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

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

OR

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

For the transition period from to

Commission File Number: 001-33609

SUCAMPO PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware	30-0520478
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
805 King Farm Boulevard, Suite 550 Rockville, MD *(Address of principal executive offices)*	20850 *(Zip Code)*

(301) 961-3400
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

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

Large accelerated filer ☐ Accelerated filer ☒ Non accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

(Do not check if a smaller reporting company)

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

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

As of July 26, 2017, there were 46,552,462 shares of the registrant's class A common stock outstanding.

Sucampo Pharmaceuticals, Inc.

Form 10-Q Index

PART I — FINANCIAL INFORMATION

Item 1. ***Financial Statements***

SUCAMPO PHARMACEUTICALS, INC.
Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)

	June 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 84,734	$ 198,308
Product royalties receivable	20,552	26,261
Accounts receivable, net	19,812	42,998
Restricted cash	213	213
Inventories, net	23,098	23,468
Prepaid expenses and other current assets	16,726	15,984
Total current assets	165,135	307,232
Investments, non-current	5,619	5,495
Property and equipment, net	5,880	6,216
Intangible assets, net	114,629	128,134
Goodwill	73,022	73,022
Other assets	798	752
Total assets	$ 365,083	$ 520,851
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 11,171	$ 9,190
Accrued expenses	12,265	12,389
Accrued interest	425	129
Deferred revenue, current	177	1,315
Income tax payable	4,381	7,153
Other current liabilities	3,692	2,175
Total current liabilities	32,111	32,351
Notes payable, non-current	291,456	290,516
Deferred revenue, non-current	2,783	805
Deferred tax liability, net	2,995	21,289
Other liabilities	9,390	8,791
Total liabilities	338,735	353,752
Commitments and contingencies (note 14)		
Stockholders' equity:		
Preferred stock, $0.01 par value; 5,000,000 shares authorized at June 30, 2017 and December 31, 2016; no shares issued and outstanding at June 30, 2017 and December 31, 2016	-	-
Class A common stock, $0.01 par value; 270,000,000 shares authorized at June 30, 2017 and December 31, 2016; 46,552,462 and 46,415,749 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	464	464
Class B common stock, $0.01 par value; 75,000,000 shares authorized at June 30, 2017 and December 31, 2016; no shares issued and outstanding at June 30, 2017 and December 31, 2016	-	-
Additional paid-in capital	127,208	120,251
Accumulated other comprehensive income	54,434	54,527
Treasury stock, at cost; 227,266 and 3,009,942 shares at June 30, 2017 and December 31, 2016, respectively	(4,018)	(46,269)
(Accumulated deficit) retained earnings	(151,740)	38,126
Total stockholders' equity	26,348	167,099
Total liabilities and stockholders' equity	$ 365,083	$ 520,851

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

SUCAMPO PHARMACEUTICALS, INC.
Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income (Unaudited)
(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues:				
Product royalty revenue	$ 20,562	$ 18,735	$ 38,997	$ 35,451
Product sales revenue	34,237	28,389	68,391	54,984
Research and development revenue	5,051	3,369	8,499	6,799
Contract and collaboration revenue	46	1,458	292	1,925
Total revenues	59,896	51,951	116,179	99,159
Costs and expenses:				
Costs of goods sold	17,035	20,354	33,918	43,692
Research and development	19,099	10,933	29,432	25,604
Acquired in-process research and development	186,603	-	186,603	-
General and administrative	11,583	12,423	29,274	21,350
Selling and marketing	1,411	623	1,927	1,398
Total costs and expenses	235,731	44,333	281,154	92,044
(Loss) income from operations	(175,835)	7,618	(164,975)	7,115
Non-operating income (expense):				
Interest income	-	10	28	35
Interest expense	(2,916)	(5,972)	(5,806)	(12,242)
Other expense, net	(476)	(2,539)	(265)	(2,886)
Total non-operating expense, net	(3,392)	(8,501)	(6,043)	(15,093)
Loss before income taxes	(179,227)	(883)	(171,018)	(7,978)
Income tax (provision) benefit	(1,940)	51	(5,525)	3,089
Net loss	$ (181,167)	$ (832)	$ (176,543)	$ (4,889)
Net loss per share:				
Basic and diluted	$ (3.92)	$ (0.02)	$ (3.94)	$ (0.11)
Weighted average common shares outstanding:				
Basic and diluted	46,195	42,759	44,826	42,649
Comprehensive (loss) income:				
Net loss	$ (181,167)	$ (832)	$ (176,543)	$ (4,889)
Other comprehensive income (expense):				
Unrealized (loss) gain on pension benefit obligation, net of tax	(16)	33	(16)	25
Foreign currency translation gain (loss), net of tax	-	20,700	(77)	36,255
Comprehensive (loss) income	$ (181,183)	$ 19,901	$ (176,636)	$ 31,391

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

SUCAMPO PHARMACEUTICALS, INC.
Condensed Consolidated Statement of Changes in Stockholders' Equity (Unaudited)
(In thousands, except share data)

	Class A Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Treasury Stock		Retained Earnings (Accumulated	Total Stockholders'
	Shares	Amount	Capital	Income	Shares	Amount	Deficit)	Equity
Balance at December 31, 2016	46,415,749	$ 464	$ 120,251	$ 54,527	3,009,942	$(46,269)	$ 38,126	$ 167,099
Stock-based compensation expense	-	-	5,566	-	-	-	-	5,566
Stock issued in connection with employee stock plan	120,224	-	283	-	-	-	-	283
Stock issued under employee stock purchase plan	16,489	-	150	-	-	-	-	150
Stock withheld to cover employee taxes	-	-	(114)	-	-	-		(114)
Treasury stock issued for Vtesse acquisition	-	-	-		(2,782,676)	42,251	(12,251)	30,000
Unrealized loss on pension benefit obligation, net of tax	-	-	-	(16)	-	-	-	(16)
Foreign currency translation, net of tax	-	-	-	(77)	-	-	-	(77)
Cumulative-effect adjustment from adoption of ASU 2016-09	-	-	1,072	-			(1,072)	-
Net loss	-	-	-	-	-	-	(176,543)	(176,543)
Balance at June 30, 2017	46,552,462	$ 464	$ 127,208	$ 54,434	227,266	$ (4,018)	$ (151,740)	$ 26,348

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

SUCAMPO PHARMACEUTICALS, INC.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2017	**2016**
Cash flows from operating activities:		
Net loss	$ (176,543)	$ (4,889)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	14,880	30,098
Loss on disposal of property and equipment	-	533
Deferred tax (benefit) provision	(4,681)	4,960
Stock-based compensation	5,566	3,723
Acquired in-process research and development	186,603	-
Unrealized currency translations	221	9,123
Shortfall from stock-based compensation	143	(25)
Windfall benefit from stock-based compensation	(151)	(455)
Changes in operating assets and liabilities:		
Product royalties receivable	5,709	4,048
Accounts receivable	23,443	5,866
Inventory	370	309
Prepaid and income taxes receivable and payable, net	(2,764)	(18,221)
Accounts payable	458	(5,296)
Accrued expenses	49	(3,466)
Accrued interest payable	296	(70)
Deferred revenue	840	119
Collaboration obligation	-	(1,826)
Other assets and liabilities, net	1,753	1,754
Net cash provided by operating activities	56,192	26,285
Cash flows from investing activities:		
Convertible note receivable	-	(5,000)
Changes in restricted cash	-	10,598
Payment of squeeze-out liability for non-tendering R-Tech shareholders	-	(7,668)
Purchase of in-process research and development, net of cash acquired	(169,665)	-
Purchases of property and equipment	(354)	(823)
Net cash used in investing activities	(170,019)	(2,893)
Cash flows from financing activities:		
Payments of notes payable	-	(30,082)
Changes in restricted cash	-	17,676
Proceeds from exercise of stock options	283	1,643
Proceeds from employee stock purchase plan	150	128
Tax payment upon settlement of stock awards	(114)	-
Net cash provided by (used in) financing activities	319	(10,635)
Effect of exchange rates on cash and cash equivalents	(66)	6,940
Net (decrease) increase in cash and cash equivalents	(113,574)	19,697
Cash and cash equivalents at beginning of period	198,308	108,284
Cash and cash equivalents at end of period	$ 84,734	$ 127,981

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

1. Business Organization and Basis of Presentation

Description of the Business

Sucampo Pharmaceuticals, Inc., (Company) is a global biopharmaceutical company focused on developing, identifying, acquiring and bringing to market innovative medicines that meet unmet medical needs. The Company's primary focus areas are medicines that treat gastrointestinal, ophthalmic, neurological, and oncology disorders.

The Company currently generates revenue mainly from product royalties, upfront and milestone payments, product sales and reimbursements for development activities. The Company expects to continue to incur significant expenses for the next several years as it continues its research and development activities, seeks additional regulatory approvals and additional indications for approved products and other compounds, and seeks strategic opportunities for acquiring new products and product candidates.

