's award.

If less than a substantial part of the Demised Premises is condemned or acquired in lieu of condemnation by any governmental authority for any public or quasi-public use or purpose, the rent shall be equitably adjusted on the date when title vests in such governmental authority and the Lease shall otherwise continue in full force and effect. For purposes of this section, a "substantial part of the Demised Premises" shall be considered to have been taken if twenty-five percent (25%) or more of the Demised Premises is condemned or acquired in lieu of condemnation, or if less than twenty-five percent (25%) of the Demised Premises is taken and the portion of the Demised Premises taken renders the entire Demised Premises untenantable for the conduct of Tenant's business.

If twenty-five percent (25%) or more of the Building is condemned (whether or not the Demised Premises shall have been condemned) and Landlord elects to demolish the remainder of the Building, Landlord may elect to terminate this Lease.

33. RULES AND REGULATIONS

Tenant, its agents and employees, shall abide by and observe the rules and regulations attached hereto as Exhibit C and such other reasonable rules and regulations as may be promulgated from time to time by Landlord for the operation and maintenance of the Building, provided a copy thereof is sent to

Tenant. Nothing contained in this Lease shall be construed to impose upon Landlord any duty or obligation to enforce such rules and regulations, or the terms, conditions or covenants contained in any other lease as against any other tenant, and Landlord shall not be liable to Tenant for violation of the same by any other tenant, any other tenant's employees, agents, business invitees, licensees, customers, clients, family members or guests. Landlord shall not discriminate against Tenant in the enforcement of any rule or regulation. Tenant shall also comply with any rules and regulations which may be promulgated by the Council of Unit Owners.

34. RIGHT OF LANDLORD TO CURE TENANT'S DEFAULT

If Tenant defaults in the making of any payment to any third party, or doing any act required to be made or done by Tenant relating to the Demised Premises, then Landlord may, but shall not be required to, make such payment or do such act, and the amount of the expense thereof, if made or done by Landlord, with interest thereon at a rate equal to two (2) percentage points above the then applicable Wall Street Journal Prime Rate (U.S. money center commercial banks) or its successor (or in the absence thereof such similar rate reasonably designated by Landlord), accruing from the date paid by Landlord, shall be paid by Tenant to Landlord and shall constitute additional rent hereunder due and payable by Tenant upon receipt of a written statement of costs from Landlord. The making of such payment or the doing of such act by Landlord shall not operate to cure Tenant's default, nor shall it prevent Landlord from the pursuit of any remedy to which Landlord would otherwise be entitled.

35. LATE CHARGES

If Tenant shall fail to pay any installment of rent, including Monthly Rent, additional rent or other charges to be paid by Tenant pursuant to this Lease within five (5) days after the same becomes due and payable, Tenant shall be obligated to pay a late charge equal to [***] percent ([***]%) of any rent or other charge not so paid when due. In addition, any installments of Monthly Rent, additional rent or other charges to be paid by Tenant pursuant to this Lease which are not paid by Tenant within five (5) days after the same becomes due and payable shall bear interest at a rate equal to [***] percentage points above the then applicable Wall Street Journal Prime Rate (U.S. money center commercial banks) or its successor (or in the absence thereof such similar rate reasonably designated by Landlord), accruing from the date such installment or payment became due and payable to the date of payment thereof by Tenant. Such interest shall constitute additional rent due and payable to Landlord by Tenant upon the date of payment of the delinquent payment referenced above. Notwithstanding the foregoing provisions of this Section to the contrary, Landlord shall waive such late charge and interest the first time during any twelve (12) month period that Tenant fails to pay any Monthly Rent, additional rent or other charges to be paid by Tenant pursuant to this Lease within five (5) days after the same becomes due and payable, provided that such failure is cured prior to the expiration of the notice and cure period set forth in Section 28 of this Lease.

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*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

36. NO PARTNERSHIP

Nothing contained in this Lease shall be deemed or construed to create a partnership or joint venture of or between Landlord and Tenant, or to create any other relationship between the parties hereto other than that of landlord and tenant.