AMITIZA® (lubiprostone) is being marketed for three gastrointestinal indications under the collaboration and license agreement (as amended in October 2014, the North America Takeda Agreement) with Takeda Pharmaceutical Company Limited (Takeda). These indications are chronic idiopathic constipation (CIC) in adults, irritable bowel syndrome with constipation (IBS-C) in adult women and opioid-induced constipation (OIC) in adults suffering from chronic non-cancer related pain. Under the North America Takeda Agreement, the Company is primarily responsible for clinical development activities, while Takeda is responsible for commercialization of AMITIZA in the United States (U.S.) and Canada. The Company and Takeda initiated commercial sales of AMITIZA in the U.S. for the treatment of CIC in April 2006, for the treatment of IBS-C in May 2008 and for the treatment of OIC in May 2013. Takeda is required to provide a minimum annual commercial investment during the current term of the North America Takeda Agreement and may reduce the minimum annual commercial investment when a generic equivalent enters the market. In October 2015, Health Canada approved AMITIZA for CIC in adults. In October 2014, the Company and Takeda executed amendments to the North America Takeda Agreement which, among other things, extended the term of the North America Takeda Agreement beyond December 2020. During the extended term beginning in January 2021, Takeda and the Company will share the annual net sales revenue of the branded AMITIZA products.

The Company has also partnered with Par Pharmaceuticals, Inc. (Par) and Dr. Reddy's Laboratories, Ltd. (Dr. Reddy's) in connection with the settlement of patent litigation in the U.S. related to the Company's AMITIZA 8 mcg and 24 mcg soft gelatin capsule products. Under the Company's agreement with Par, the Company granted Par a non-exclusive license to market Par's generic version of lubiprostone 8 mcg and 24 mcg soft gelatin capsules in the U.S. for the indications approved for AMITIZA beginning January 1, 2021, or earlier under certain circumstances. Beginning on January 1, 2021, Par will split with the Company the gross profits of the licensed products sold during the term of the agreement, which continues until each of the Company's related patents has expired. Under the Company's agreement with Dr. Reddy's, the Company granted Dr. Reddy's a non-exclusive license to market Dr. Reddy's generic version of lubiprostone 8 mcg and 24 mcg soft gelatin capsules in the U.S. for the indications approved for AMITIZA. This license does not begin until more than six years from November 9, 2016, or earlier under certain circumstances. Dr. Reddy's will pay to the Company a share of net profits of generic lubiprostone products sold during the term of the agreement, which decreases over time and ends when all of the Company's related patents have expired. In the event that either Par or Dr. Reddy's elect to launch an authorized generic form of lubiprostone, the Company has agreed to supply such product under the terms of a manufacturing and supply agreement at a negotiated price.

In Japan, AMITIZA is marketed under a license, commercialization and supply agreement (the Japan Mylan Agreement) that was transferred to Mylan, Inc. (Mylan) from Abbott Laboratories, Inc. (Abbott), as of February 2015, as part of Mylan's acquisition of a product portfolio from Abbott. The Company received approval of its new drug application (NDA) for AMITIZA for the treatment of chronic constipation (CC), excluding constipation caused by organic diseases, from Japan's Ministry of Health, Labour and Welfare in June 2012 and pricing approval in November 2012. AMITIZA is the only prescription medicine for CC approved in Japan. The Company did not experience any significant changes in the commercialization of AMITIZA in Japan as a result of the transfer of the Japan Mylan Agreement from Abbott to Mylan.

In May 2015, the Company entered into an exclusive license, development, commercialization and supply agreement (the China Gloria Agreement) with Harbin Gloria Pharmaceuticals Co., Ltd. (Gloria) for AMITIZA in the People's Republic of China. Under the China Gloria Agreement, Gloria is responsible for all development activities and costs, as well as commercialization and regulatory activities, for AMITIZA in the People's Republic of China. The Company will be the exclusive supplier of AMITIZA to Gloria at an agreed upon supply price. Upon entering into the China Gloria Agreement, the Company received an upfront payment of $1.0 million. In June 2015, the China Food and Drug Administration accepted an Investigational New Drug (IND) application for a pivotal trial of AMITIZA in patients with CIC; as a result, the Company received an additional payment of $500,000 from Gloria. In addition to the $1.5 million in payments received and recognized as revenue through June 2015, the Company is eligible to receive an additional payment in the amount of $1.5 million upon the occurrence of a specified regulatory or commercial milestone event.

In October 2014, the Company entered into an exclusive license, development, commercialization and supply agreement (the Global Takeda Agreement) for lubiprostone with Takeda, through which Takeda has the exclusive rights to further develop and commercialize AMITIZA in all global markets, except the U.S., Canada, Japan and the People's Republic of China. Takeda became the marketing authorization holder in Switzerland in April 2015, as well as in the United Kingdom (U.K.), Austria, Belgium, Germany, Netherlands, Ireland, Italy, Luxembourg and Spain during 2016.

Before the execution of the Global Takeda Agreement, the Company retained full rights to develop and commercialize AMITIZA for the rest of the world's markets outside of the U.S., Canada and Japan. In the U.K., the Company received approval in September 2012 from the Medicines and Healthcare Products Regulatory Agency (MHRA) for the use of AMITIZA to treat CIC. The Company made AMITIZA available in the U.K. in the fourth quarter of 2013. In July 2014, National Institute of Health and Care Excellence (NICE) published the technology appraisal guidance recommending the use of AMITIZA in the treatment of CIC and associated symptoms in adults who have failed laxatives. In January 2015, the Company successfully completed the European mutual recognition procedure (MRP) for AMITIZA for the treatment of CIC in select European countries, resulting in marketing authorizations in these countries.

In Switzerland, AMITIZA was approved to treat CIC in 2009. In 2012, the Company reached an agreement with the Bundesamt fur Gesundheit, (BAG), the Federal Office of Public Health in Switzerland, on a reimbursement price for AMITIZA in Switzerland, and began active marketing in the first quarter of 2013. In February 2014, the Company announced that the BAG revised several reimbursement limitations with which AMITIZA was first approved for reimbursement and inclusion in the Spezialitätenliste (SL) to allow all Swiss physicians to prescribe AMITIZA to patients who have failed previous treatments with at least two laxatives over a nine-month period. In July 2014, AMITIZA was approved for the treatment of OIC in chronic, non-cancer adult patients by the Swissmedic, the Swiss Agency for Therapeutic Products, and in October 2015, the BAG added this indication to the SL.

In October 2015, Takeda obtained approval of the clinical trial application (CTA) for AMITIZA for the treatment of CIC and IBS-C in Russia that was submitted in June 2015. In December 2015, a CTA was filed for AMITIZA for the treatment of CIC, IBS-C and OIC in Mexico and South Korea. Takeda initiated Phase 3 registration trials in Russia in March 2016 and in South Korea and Mexico in May 2016. An NDA for the treatment of CIC, IBS-C, and OIC was submitted in Israel in June 2015, and approved in July 2016. An NDA for the treatment of CIC, IBS-C and OIC was approved in Kazakhstan in December 2015. Additional NDA submissions have been made by Takeda in Singapore in May 2016, and in South Africa and Indonesia in June 2016, and are planned in various other markets in 2017 and future years.

In the U.S., the Company ceased marketing RESCULA (unoprostone isopropyl), an ophthalmology product, in the fourth quarter of 2014 and no product was made available after the March 2015 expiration date. In May 2015, the Company returned all licenses for unoprostone isopropyl to R-Tech Ueno, Ltd. (R-Tech). As part of the acquisition of R-Tech in October 2015, the Company acquired all rights to RESCULA. RESCULA is being commercialized by Santen Pharmaceutical Co., Ltd. in Japan, and Zuellig Pharma Inc. in Taiwan.

The Company's clinical development programs include the following:

Lubiprostone Alternate Formulation

The Company has been developing an alternate formulation of lubiprostone for both adult and pediatric patients who are unable to take or tolerate capsules and for naso-gastric tube fed patients. Takeda has agreed to fund 100% of the costs, up to a cap, of this alternate formulation work. The Company initiated the Phase 3 program of the alternate formulation of lubiprostone in adults in the second half of 2016 and, if the program is successful, the Company intends to file an NDA in the U.S. for the alternate formulation for adults in the second half of 2017.

Lubiprostone for Pediatric Functional Constipation

A Phase 3 program required to support an application for marketing authorization of lubiprostone for pediatric functional constipation comprises four clinical trials. The first two trials, one of which was completed in late 2016, test the soft gelatin capsule formulation of lubiprostone in patients 6 to 17 years of age. The first of these trials was a pivotal 12-week, randomized, placebo-controlled trial which was initiated in December 2013 and completed enrollment in April 2016. The second trial is a follow-on, long-term safety extension trial that was initiated in March 2014. In November 2016, the Company announced that the Phase 3 trial of AMITIZA in pediatric functional constipation in children 6 to 17 years of age failed to achieve its primary endpoint of overall spontaneous bowel movement (SBM), response. The trial achieved statistical significance for some secondary endpoints, notably overall SBM frequency, straining, and stool consistency. In addition, in this study lubiprostone was well tolerated. The Company has entered into a process with the U.S. Food and Drug Administration (FDA) and other constituencies, and as a result of initial discussion with the FDA submitted a supplemental NDA on July 28, 2017. Additionally, after further consultations with the FDA to better determine the doses and endpoints that should be studied, we expect the Phase 3 program for the alternate formulation of lubiprostone described above will be followed in mid-2018 with a Phase 3 program in patients 6 months to likely 6 years of age using the alternate formulation. Takeda has agreed to fund 70% of the costs up to a cap, and then 50% of the costs thereafter, of this pediatric functional constipation program.

CPP 1-X/Sulindac Combination Product

In January 2016, the Company entered into an option and collaboration agreement under which Cancer Prevention Pharmaceuticals, Inc. (CPP) granted the Company the sole option to acquire an exclusive license to commercialize CPP-1X/sulindac combination product in North America. This product is currently in a Phase 3 clinical trial, which is being conducted by CPP for the treatment of familial adenomatous polyposis (FAP). Under the agreement with CPP, the Company has the exclusive option to license this product in North America. There are currently no approved treatments for FAP. The ongoing Phase 3 study, known as CPP FAP-310, is a 150-patient, three-arm, double-blind, randomized trial of the combination agent and the single agent comparators. On June 7, 2017, CPP informed the Company that an Independent Data Monitoring Committee (IDMC), following a planned interim futility analysis, found no reason to discontinue the Phase 3 study, CPP FAP-310, evaluating CPP-1X/sulindac for adults with FAP. Results from the clinical trial are expected by the end of 2018. Pursuant to the Company's agreement with CPP, the Company made the $4.5 million payment for the second option fee tranche in July 2017, which was recorded in research and development expense for the three and six months ended June 30, 2017.

VTS-270 for Niemann-Pick Disease Type C1 (NPC-1)

On March 31, 2017, the Company entered into an Agreement and Plan of Merger with Vtesse Inc. (Vtesse), a privately-held rare disease company. The Company acquired Vtesse's lead product candidate, known as VTS-270, upon closing the acquisition on April 3, 2017. VTS-270 is a well-characterized mixture of 2-hydroxypropyl-ß-cyclodextrins (HPßCD) with a specific compositional fingerprint that distinguishes it from other HPßCD mixtures. It is administered by an intrathecal infusion to directly address the neurological manifestations of disease. Preclinical and early clinical studies suggest that the administration of VTS-270 may slow or stop certain indicators of NPC-1, an ultra-orphan, progressive and fatal disease caused by a defect in lipid transport within the cell. VTS-270, which is currently in a fully-enrolled pivotal Phase 2b/3 trial, has been granted breakthrough therapy designation in the U.S. and orphan designation in both the U.S. and EU. Effective treatment of NPC-1 remains a high unmet need, with no approved products for patients in the U.S. Results from the pivotal trial are expected in mid-2018.

The Company accounted for the transaction as an asset acquisition and incurred an acquired in-process research and development charge of $186.6 million (and no related current tax benefit) in the second quarter of 2017. Additionally, the Company recorded a deferred tax asset of $13.6 million related to Vtesse's net operating loss.

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) and the rules and regulations of the U.S. Securities and Exchange Commission (SEC) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the Company's Consolidated Financial Statements as of and for the year ended December 31, 2016 included in the Company's Annual Report on Form 10-K, which was filed with the SEC on March 8, 2017. The financial information as of June 30, 2017 and for the three and six months ended June 30, 2017 and 2016 is unaudited. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. In the opinion of the Company's management, all adjustments, consisting only of normal recurring adjustments or accruals, considered necessary for a fair statement of the results of these interim periods have been included. The results of the Company's operations for any interim period are not necessarily indicative of the results that may be expected for any other interim period or for a full fiscal year.

The Condensed Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries: Sucampo AG (SAG) and Sucampo Acquisitions GmbH (SAQ) based in Zug, Switzerland and Vtesse Europe Ltd., based in the United Kingdom, through which the Company conducts certain of its worldwide and European operations; Sucampo Pharma, LLC (SPL) based in Tokyo, Japan, through which the Company conducts its Asian operations, manufacturing and certain development operations; and Sucampo Pharma Americas LLC (SPA) and Vtesse Inc., based in Rockville, Maryland, through which the Company conducts its North American operations. All inter-company balances and transactions have been eliminated.

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies

Certain Risks, Concentrations and Uncertainties

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist of cash and cash equivalents, restricted cash and receivables. The Company places its cash, cash equivalents and restricted cash with highly rated financial institutions. As of June 30, 2017 and December 31, 2016, approximately $1.3 million or 1%, and $1.2 million, or less than 1%, respectively, of the Company's cash, cash equivalents, and restricted cash were issued or insured by the U.S. government or other government agencies. The Company has not experienced any losses on these accounts related to amounts in excess of insured limits.

Revenues from Takeda, an unrelated party, accounted for 65.4% and 69.3% of the Company's total revenues for the three months ended June 30, 2017 and 2016, respectively, and 62.3% and 65.5% of the Company's total revenues for the six months ended June 30, 2017 and 2016, respectively. Accounts receivable and product royalties receivable from Takeda accounted for 80.9% and 69.6% of the Company's total accounts receivable and product royalties receivable at June 30, 2017 and December 31, 2016, respectively.

Revenues from another unrelated party, Mylan, accounted for 31.1% and 28.2% of the Company's total revenues for the three months ended June 30, 2017 and 2016, respectively, and 33.3% and 29.3% of the Company's total revenues for the six months ended June 30, 2017 and 2016, respectively. Accounts receivable from Mylan accounted for 14.5% and 30.1% of the Company's total accounts receivable and product royalties receivable at June 30, 2017 and December 31, 2016, respectively.

The Company depends significantly upon collaborations with Takeda and Mylan, and its activities may be impacted if these relationships are disrupted.

Fair Value of Financial Instruments

The carrying values of the Company's financial instruments approximate their fair values due to their short maturities, independent valuations or internal assessments. The Company's financial instruments include cash and cash equivalents, restricted cash, receivables, accounts payable and other accrued liabilities. The Company's investment in CPP is measured at fair value on a recurring basis, and the Company estimated the fair value of its long-term debt as of June 30, 2017 based on the available market data as of June 30, 2017.

Variable Interest Entities

The Company performs initial and on-going evaluations of the entities with which it has variable interests, such as equity ownership, in order to identify entities (i) that do not have sufficient equity investment at risk to permit the entity to finance its activities without additional subordinated financial support or (ii) in which the equity investors lack an essential characteristic of a controlling financial interest. Such entities are classified as variable interest entities (VIEs). If an entity is identified as a VIE, the Company performs an assessment to determine whether the Company has both (i) the power to direct activities that most significantly impact the VIE's economic performance and (ii) have the obligation to absorb losses from or the right to receive benefits of the VIE that could potentially be significant to the VIE. If both of these criteria are satisfied, the Company is identified as the primary beneficiary of the VIE. As of June 30, 2017 and December 31, 2016, CPP, in which the Company held a variable interest, was determined to be a VIE; however, the Company does not have the power to direct CPP's economic performance and, as a result, the Company is not the primary beneficiary of CPP and the entity is not consolidated with the financial statements of the Company.

Recently Adopted Accounting Pronouncements

In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory." ASU No. 2015-11 applies only to inventory for which cost is determined by methods other than last in, first-out and the retail inventory method, which includes inventory that is measured using first-in, first-out or average cost. Inventory within the scope of this standard is required to be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The Company adopted this standard on January 1, 2017. The adoption of this standard had no impact on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting," which changes the accounting for certain aspects of share-based payments to employees. The new guidance requires excess tax benefits and tax deficiencies to be recorded in the statement of operations when the awards vest or are settled. In addition, cash flows related to excess tax benefits will no longer be separately classified as a financing activity apart from other income tax cash flows. The standard also clarifies that all cash payments made on an employee's behalf for withheld shares should be presented as a financing activity on the statement of cash flows, and provides an accounting policy election to account for forfeitures as they occur. The new standard is effective for the Company's calendar year beginning January 1, 2017. On January 1, 2017, as a result of adopting ASU No. 2016-09, the Company recorded a cumulative-effect adjustment of $1.1 million between retained earnings and additional paid in capital as the Company elected to recognize forfeitures as they occur. Additionally, a retrospective adjustment to the Company's statement of cash flows for the six months ended June 30, 2016 resulted in an increase of $455,000 to net cash provided by operating activities and a decrease of $455,000 to net cash provided by financing activities.