37. NO REPRESENTATIONS BY LANDLORD

Neither Landlord nor any agent or employee of Landlord has made any representations or promises with respect to the Demised Premises or the Building except as herein expressly set forth, and no rights, privileges, easements or licenses are acquired by Tenant except as herein expressly set forth. Tenant, by taking possession of the Demised Premises, shall accept the same in the then "as is" condition, except for latent defects and punch list items.

38. BROKER AND AGENT

Landlord and Tenant each represent and warrant one to another that, except as hereinafter set forth, neither of them has employed any broker in carrying on the negotiations, or had any dealings with any broker, relating to this Lease. Tenant represents that it has employed CB Richard Ellis as its broker; Landlord represents that it has also employed CB Richard Ellis as its broker, and further agrees to pay the commissions accruing to such identified broker pursuant to certain outside agreements). Landlord shall indemnify and hold Tenant harmless, and Tenant shall indemnify and hold Landlord and its mortgagees harmless, from and against any claim or claims for brokerage or other commission arising from or out of any breach of the foregoing representation and warranty by the respective indemnitors.

Landlord appoints and Tenant recognizes, until such time as Landlord otherwise notifies Tenant in writing, CB Richard Ellis as Landlord's exclusive agent (referred to in this Lease as "Agent") for the management and operations of the Building and for the service of process, issuance and receipt of all notices, and instituting and processing all legal actions on behalf of Landlord under this Lease.

39. WAIVER OF JURY TRIAL

Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on or with respect to any matter whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant hereunder, Tenant's use or occupancy of the Demised Premises, and/or any claim of injury or damage.

40. ENFORCEMENT OF LEASE

In the event either party is required or elects to take legal action to enforce against the other party the performance of the other party's obligations under this Lease, then the non-prevailing party shall immediately reimburse the prevailing party for all costs and expenses including, without limitation, reasonable attorneys' fees, incurred by the prevailing party in its successful prosecution or defense of that legal action.

41. NOTICES

All notices or other communications hereunder shall be in writing and shall be deemed duly given if delivered in person; by nationally recognized commercial delivery service, next business day delivery, certified mail, return receipt requested; or by registered mail, postage prepaid: (A) if to Landlord, at c/o Jerome J. Parks Companies, 15 School Street, Annapolis, Maryland 21404, Attn: Jerome J. Parks; and (B) if to Tenant, at 175 Admiral Cochrane Drive, Suite 101, Annapolis, Maryland 21401 prior to the Rent Commencement Date and at the Demised Premises thereafter. The party to receive notices and the place notices are to be sent for either Landlord or Tenant may be changed by notice given pursuant to the provisions of this section.

42. ESTOPPEL CERTIFICATES

Tenant agrees, at any time and from time to time, upon not less than five (5) days prior written notice by Landlord, to execute, acknowledge and deliver to Landlord a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the Lease is in full force and effect as modified and stating the modifications), (ii) stating the dates to which the rent and other charges hereunder have been paid by Tenant, (iii) stating whether or not, to the best knowledge of Tenant, Landlord is in default in the performance of any covenant, agreement or condition contained in this Lease, and, if so, specifying each such default of which Tenant may have knowledge, (iv) stating the address to which notices to Tenant should be sent and, if Tenant is a corporation, the name and address of its registered agent in the jurisdiction in which the Building is located, (v) agreeing not to pay Monthly Rent more than thirty (30) days in advance or to amend the Lease without the consent of any mortgage lender having a security interest in the Building, and (vi) certifying such other matters related to this Lease as Landlord may reasonably request Any such statement delivered pursuant hereto may be relied upon by any owner of the Building, any prospective purchaser of the Building, any mortgagee or prospective mortgagee of the Building or of Landlord's interest, or any prospective assignee of any such mortgage.