In January 2017, the FASB issued ASU No. 2017-01, "Clarifying the Definition of a Business." This definition, as defined in ASC 805, is used in determining whether acquisitions are accounted for as business combinations or as the acquisition of assets. This standard modifies the definition of a business, including providing a screen to determine when an acquired set of assets and activities is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. The standard also makes other modifications to clarify what must be included in an acquired set for it to be a business and how to evaluate the set to determine whether it is a business. The Company's acquisitions subsequent to December 31, 2016, such as the acquisition of Vtesse, are subject to the application of the modified definition.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the test for goodwill impairment." ASU No. 2017-04 simplifies the subsequent measurement of goodwill by eliminating Step 2 in the quantitative test and record an requires an entity to record impairment charge based on the excess of a reporting unit's carrying amount over its fair value. ASU 2017-04 will be applied prospectively and is effective for annual and interim goodwill impairment tests conducted in fiscal years beginning after December 15, 2019. The new standard is effective for the Company for its fiscal 2021 fourth quarter goodwill impairment test. Early adoption is permitted for annual and interim goodwill impairment testing dates after January 1, 2017. The Company elected to early adopt ASU No. 2017-04 on January 1, 2017. The adoption had no impact on the Company's consolidated financial statements as of and for the three and six months ended June 30, 2017.

Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers", which will replace numerous requirements in U.S. GAAP, including industry-specific requirements. This guidance provides a five-step model to be applied to all contracts with customers, with an underlying principle that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The FASB has issued several amendments to the standard including clarification on accounting for licenses of intellectual property, identifying performance obligations, and most recently, technical corrections on the interpretation of the new guidance. ASU No. 2014-09 requires extensive quantitative and qualitative disclosures covering the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including disclosures on significant judgments made when applying the guidance. This guidance is effective for annual reporting periods beginning after December 15, 2017 and interim periods therein. An entity can elect to apply the guidance under one of the following two methods: (i) retrospectively to each prior reporting period presented – referred to as the full retrospective method or (ii) retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application in retained earning – referred to as the modified retrospective method.

The Company has established a project team in order to analyze the effect of the standard on its revenue streams by reviewing its current accounting policies and practices to identify potential differences which would result from applying the requirements of the new standard to its revenue contracts. The Company has identified each revenue stream and is nearing the completion of its assessment of all potential effects of the standard. The Company continues to evaluate the impact of adoption, the implementation approach to be used and the applicable disclosure requirements, which the Company expects will be significant and comprehensive. The Company plans to adopt the new standard effective January 1, 2018, anticipates using the full retrospective method, and will continue to monitor additional changes, modifications, clarifications or interpretations by the FASB, which may impact the Company's current conclusions.

In February 2016, the FASB issued ASU No. 2016-02, "Leases," that requires lessees to recognize assets and liabilities on the balance sheet for most leases including operating leases. Lessees now classify leases as either finance or operating leases and lessors classify all leases as sales-type, direct financing or operating leases. The statement of operations presentation and expense recognition for lessees for finance leases is similar to that of capital leases under Accounting Standards Codification (ASC) 840 with separate interest and amortization expense with higher periodic expense in the earlier periods of a lease. For operating leases, the statement of operations presentation and expense recognition is similar to that of operating leases under ASC 840 with single lease cost recognized on a straight-line basis. This guidance is to be applied using a modified retrospective approach at the beginning of the earliest comparative period presented in the financial statements and is effective for annual periods beginning after December 15, 2018 and interim periods therein. Early adoption is permitted. The Company is currently evaluating the effect ASU No. 2016-02 may have on its condensed consolidated financial statements and related disclosures, but expects recognizing the lease liability and related right-of-use asset will impact its consolidated balance sheet.

In March 2017, the FASB issued ASU No. 2017-07, "Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." ASU No. 2017-07 requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. The amendments in this ASU No. 2017-07 also allow only the service cost component to be eligible for capitalization when applicable. The amendments in ASU No. 2017-07 are effective for public business entities for annual periods beginning after December 15, 2017 and are to be applied retrospectively, including interim periods within those annual periods. Early adoption is permitted as of the beginning of an annual period for which financial statements (interim or annual) have not been issued or made available for issuance. The Company is currently analyzing the impact of ASU No. 2017-07, and is currently unable to determine the impact of the new standard, if any, on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, "Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting". ASU 2017-09 provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. An entity should account for the effects of a modification unless all the following are met: 1) the fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified, 2) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified, and 3) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The amendment in ASU No. 2017-09 is effective for public business entities for annual periods beginning after December 15, 2017 and is to be applied prospectively. Early adoption is permitted, including adoption in any interim period. The Company adopted ASU No. 2017-09 on July 1, 2017.

3. Net Loss per Share

Basic net loss per share is computed by dividing net loss by the weighted average common shares outstanding. Diluted net loss per share is computed by dividing net loss by the weighted average common shares outstanding without the impact of potential dilutive common shares outstanding because they would have an anti-dilutive impact on diluted net loss per share. The treasury-stock method is used to determine the dilutive effect of the Company's stock option grants, and the if-converted method is used to determine the dilutive effect of the Company's convertible notes.

The computation of net loss per share for the three and six months ended June 30, 2017 and 2016 is shown below.

(In thousands, except per share data)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Basic net loss per share:				
Net loss	$ (181,167)	$ (832)	$ (176,543)	$ (4,889)
Weighted-average number of common shares-basic and diluted	46,195	42,759	44,826	42,649
Basic and diluted net loss per share	$ (3.92)	$ (0.02)	$ (3.94)	$ (0.11)

The Company is excluding both the shares from the convertible note under the if-converted method and the outstanding options to purchase common stock from the computation of diluted net loss per share for the periods presented because including them would have had an anti-dilutive effect:

(In thousands)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Employee stock options	6,579	5,382	6,579	5,382
Convertible note, assumed shares if-converted	18,079	-	18,079	-

4. Segment Information

The Company has one operating segment which is the development and commercialization of pharmaceutical products. Summarized product category and geographic information is shown in the tables below.

Product Category Information

Revenues for product categories are attributed based on the following categories.

Product royalty revenue represents royalty revenue earned on the net sales of AMITIZA in North America. Product sales revenue represents drug product net sales of AMITIZA in North America, Japan and Europe and drug product net sales of RESCULA in Japan. Research and development revenue represents funded development work primarily related to AMITIZA. Contract and collaboration revenue represents the amortization of up-front payments under the North America Takeda Agreement and release of the collaboration obligation under the Global Takeda Agreement.

Company revenues by product category for the three and six months ended June 30, 2017 and 2016 were as follows:

(In thousands)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Product royalty revenue	$ 20,562	$ 18,735	$ 38,997	$ 35,451
Product sales revenue - AMITIZA	32,131	27,001	63,471	50,121
Product sales revenue - RESCULA	2,106	1,388	4,920	4,863
Research and development revenue	5,051	3,369	8,499	6,799
Contract and collaboration revenue	46	1,458	292	1,925
Total	$ 59,896	$ 51,951	$ 116,179	$ 99,159

Geographical Information

Revenues are attributable to countries based on the location of the customer. The Company operates a manufacturing facility in Japan that supplies products to customers as well as the Company's subsidiaries in other countries. The sales from the manufacturing operations to other countries are included in the net sales of the country in which the manufacturing location is based. All intercompany sales are excluded to derive consolidated revenues. The Company's country of domicile is the United States.

Company revenues by geographic location for the three and six months ended June 30, 2017 and 2016 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2017	2016	2017	2016
United States	$ 39,133	$ 34,529	$ 72,331	$ 63,162
Japan	20,730	16,011	43,615	34,165
Rest of the world	33	1,411	233	1,832
Total	$ 59,896	$ 51,951	$ 116,179	$ 99,159

The Company's property and equipment, net by geographic location where located on June 30, 2017 and December 31, 2016 were as follows:

(In thousands)	June 30, 2017	December 31, 2016
United States	$ 2,768	$ 3,065
Japan	3,086	3,119
Rest of the world	26	32
Total	$ 5,880	$ 6,216

5. Asset Acquisition

The following table and narrative summarizes the Company's asset acquisition during the three months ended June 30, 2017.

Counterparty	Compound(s) or Therapy	Acquisition Month	Phase of Development [1]	Acquired IPR&D Expense (In thousands)
Vtesse Inc	VTS-270 - 2-hydroxypropyl-ß-cyclodextrins (HPßCD)	April 2017	Phase 2b / 3	$ 186,603

(1) The phase of development presented is as of the date of the arrangement.

In April 2017, the Company acquired Vtesse, including its Phase 2b/3 product candidate, VTS-270 (the IPR&D asset), a well-characterized mixture of HPßCD with a specific compositional fingerprint that distinguishes it from other HPßCD mixtures, for the treatment of NPC-1, an ultra-orphan, progressive and fatal disease. Under the terms of the agreement, the Company acquired Vtesse for upfront consideration of $212.0 million, and agreed to pay Vtesse stockholders contingent consideration based on mid-single digit to double-digit royalties on global net sales of the product based on increasing net sales levels, and a share of net proceeds that may be generated from the monetization of the pediatric review voucher, which is expected to be granted in connection with the approval of the product in the U.S. Of the $212.0 million consideration, the Company made a cash payment of $182.0 million and re-issued $30.0 million of Treasury Stock, 2,782,678 Class A common shares, based upon the closing price of $10.78 on April 3, 2017, to Vtesse stockholders.

The preliminary purchase price allocation was determined as follows:

	April 3, 2017
Total purchase price	$ 211,996
(In thousands)	
Total fair value of tangible assets acquired and liabilities assumed	
Deferred Tax Assets	(13,613)
Net Assets	(11,780)
Total IPR&D asset	$ 186,603

Vtesse did not meet the definition of a business under ASC 805 as substantially all of the fair value of Vtesse was attributable to the VTS-270 IPR&D asset. Based on the asset acquisition method of accounting, the consideration paid was allocated primarily to the IPR&D asset acquired of $186.6 million, which was immediately expensed as the IPR&D asset has no other alternate use. The balance was allocated to the remaining assets and liabilities based on their estimated fair values. The acquired IPR&D expense is not tax deductible.

6. Fair Value Measurements

The Company performs fair value measurements in accordance with the FASB's guidance for fair value measurements and disclosures, which defines fair value as the exchange price that would be received for selling an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy is established which requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company classifies its assets and liabilities into the following categories based on the three levels of inputs used to measure fair value:

Level 1: Observable inputs, such as quoted prices in active markets for identical assets or liabilities;
Level 2: Inputs, other than the quoted price in active markets, that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, product royalties receivable, accounts payable and other accrued liabilities, approximate their fair values due to their short maturities.

The Company has elected the fair value option on its investment in CPP; as such, it is measured at fair value on a recurring basis and was classified as Level 2. At June 30, 2017, the estimated fair value of the investment in CPP was $5.4 million. For the three months ended June 30, 2017, the Company recorded $0.1 million in other income due to the increase in fair value of the investment in CPP.

The estimated fair value of long term debt at June 30, 2017 was $292.1 million, was classified as Level 2, and was based on the available market data as of June 30, 2017.

The estimated fair values may not represent actual values of the financial instruments that could be realized as of the balance sheet date or that will be realized in the future. As of June 30, 2017 and December 31, 2016, there were no financial instruments measured at fair value on a non-recurring basis.

7. Inventory

Inventories are valued under a standard costing method and are stated at the lower of cost or net realizable value. Inventories consist of raw materials, work-in-process and finished goods. The Company's inventories include the direct purchase cost of materials and supplies and manufacturing overhead costs.

Inventory consisted of the following at June 30, 2017 and December 31, 2016:

(In thousands)	June 30, 2017	December 31, 2016
Raw materials	$ 3,658	$ 1,414
Work in process	19,405	18,045
Finished goods	35	4,009
Total	$ 23,098	$ 23,468

8. Investments, Non-Current

Investment in CPP

In 2016, the Company entered into a Securities Purchase Agreement (CPP Securities Agreement) and an Option and Collaboration Agreement (CPP Agreement) with CPP for the development and commercialization of CPP-1X/sulindac combination.

Under the terms of the CPP Securities Agreement, the Company provided $5.0 million to CPP in exchange for a convertible note. The convertible note bears interest at the rate of 5% per annum and matures on January 31, 2019 unless earlier converted or prepaid. Under the terms of the CPP Agreement, CPP granted the Company the sole option to acquire an exclusive license to commercialize CPP-1X/sulindac combination product in North America.

Under the terms of an Option and Collaboration Agreement, CPP granted the Company the sole option to acquire an exclusive license to commercialize CPP-1X/Sulindac combination product in North America and granted the rest of world rights for CPP-1X/Sulindac to a third party, who is operating under a similar option and license agreement. CPP-1X/Sulindac is currently in a Phase 3 clinical trial for the treatment of FAP. Target enrollment in the study was achieved in April of 2016 and the trial is expected to conclude in 2018. The Company agreed to pay CPP an option fee of $7.5 million, payable in two tranches. The first tranche of $3.0 million was paid in January 2016 upon signing. On June 7, 2017, CPP informed the Company that an IDMC, following a planned interim futility analysis, found no reason to discontinue the Phase 3 study, CPP FAP-310, evaluating CPP-1X/sulindac for adults with FAP. Pursuant to the Company's agreement with CPP, the Company made the $4.5 million payment for the second option fee tranche, which was recorded in research and development expense for the three and six months ended June 30, 2017. CPP will complete the ongoing Phase 3 trial under the oversight of a joint steering committee between CPP and the Company.

CPP is considered to be a VIE with respect to the Company and, as a result of the $4.5 million tranche payment, continues to conclude the power to direct the activities that most significantly impact CPP's economic performance is held by the board of directors of CPP. The Company does not have a representative on CPP's board and does not have the right to appoint or elect such a representative. Therefore, the Company is not the primary beneficiary of CPP, and the entity is not consolidated with the financial statements of the Company.

The Company's maximum exposure to loss as a result of its involvement with CPP was $5.4 million and $5.2 million as of June 30, 2017, and December 31, 2016, respectively.

The Company has elected the fair value option on the convertible note received from CPP due to the nature of the financial characteristics of the investment. As of June 30, 2017 and December 31, 2016, the fair value of the convertible note was $5.4 million and $5.2 million, respectively.

9. Intangible Assets and Goodwill

Intangible assets by major class consisted of the following as of June 30, 2017 and December 31, 2016:

	June 30, 2017		December 31, 2016	
(In thousands)	Weighted average life (in months)	Carrying amount	Weighted average life (in months)	Carrying amount
Amortized intangible assets				
Patent and license rights	54	$ 10,513	60	$ 10,513
Manufacturing know-how	61	134,600	65	134,600
Accumulated amortization		(47,647)		(34,142)
Impairment losses		(5,651)		(5,651)
Foreign currency translation adjustments		22,814		22,814
Total amortized intangible assets		$ 114,629		$ 128,134
Unamortized intangible assets				
Goodwill		$ 73,022		$ 73,022
Total unamortized intangible assets		$ 73,022		$ 73,022
Total intangible assets		$ 187,651		$ 201,156

The changes in intangible assets for the six months ended June 30, 2017 are as follows:

(In thousands)	Amortized intangibles	Goodwill
Balance at December 31, 2016	$ 128,134	$ 73,022
Amortization	(13,505)	-
Balance at June 30, 2017	$ 114,629	$ 73,022

10. Accrued Expenses and Other Current Liabilities

Accrued expenses consisted of the following at June 30, 2017 and December 31, 2016:

(In thousands)	June 30, 2017	December 31, 2016
Research and development costs	$ 4,605	$ 3,030
Employee compensation	5,123	7,513
Legal and accounting fees	1,091	622
Restructuring	187	163
Other accrued expenses	1,259	1,061
Total	$ 12,265	$ 12,389

Other current liabilities consisted of the following at June 30, 2017 and December 31, 2016:

(In thousands)	June 30, 2017	December 31, 2016
Indirect taxes payable	$ 3,267	$ 1,756
Squeeze out liability for non-tendering R-Tech shareholders	150	155
Other current liabilities	275	264
Total	$ 3,692	$ 2,175

11. Restructuring

In December 2015, the Company adopted a plan to restructure certain of its operations and to consolidate certain functions in the Company's corporate headquarters located in Rockville, Maryland and in the Company's Japanese subsidiary. In connection with these restructuring activities, the Company recorded restructuring charges of $0.4 million and $1.7 million for the six months ended June 30, 2017 and 2016, respectively. These costs are reflected within general and administrative expenses and consisted primarily of termination benefits.

No restructuring charges were recorded under this plan for the three months ended June 30, 2017, and the Company does not expect to record any additional restructuring charges under this plan. The Company has incurred total restructuring charges under this plan of $3.7 million through June 30, 2017.

In June 2017, the Company adopted a separate plan to restructure certain research and development operations at the Company's Japan subsidiary. This restructuring plan includes a headcount reduction following the discontinuance of the VAP-1 Inhibitor RTU-1096 development program and VAP-1 Inhibitor RTU-009 programs and back up programs, the ending of the AMITZIA clinical studies, and the recognition of further synergies in the manufacturing process.

As of June 30, 2017, the expected amount of the restructuring accrual of $0.2 million for termination benefits was included in accrued liabilities.