43. HOLDING OVER

In the event Tenant does not immediately surrender the Demised Premises on the date of expiration of the term of this Lease or any extension period thereof, Tenant shall, by virtue of this section of the Lease, become a tenant by the month and hereby agrees to pay to Landlord a Monthly Rent equal to twice the amount of (a) the Monthly Rent in effect during the last month of the term of this Lease as it may have been extended, plus (b) the one-twelfth (l/12th) payment made with Monthly Rent pursuant to the section of this Lease entitled, "OPERATING EXPENSES, OPERATING COSTS AND REAL ESTATE TAXES." The month-to-month tenancy shall commence with the first day next after the expiration of the term of this Lease. Tenant as a month-to-month tenant shall continue to be subject to all of the conditions and covenants of this Lease. Tenant shall give to Landlord at least thirty (30) days written notice of any intention to quit the Demised Premises. Tenant shall be entitled to thirty (30) days written notice to quit the Demised Premises, except in the event of nonpayment of the modified Monthly Rent in advance, in which event Tenant shall not be entitled to any notice to quit, the usual thirty (30) days notice to quit being hereby expressly waived.

Notwithstanding the foregoing, in the event Tenant holds over after the expiration of the term of the Lease or extension period thereof, and Landlord desires to regain possession of the Demised Premises promptly at the expiration of the term of this Lease or extension period thereof, then at any time prior to Landlord's acceptance of modified Monthly Rent from Tenant as a month-to-month tenant hereunder, Landlord, at its option, may forthwith re-enter and take possession of the Demised Premises without process, or by any legal process in force in the jurisdiction in which the Building is located.

44. RIGHTS RESERVED BY LANDLORD

Landlord shall have the following rights, exercisable without notice to Tenant, without liability for damage or injury to property, person or business and without effecting an eviction, constructive or actual, or disturbance of Tenant's use or possession of the Demised Premises or giving rise to any claim for set-off, abatement of rent or otherwise:

(a) To change the Building's name or street address;

(b) To affix, maintain and remove any and all signs on the exterior and interior of the Building;

(c) To designate and approve, prior to installation, all window shades, blinds, drapes, awnings, window ventilators, lighting and other similar equipment to be installed by Tenant that may be visible from the exterior of the Demised Premises or the Building;

(d) To decorate and make repairs, alterations, additions and improvements, whether structural or otherwise, in, to and about the Building and any part thereof, and, during the continuance of any of such work, to temporarily close doors, entry ways, and common areas in the Building and to interrupt or temporarily suspend Building services and facilities, all without affecting Tenant's obligations hereunder, so long as the Demised Premises remain tenantable;

(e) To grant to anyone the exclusive right to conduct any business or render any service in the Building, provided Tenant is not thereby excluded from uses expressly permitted herein;

(f) To alter, relocate, reconfigure and reduce the common areas of the Building, as long as the Demised Premises remain reasonably accessible; and

(g) To alter, relocate, reconfigure, reduce and withdraw the common areas located outside the Building, including parking and access roads, as long as the Demised Premises remain reasonably accessible.

45. COVENANTS OF LANDLORD

Landlord covenants that it has legal title to the Building and has (subject to Section 48 hereof) the right to make this Lease for the term of the Lease aforesaid. Further Landlord covenants that if Tenant shall pay the rent and shall perform all of the covenants, agreements and conditions specified in this Lease to be performed by Tenant, Tenant shall, for the term of the Lease, freely, peaceably and quietly occupy and enjoy the full possession of the

Demised Premises without molestation or hindrance by Landlord, its agents or employees. Entry in the Demised Premises for inspections, repairs, alterations, improvements and installations by Landlord, its agents, employees or contractors pursuant to the section of this Lease entitled "INSPECTIONS, REPAIRS AND INSTALLATIONS" and the exercise by Landlord of Landlord's rights reserved in the section of this Lease entitled "RIGHTS RESERVED BY LANDLORD" shall not constitute a breach by Landlord of this covenant, nor entitle Tenant to any abatement or reduction of rent. In addition, planned activities of Landlord, whether in the form of renovation, redecoration or rehabilitation of any area of the Building, including the lobby, and any of the surrounding public spaces by Landlord or in the form of organized activities, public or private, shall not be deemed violation by Landlord of Landlord's covenant of quiet enjoyment benefiting Tenant