The changes in accrued restructuring costs for the six months ended June 30, 2017 are as follows:

(In thousands)	Accrued Restructuring
Balance at December 31, 2016	$ 163
Expenses incurred	552
Amounts paid	(528)
Balance at June 30, 2017	$ 187

12. Other Liabilities

Other liabilities consisted of the following at June 30, 2017 and December 31, 2016:

(In thousands)	June 30, 2017	December 31, 2016
Deferred grants	$ 750	$ 750
Unrecognized tax benefits	4,261	4,060
Deferred leasehold incentive	1,500	1,582
Defined benefit obligation	870	818
Lease liability	1,591	1,183
Other	418	398
Total	$ 9,390	$ 8,791

13. Convertible Notes Payable

On December 27, 2016, the Company issued $300.0 million aggregate principal amount of its 3.25% Convertible Senior Notes due in 2021 (the Convertible Notes). Interest is payable semi-annually in cash in arrears on June 15 and December 15 of each year, beginning on June 15, 2017, at a rate of 3.25% per year. The Convertible Notes mature on December 15, 2021 unless earlier converted or repurchased, are not redeemable prior to the maturity date and no sinking fund is provided for the Convertible Notes.

As of June 30, 2017, the Company was compliant with all covenants and conditions under the Convertible Notes.

The Convertible Notes are subject to the fair value disclosure requirements as discussed in Note 6 and are classified as a Level 2 instrument. The estimated fair value of the Convertible Notes at June 30, 2017 and December 31, 2016 was $292.1 million and $319.5 million, respectively.

Total future interest and debt repayment obligations related to the Convertible Notes were as follows as of June 30, 2017:

(In thousands)	June 30, 2017
2017	$ 4,915
2018	9,750
2019	9,750
2020	9,752
2021	309,323
Total minimum interest and debt payments	$ 343,490

14. Commitments and Contingencies

Operating Leases

The Company leases office space in the United States, Switzerland and Japan under operating leases through 2027. Total future minimum, non-cancelable lease payments under operating leases are as follows:

(In thousands)	June 30, 2017
2017	$ 1,161
2018	2,043
2019	1,516
2020	1,103
2021	997
Total minimum lease payments	$ 6,820

Rent expense for all operating leases was $0.4 million and $0.7 million for the three months ended June 30, 2017 and June 30, 2016, respectively and $0.8 million and $1.3 million for the six months ended June 30, 2017 and 2016, respectively.

CPP

Under the terms of an Option and Collaboration Agreement, CPP granted the Company the sole option to acquire an exclusive license to commercialize CPP-1X/Sulindac combination product in North America. This product is currently in a Phase 3 clinical trial for the treatment of FAP Target enrollment in the study was achieved in April 2016 and the trial is expected to conclude in 2018. The Company agreed to pay CPP an option fee of $7.5 million, payable in two tranches. The first tranche of $3.0 million was paid in January 2016 and expensed as research and development expense. On June 7, 2017, CPP informed the Company that an IDMC, following a planned interim futility analysis, found no reason to discontinue the Phase 3 study, CPP FAP-310, evaluating CPP-1X/sulindac for adults with FAP. Pursuant to the Company's agreement with CPP, the Company made the $4.5 million payment for the second option fee tranche, which was recorded in research and development expense for the three and six months ended June 30, 2017. CPP will complete the ongoing Phase 3 trial under the oversight of a joint steering committee between CPP and the Company.

Upon exercise of its exclusive option, the Company would acquire the rights to negotiate an exclusive license to develop and commercialize the product in North America for all indications. In connection with the exercise and finalization of the license right, the Company would be obligated to pay CPP up to an aggregate of $190.0 million of specified clinical development and sales milestones. Under the terms of the license, the Company and CPP would share equally in net profits from the sale of licensed products.

Under the CPP Securities Agreement, the successful completion of the Phase 3 futility analysis, as described above, gave CPP the right to secure an additional investment of $5.0 million from the Company in exchange for a convertible note in such principal amount, on substantially the same terms as the Company's initial such investment in CPP. CPP has notified the Company of its desire to receive this additional investment, though the timing and mechanics thereof are still under discussion.

15. Stock Option Plans

A summary of employee stock option activity for the six months ended June 30, 2017 under the Company's Amended and Restated 2006 Stock Incentive Plan is presented below:

2006 Stock Incentive Plan	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding, December 31, 2016	4,648,549	$ 10.86		
Options granted	-	-		
Options exercised	(49,147)	$ 5.78		
Options forfeited	(310,094)	$ 11.26		
Options expired	(12,599)	$ 9.60		
Options outstanding, June 30, 2017	4,276,709	$ 10.90	7.3	$ 6,805,827
Options exercisable, June 30, 2017	2,387,102	$ 9.96	6.6	$ 5,031,285
Options vested and expected to vest, June 30, 2017	4,276,709	$ 10.90	7.3	$ 6,805,827

A summary of employee stock option activity for the six months ended June 30, 2017 under the Company's 2016 Equity Incentive Plan (the "2016 Plan") is presented below:

The weighted average grant date fair value of options granted during the six months ended June 30, 2017 was $5.28.

2016 Equity Incentive Plan	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding, December 31, 2016	74,750	$ 12.66		
Options granted	1,857,844	$ 11.38		
Options exercised	-	-		
Options forfeited	(63,000)	$ 11.85		
Options expired	(36,700)	$ 13.97		
Options outstanding, June 30, 2017	1,832,894	$ 11.37	7.9	$ 340,600
Options exercisable, June 30, 2017	364,275	$ 11.39	0.5	$ 325,500
Options vested and expected to vest, June 30, 2017	1,832,894	$ 11.37	7.9	$ 340,600

A summary of employee restricted stock units activity for the six months ended June 30, 2017 under the Company's 2016 Plan is presented below:

2016 Equity Incentive Plan	Shares	Weighted Average Grant Date Fair Value
Outstanding Restricted Stock Units, December 31, 2016	63,700	$ 12.29
Restricted Stock Units granted	487,454	$ 11.66
Restricted Stock Units vested	(82,000)	$ 11.47
Restricted Stock Units forfeited	-	-
Outstanding Restricted Stock Units, June 30, 2017	469,154	$ 11.77

Employee Stock Purchase Plan

The following table summarizes the Company's 2006 Employee Stock Purchase Plan activity for the six months ended June 30, 2017 and 2016:

	Six Months Ended June 30,	
(In thousands, except share amounts)	2017	2016
Shares issued under the ESPP	16,489	7,502
Cash received under the ESPP	$ 150,283	$ 69,919

Accumulated Other Comprehensive Income

The following table details the accumulated other comprehensive income (loss) activity for the six months ended June 30, 2017 and 2016:

(In thousands)	Foreign Currency Translation Adjustments	Unrealized Income on Investments, Net of Tax Effect	Unrealized Gain (Loss) on Pension Benefit Obligation	Accumulated Other Comprehensive Income
Balance January 1, 2016	$ 14,243	$ 42	$ (873)	$ 13,412
Other comprehensive income (loss) before reclassifications	36,255	-	25	36,280
Amounts reclassified from accumulated other comprehensive loss	-	-	-	-
Balance June 30, 2016	$ 50,498	$ 42	$ (848)	$ 49,692
Balance January 1, 2017	$ 55,119	$ 42	$ (634)	$ 54,527
Other comprehensive loss before reclassifications	(77)	-	(27)	(104)
Amounts reclassified from accumulated other comprehensive loss	-	-	11	11
Balance June 30, 2017	$ 55,042	$ 42	$ (650)	$ 54,434

16. Income Taxes

The provision for income taxes is based upon the estimated annual effective tax rates for the year applied to the current period income before tax plus the tax effect of any significant unusual items, discrete events or changes in tax law. The Company's operating subsidiaries are exposed to effective tax rates ranging from zero to approximately 40%. Fluctuations in the distribution of pre-tax income among the Company's operating subsidiaries can lead to fluctuations of the effective tax rate in the condensed consolidated financial statements. In the three months ended June 30, 2017 and 2016, the actual effective tax rates were (1.1%) and 5.8%, respectively, and for the six months ended June 30, 2017 and 2016, the actual effective tax rates were (3.2%) and 38.7%, respectively. The decrease in the effective tax rate for both the three and six months ended June 30, 2017 and June 30, 2016 was primarily due to the non-deductibility of the acquired in-process research and development expense during 2017. Tax expense for both the three and six months ended June 30, 2017 increased compared to the three and six months ended June 30, 2016 primarily due an increase in earnings with no tax benefit available for the acquired in-process research and development in 2017 from Vtesse.

The Company assesses uncertain tax positions in accordance with ASC 740 (ASC 740-10 Accounting for Uncertainties in Tax). As of June 30, 2017, the Company's net unrecognized tax benefits totaled $3.2 million, excluding interest and penalties. Of this balance, $1.7 million would favorably impact the Company's effective tax rate in the periods if they are recognized. Management has not identified any material uncertain tax positions that are reasonably likely to be released during the next 12 months due to lapse of statutes of limitations or settlements with tax authorities.

The Company conducts business globally and, as a result, files numerous consolidated and separate income tax returns in the U.S., Switzerland and Japan, as well as in various other state and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities throughout the world. Currently tax years 2012 to 2016 remain open and subject to examination in the major tax jurisdictions in which tax returns are filed. The tax years 2009-2011 were examined by the U.S. tax authorities and resulted in no tax adjustments.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

This Quarterly Report on Form 10-Q contains forward-looking statements regarding Sucampo Pharmaceuticals, Inc. and our business, financial condition, results of operations and prospects within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include those that express plans, anticipation, intent, contingency, goals, targets or future development and/or otherwise are not statements of historical fact. These forward-looking statements are based on our current expectations and projections about future events and they are subject to risks and uncertainties, known and unknown, that could cause actual results and developments to differ materially from those expressed or implied in such statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in our other filings with the Securities and Exchange Commission (SEC) including our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which we filed with the SEC on March 8, 2017. Statements made herein are as of the date of the filing of this Form 10-Q with the SEC and should not be relied upon as of any subsequent date. Unless otherwise required by applicable law, we do not undertake, and we specifically disclaim any obligation to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes that appear in Item 1 of this Form 10-Q and with our consolidated financial statements and related notes for the year ended December 31, 2016 which are included in our Annual Report on Form 10-K.

Overview

We are a global biopharmaceutical company focused on innovative research and development of proprietary drugs to treat gastrointestinal, ophthalmic, autoimmune, inflammatory, neurological and oncology disorders.

We currently generate revenue mainly from product royalties, development milestone payments, product sales and reimbursements for clinical development activities. We expect to continue to incur significant expenses for the next several years as we continue our research and development activities, seek additional regulatory approvals and additional indications for our approved products and other compounds and seek strategic opportunities for acquiring new products and product candidates.

Our operations are conducted through subsidiaries based in the United States (U.S.), Japan, Switzerland, and the United Kingdom (U.K.). We operate as one segment, which focuses on the development and commercialization of pharmaceutical products.

AMITIZA (lubiprostone)

United States and Canada

AMITIZA is marketed in the U.S. for three gastrointestinal indications under a collaboration and license agreement (North America Takeda Agreement) with Takeda Pharmaceutical Company Limited (Takeda). These indications are chronic idiopathic constipation (CIC) in adults, irritable bowel syndrome with constipation (IBS-C) in adult women, and opioid-induced constipation (OIC) in adults suffering from chronic non-cancer related pain. Under the North America Takeda Agreement, we are primarily responsible for clinical development activities, while Takeda is responsible for commercialization of AMITIZA in the U.S. and Canada. Takeda is required to provide a minimum annual commercial investment during the current term of the North America Takeda Agreement and may reduce the minimum annual commercial investment when a generic equivalent enters the market. In October 2015, Health Canada approved AMITIZA for CIC in adults. In October 2014, we signed an amendment (Takeda Amendment) to the North America Takeda Agreement which, among other things, extended the term of the North American Takeda Agreement beyond December 2020. During the extended term beginning in January 2021, we will share with Takeda the net sales revenue on branded AMITIZA sales.

We have also partnered with Par Pharmaceuticals, Inc. (Par) and Dr. Reddy's Laboratories, Ltd. (Dr. Reddy's), in connection with the settlement of patent litigation in the U.S. related to our AMITIZA 8 mcg and 24 mcg soft gelatin capsule products. Under our agreement with Par, we granted Par a non-exclusive license to market Par's generic version of lubiprostone 8 mcg and 24 mcg soft gelatin capsules in the U.S. for the indications approved for AMITIZA beginning January 1, 2021, or earlier under certain circumstances. Beginning on January 1, 2021, Par will split with us the gross profits of the licensed products sold during the term of the agreement, which continues until each of our related patents has expired. Under our agreement with Dr. Reddy's, we granted Dr. Reddy's a non-exclusive license to market Dr. Reddy's generic version of lubiprostone 8 mcg and 24 mcg soft gelatin capsules in the U.S. for the indications approved for AMITIZA. This license does not begin until more than six years from November 9, 2016, or earlier under certain circumstances. Dr. Reddy's will pay to us a share of net profits of generic lubiprostone products sold during the term of the agreement, which decreases over time and ends when all of our related patents have expired. In the event that either Par or Dr. Reddy's elect to launch an authorized generic form of lubiprostone, we have agreed to supply such product under the terms of a manufacturing and supply agreement at a negotiated price.

Japan

In Japan, AMITIZA is the only prescription medicine for chronic constipation, excluding constipation caused by organic diseases, and is marketed under a license, commercialization and supply agreement (Japan Mylan Agreement) originally entered into with Abbott Laboratories, Inc. (Abbott). In February 2015, Mylan, Inc. (Mylan) purchased Abbott's non-U.S. developed markets specialty and branded generics business, as a result of which Mylan acquired the rights to commercialize AMITIZA in Japan. We did not experience any significant changes in the commercialization of AMITIZA in Japan as a result of the transfer of the Japan Mylan Agreement from Abbott to Mylan.

People's Republic of China

In May 2015, we entered into an exclusive license, development, commercialization and supply agreement (China Gloria Agreement) with Harbin Gloria Pharmaceuticals Co., Ltd. (Gloria) for AMITIZA in the People's Republic of China. We will be the exclusive supplier of AMITIZA to Gloria at an agreed upon supply price. Under the China Gloria Agreement, Gloria is responsible for all development activities and costs, as well as commercialization and regulatory activities, for AMITIZA in the People's Republic of China. Upon entering into the China Gloria Agreement, we received an upfront payment of $1.0 million. In June 2015, the China Food and Drug Administration accepted an Investigational New Drug (IND) application for a pivotal trial of AMITIZA in patients with CIC, as a result of which we received an additional payment of $500,000 from Gloria. In addition to the $1.5 million in payments received and recognized as revenue through June 2015, we are eligible to receive an additional payment in the amount of $1.5 million upon the occurrence of a specified regulatory or commercial milestone event.

Other Global Markets

In October 2014, we entered into an exclusive license, development, commercialization and supply agreement (Global Takeda Agreement) for lubiprostone with Takeda. Under the Global Takeda Agreement, Takeda develops and markets AMITIZA globally except in the U.S., Canada, Japan and the People's Republic of China. We supply Takeda with the clinical and commercial product at a negotiated price. Takeda currently markets AMITIZA for CIC and OIC in Switzerland, and for CIC in the U.K.

In January 2016, we received notification from the Medicines and Healthcare Products Regulatory Agency of the U.K. that our appeal for the OIC indication was not approved. In January 2015, we successfully completed the European mutual recognition procedure for AMITIZA for the treatment of CIC in Austria, Belgium, Germany, Italy, Ireland, Luxembourg, Netherlands and Spain, resulting marketing authorizations in these markets. Takeda became the marketing authorization holder in Switzerland in April 2015, as well as in the U.K., Austria, Belgium, Germany, Netherlands, Ireland, Italy, Luxembourg and Spain during 2016.

In October 2015, Takeda obtained approval of the clinical trial application (CTA) for AMITIZA for the treatment of CIC and IBS-C in Russia that was submitted in June 2015. In December 2015, a CTA was filed for AMITIZA for the treatment of CIC, IBS-C and OIC in Mexico and South Korea. Takeda initiated Phase 3 registration trials in Russia in March 2016 and in South Korea and Mexico in May 2016. A new drug application (NDA) for the treatment of CIC, IBS-C, and OIC was submitted in Israel in June 2015, and approved in July 2016. An NDA for the treatment of CIC, IBS-C and OIC was[approved] in Kazakhstan in December 2015. Additional NDA submissions have been made by Takeda in Singapore in May 2016, and in South Africa and Indonesia in June 2016, and are planned in various other markets in 2017 and future years.

RESCULA (unoprostone isopropyl)

As part of the acquisition of R-Tech Ueno, Ltd. (R-Tech) in October 2015, we acquired global rights to RESCULA, an ophthalmology product used to lower intraocular pressure (IOP).

In the fourth quarter of 2014 we ceased marketing RESCULA in the United States and no product was made available after the March 2015 expiration date. In May 2015, we returned all licenses for unoprostone isopropyl to R-Tech. In June 2016, we completed the withdrawal of the marketing authorization for RESCULA in the U.S.

In Japan, RESCULA was approved by the Ministry of Health, Labour and Welfare in 1994 for the treatment of glaucoma and ocular hypertension. In Japan, RESCULA is no longer protected by regulatory or intellectual property exclusivity. In March 2012, R-Tech signed a distribution agreement (Japan Santen Agreement) with Santen Pharmaceutical Co., Ltd. (Santen) to commercialize RESCULA in Japan. As part of the acquisition of R-Tech in 2015, we acquired R-Tech's rights and obligations under the Japan Santen Agreement.