46. LIEN FOR RENT

In consideration of the mutual benefits arising under this Lease, Tenant hereby grants to Landlord a lien on all tangible personal property of Tenant now or hereafter placed in or upon the Demised Premises (except such part of any tangible personal property as may be exchanged, replaced, or sold from time to time in the ordinary course of business operations or trade of Tenant), and such tangible personal property shall be and remain subject to such lien of Landlord for payment of all rent and other sums agreed to be paid by Tenant herein. Said lien shall be in addition to and cumulative upon Landlord's liens provided by law. Said lien shall be second in priority to the rights of any landlord of, or the mortgagee of, any equipment or personal property under any equipment lease or mortgage, the rights of the seller under any conditional sales contract, or the rights of the lender under any leasehold mortgage consented to by Landlord. Tenant shall reimburse to Landlord, as additional rent, all costs and expenses, including reasonable attorney's fees (not to exceed $[***], which Landlord incurs by reason of or in connection with any request for waiver of Landlord's lien hereunder or enforcement of Landlord's rights hereunders such costs and expenses to be due and payable within fifteen (15) days of receipt of a statement of such costs and expenses from Landlord.

47. NO OPTION

The submission of an unsigned copy of this document to Tenant shall not constitute an offer or option to lease the Demised Premises. This Lease shall become effective and binding only upon execution and delivery by both Landlord and Tenant.

48. LENDER APPROVAL

If Landlord does not receive consent of Landlord's current lenders), if any, with respect to the terms and provisions of this Lease, Landlord may terminate this Lease.

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*** Portions of this page have been omitted pursuant to a Request for Confidential Treatment filed separately with the SEC.

49. GENDER

Feminine or neuter pronouns shall be substituted for those of the masculine form, and the plural shall be substituted for the singular number, in any place or places herein in which the context may require such substitution or substitutions.

50. BENEFIT AND BURDEN

The terms and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and each of their respective representatives, successors and permitted assigns. Landlord may freely and fully assign its interest hereunder. In the event of any sale or transfer of the Building by operation of law or otherwise by the party named as Landlord hereunder (or any subsequent successor, transferee or assignee), then said party, whose interest is thus sold or transferred shall be and is completely released and forever discharged from and with respect to all covenants, obligations and liabilities as Landlord hereunder after the date of such sale or transfer, but only to the extent such obligations are assumed by the transferee (which assumption may be documented pursuant to a general assignment of leases).

In the event Landlord shall be in default under this Lease, and if as a consequence of such default, Tenant shall recover a money judgment against Landlord, such judgment shall be satisfied only out of the proceeds of sale received upon execution of such judgment against the right, title and interest of Landlord in the Building as the same may then be constituted and encumbered and Landlord shall not be liable for any deficiency. In no event shall Tenant have the right to levy execution against any property of Landlord other than its interests in the Building.

51. RENTABLE AREA

Any representations in this Lease regarding the rentable square footage figures for the Building and the Demised Premises have been conclusively accepted and agreed upon by Landlord and Tenant; no remeasurement of the Building or the Demised Premises shall result in any modification of this Lease or adjustment of any rent payable hereunder. The Building and the Demised Premises have been measured in accordance with the Standard Method of Measuring Floor Areas in Office Buildings (ANSI/BOMA Z-65.1 - 1996).

52. GOVERNING LAW

This Lease and the rights and obligations of Landlord and Tenant hereunder shall be governed by the laws of the jurisdiction in which the Building is located. The parties acknowledge and agree that no suit for breach of lease may be filed by either party which claim accrued more than three (3) years prior to the date the suit is filed.

53. BANKRUPTCY

If Tenant or any guarantor of this Lease becomes bankrupt or insolvent, or files any debtor proceedings, or if Tenant or any guarantor takes or has taken against it in any court pursuant to any statute either of the United States or of any State a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee of all or a portion of Tenant's or any

such guarantor's property, or if Tenant or any such guarantor makes an assignment for the benefit of creditors, or petitions for or enters into an arrangement, then this Lease shall terminate and Landlord, in addition to any other rights or remedies it may have, shall have the immediate right of reentry and may remove all persons and property from the Demised Premises and such property may be removed and stored in a public warehouse or elsewhere at the cost of, and for the account of Tenant, all without service of notice or resort to legal process and without being deemed guilty of trespass, or becoming liable for any loss or damage which may be occasioned thereby.

54. SAVINGS CLAUSE

If any provision of this Lease or the application thereof to any person or circumstance is to any extent held invalid, then the remainder of this Lease or the application of such provision to persons or circumstances other than those as to which it is held invalid shall not be affected thereby, and each provision of the Lease shall be valid and enforced to the fullest extent permitted by law.

55. AUTHORITY OF TENANT

If Tenant executes this Lease as a corporation, limited partnership, limited liability company or any other type of entity, Tenant does hereby represent and warrant that Tenant is a duly organized and validly existing corporation, limited partnership, limited liability company or other type of entity, that Tenant is hi good standing and qualified to do business in the jurisdiction where the Building is located, that Tenant has full right, power and authority to enter into this Lease, and that each person signing on behalf of Tenant is fully empowered and authorized to do so. Upon Landlord's request, Tenant shall provide to Landlord evidence reasonably satisfactory to Landlord confirming the foregoing representations and warranties. Further, Tenant agrees to promptly execute all necessary and reasonable applications or documents confirming Tenant's registration and qualification as requested by Landlord or its representatives, or required by the jurisdiction in which the Building is located to permit the issuance of necessary permits and certificates for Tenant's use and occupancy of the Demised Premises. Any delay or failure by Tenant in submitting such evidence, application or document so executed shall not serve to delay the Commencement Date or delay or waive Tenant's obligations to pay rent hereunder.

56. JOINT AND SEVERAL LIABILITY

If two or more individuals, corporations, partnerships or other business associations (or any combination of two or more thereof) shall sign this Lease as Tenant, the liability of each of them shall be joint and several. In like manner, if Tenant is a partnership or other business association the members of which are, by virtue of statute or general law, subject to personal liability, the liability of each individual who was, is or becomes a member of such partnership or association at any time from the date of execution of this Lease to and including the expiration or earlier termination of the term of this Lease, shall be joint and several.

57. FINANCIAL STATEMENTS

Upon Landlord's written request Tenant shall (except when Tenant is subject to the reporting requirements of Sections 12 or 15(d) of the Securities Exchange Act of 1934, as amended) promptly furnish Landlord from time to time with its most recent annual financial statements, and written evidence of ownership and ownership interests if Tenant is other than a sole proprietorship.

58. BUSINESS DAY/WORKING DAY

The terms "business day" and "working day" are terms describing each calendar day Monday through Friday except any holiday identified specifically or generically in the section of this Lease entitled, "SERVICES AND UTILITIES" falling on one of such calendar days.

59. CONFIDENTIALITY

Tenant acknowledges and agrees that the terms of this Lease are confidential and constitute propriety information of Landlord. Disclosure of the terms hereof could adversely affect the ability of Landlord to negotiate other leases with respect to the Building and may impair Landlord's relationship with other tenants of the Building. Tenant agrees that it and its partners, officers, directors, employees, brokers, and attorneys, if any, shall not make any public disclosure of the terms and conditions of this Lease other than in Tenant's ordinary course of business to its lenders, accountants, and other consultants without the prior written consent of Landlord. Nothing herein shall prevent any disclosure required by applicable law or court order.