In Taiwan, R-Tech signed a manufacturing and supply agreement with Sinphar Pharmaceutical, Co., Ltd. and also executed the distribution agreement with Zuellig Pharma, Inc. in April 2013.

In February 2017, the import license for RESCULA in South Korea was withdrawn by Dong-A ST Co., Ltd., our local distributor.

Product Pipeline

The table below summarizes the development status of our marketed products and key product candidates. The commercialization rights to lubiprostone have been licensed to Takeda on a global basis other than Japan and the People's Republic of China, to Mylan for Japan, and to Gloria for the People's Republic of China. Commercialization of each product candidate may occur after successful completion of clinical trials and approval from competent regulatory agencies. For CPP-1X/sulindac, we have an option to acquire an exclusive license to commercialize in North America.

Country	*Program Type*	*Target Indication*	*Development Phase*	*Next Milestone*
Lubiprostone (AMITIZA ®)				
U.S.	Commercial	Chronic idiopathic constipation (CIC) adults of all ages	Marketed	____
U.S.	Commercial	Irritable bowel syndrome with constipation (adult women) (IBS-C)	Marketed	Initiate Phase 4 study on higher dosage and with additional male subjects
U.S.	Commercial	Opioid-induced constipation (OIC) in patients with chronic non-cancer pain	Marketed	____
U.S.	Clinical	Alternate (Sprinkle) formulation - adults of all ages	In development	submit NDA
U.S. & European Union (EU)	Clinical	Pediatric functional constipation (6 months - 6 years)	Alternate (Sprinkle) formulation in development	Initiate Phase 3 program
U.S.	Clinical	Pediatric IBS-C (6 years - 17 years)	Alternate (Sprinkle) formulation in development	Initiate Phase 3 program
U.S. & EU	Clinical	Pediatric functional constipation (6 years - 17 years)	submit sNDA	Regulatory review for market approval.
Japan	Commercial	Chronic constipation	Marketed	____
Japan	Clinical	CIC adults, 2x12mcg capsule	Submit SNDA	Regulatory review for market approval.
Switzerland	Commercial	CIC-adults of all ages	Marketed	____
Switzerland	Commercial	OIC in patients with chronic non-cancer pain	Marketed	____
U.K.	Commercial	CIC-adults of all ages	Marketed	____

Canada	Clinical	CIC-adults of all ages	Received approval from Health Canada	Determine launch feasibility and plans
China	Clinical	CIC-adults of all ages	IND accepted	Initiate CIC study
European Union	Clinical	CIC-adults of all ages	Received national marketing approvals in Ireland, Germany, Austria, Belgium, the Netherlands, Luxembourg, Italy and Spain (where product is not yet launched)	Launch feasibility and planning under evaluation
Israel	Commercial	CIC-adults of all ages	Approved and marketed	____
Israel	Commercial	IBS-C - adult women	Approved and marketed	____
Israel	Commercial	OIC in patients with chronic non-cancer pain	Approved and marketed	____
Mexico	Clinical	CIC-adults of all ages	CTA Approved	Regulatory review for market approval
Mexico	Clinical	IBS-C - adult women	CTA Approved	Regulatory review for market approval
Mexico	Clinical	OIC in patients with chronic non-cancer pain	CTA Approved	Regulatory review for market approval
Russia	Clinical	CIC-adults of all ages	Phase 3 completed	Regulatory review for market approval
Russia	Clinical	IBS-C - adult women	Phase 3 completed	Regulatory review for market approval
South Korea	Clinical	CIC-adults of all ages	CTA Approved	Regulatory review for market approval
South Korea	Clinical	IBS-C - adult women	CTA Approved	Regulatory review for market approval
South Korea	Clinical	OIC in patients with chronic non-cancer pain	CTA Approved	Regulatory filing for market approval
Kazhakstan	Commercial	CIC-adults of all ages	Registered	Determine launch feasibility and plans
Kazhakstan	Commercial	IBS-C - adult women	Registered	Determine launch feasibility and plans
Kazhakstan	Commercial	OIC in patients with chronic non-cancer pain	Registered	Determine launch feasibility and plans
Unoprostone isopropyl (RESCULA®)				
Japan Taiwan	Commercial	Glaucoma and ocular hypertension	Marketed	____
CPP-1X/sulindac combination product				
U.S.	Clinical and Option	Familial adenomatous polyposis (FAP) - adults of all ages	Phase 3	Complete Phase 3 trial
VTS-270 for Niemann-Pick disease type C1 product				
U.S. & EU (and rest of world)	Clinical	Niemann-Pick disease type C1	Phase 2b/3	Complete Phase 2b/3 trial

Our Clinical Development Programs

Lubiprostone

Alternate Formulation

We are developing an alternate formulation of lubiprostone for both adult and pediatric patients who are unable to take or tolerate capsules and for naso-gastric tube fed patients. Takeda has agreed to fund 100% of the costs, up to a cap, of this alternate formulation work. We initiated the Phase 3 program of the alternate formulation of lubiprostone in adults in the second half of 2016 and, if the program is successful, we intend to file an NDA in the U.S. for the alternate formulation for adults in the second half of 2017.

Pediatric Functional Constipation

A Phase 3 program required to support an application for marketing authorization of lubiprostone for pediatric functional constipation comprises four clinical trials. The first two trials, one of which was recently completed, test the soft gelatin capsule formulation of lubiprostone in patients 6 to 17 years of age. The first of these trials was a pivotal 12-week, randomized, placebo-controlled trial which was initiated in December 2013 and completed enrollment in April 2016. The second trial is a follow-on, long-term safety extension trial that was initiated in March 2014. In November 2016, we announced that the Phase 3 trial of AMITIZA in pediatric functional constipation in children 6 to 17 years of age failed to achieve its primary endpoint of overall spontaneous bowel movement (SBM) response. The trial achieved statistical significance for some secondary endpoints, notably overall SBM frequency, straining, and stool consistency. In addition, in this study lubiprostone was well tolerated. We have entered into a process with the U.S. Food and Drug Administration (FDA) and other constituencies, and as a result of initial discussion with the FDA we submitted an sNDA on July 28, 2017. Additionally, after further consultations with the FDA to better determine the doses and endpoints that should be studied, following the Phase 3 program for the alternate formulation of lubiprostone described above, we plan to initiate in mid-2018 a Phase 3 program in patients 6 months to likely 6 years of age using the alternate formulation. Takeda has agreed to fund 70% of the costs, up to a cap, and then 50% of the costs thereafter, of this pediatric functional constipation program.

CPP 1-X/Sulindac Combination Product

In January 2016, we entered into an option and collaboration agreement under which Cancer Prevention Pharmaceuticals, Inc. (CPP) has granted us the sole option to acquire an exclusive license to commercialize CPP-1X/sulindac combination product in North America. This product is currently in a Phase 3 clinical trial, conducted by CPP for the treatment of familial adenomatous polyposis (FAP). Under our agreement with CPP, we have the exclusive option to license this product for North America. There are currently no approved treatments for FAP. The ongoing Phase 3 study, known as CPP FAP-310, is a 150-patient, three-arm, double-blind, randomized trial of the combination agent and the single agent comparators. Enrollment in the study has completed. On June 7, 2017 CPP informed us that an independent Data Monitoring Committee, following a planned interim futility analysis, found no reason to discontinue the Phase 3 study. Results from the clinical trial are expected at the end of 2018. Pursuant to our agreement with CPP, we made the $4.5 million payment for the second option fee tranche in July 2017, which we recorded in research and development expense for the three and six months ended June 30, 2017.

VTS-270 for Niemann-Pick Disease Type C1 (NPC-1)

On March 31, 2017, we entered into an Agreement and Plan of Merger with Vtesse Inc. (Vtesse) a privately-held rare disease company. Following the closing of this acquisition on April 3, 2017, we acquired Vtesse's lead product candidate, known as VTS-270. VTS-270 is a well-characterized mixture of 2-hydroxypropyl-ß-cyclodextrins (HPßCD) with a specific compositional fingerprint that distinguishes it from other HPßCD mixtures. It is administered by an intrathecal infusion to directly address the neurological manifestations of disease. Preclinical and early clinical studies suggest that the administration of VTS-270 may slow or stop certain indicators of NPC-1, an ultra-orphan, progressive and fatal disease caused by a defect in lipid transport within the cell. VTS-270, which is currently in a fully-enrolled pivotal Phase 2b/3 trial, has been granted breakthrough therapy designation in the U.S. and orphan designation in both the U.S. and EU. Effective treatment of NPC-1 remains a high unmet need, with no approved products for patients in the U.S. Results from the pivotal trial are expected in mid-2018.

Non-GAAP Financial Metrics

In addition to disclosing financial results that are determined in accordance with GAAP, we also use the following non-GAAP financial metrics to understand and evaluate our