60. RENT RELATED REQUIREMENTS

(a) No rent or other payment in respect of the Demised Premises shall be based in any way upon net income or profits from the Demised Premises. Tenant may not enter into or permit any sublease or license or other agreement in connection with the Demised Premises which provides for a rental or other payment based on net income or profit.

(b) If Landlord is advised by its counsel at any time that any part of the payments by Tenant to Landlord under this Lease may be characterized as unrelated business income under the United States Internal Revenue Code and its regulations, then Tenant shall enter into any amendment proposed by Landlord to avoid such income, so long as the amendment does not require Tenant to make more payments or accept fewer services from Landlord, than this Lease provides.

61. ENVIRONMENTAL REQUIREMENTS

Tenant, its agents, employees, sublessees, contractors, invitees and guests shall not use any portion or all of the Demised Premises or the Building or land or other appurtenances thereto for the generation, treatment, storage or disposal of "hazardous materials," "hazardous waste," "hazardous substances" or "oil" (collectively "Materials") as such terms are defined under the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq., as amended, the Resource Conservation and Recovery Act of 1976, 42 U.S.C. 6901 et seq., as amended, and any and all other "environmental statutes" which regulate the use of hazardous and/or dangerous substances, and

the regulations promulgated thereunder and any and all state and local laws, rules and regulations, without the express prior written consent of Landlord. Tenant shall clean up and remove or cause to be cleaned up and removed from, under or about the Demised Premises, the Building or the land or other appurtenances thereto any Materials it or its agents or employees have or have caused to be introduced to the Demised Premises or the Building, at its sole cost and expense, and shall ensure that such removal is conducted in compliance with all applicable laws, rules and regulations. Notwithstanding the foregoing, however, Tenant may use Materials in the ordinary course of business and only as customarily used in office environments and in types and quantities customarily used in office environments, provided that such use is in accordance with all applicable statutes, laws, rules and regulations, and any manufacturer instructions; and provided further that Tenant may not discharge any Materials in any public sewer or any drain and/or drainpipe leading or connected thereto. Tenant shall promptly give written notice to Landlord of any communication received by Tenant from any governmental authority or other person or entity concerning any complaint, investigation or inquiry regarding any use or discharge (or alleged use or alleged discharge) by Tenant of any Materials. Landlord shall have the right (but not the obligation) to conduct such investigations or tests (or both) as Landlord shall deem necessary with respect to any such complaint, investigation or inquiry, and Tenant, at its expense, shall take such action (or refrain from taking such action) as Landlord may request in connection with such investigations and tests by Landlord. Tenant shall indemnify, defend (with counsel selected by Landlord), and hold Landlord and its mortgagees harmless from and against any such improper use or discharge (or both) by Tenant, including any costs of all necessary clean-up activities occasioned by Tenant's actions, whether during the term or after termination of this Lease. This Section shall survive the expiration or earlier termination of this Lease.

62. ENTIRE AGREEMENT

This Lease, together with Exhibits A, A-l, B, C, D, D-1, E, F and G attached hereto and made a part hereof, contains and embodies the entire agreement of the parties hereto, and no representations, inducements, or agreements, oral or otherwise, between the parties not contained and embodied in this Lease and said Exhibits shall be of any force or effect, and the same may not be modified, changed or terminated in whole or in part hi any manner other than by an agreement in writing duly signed by all parties hereto.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease to be signed as of the date first written above, in their names, under seal, by their duly authorized representatives and delivered as their act and deed, intending to be legally bound by its terms and provisions.

LANDLORD:

PARK PLACE TRUST,
a Maryland Business Trust

By: JBJ/Carlyle Park Place LP, a Delaware limited partnership, as Trustee

By: JBJ Management Company, Inc., a

Maryland limited liability company, its Managing General Partner

By: /s/ Jerome J. Parks (SEAL)

Name: /s/ Jerome J. Parks
Title: VP

TENANT:

PHARMATHENE, INC.,
a Delaware corporation

By: /s/ David P. Wright (SEAL)

Name:
Title: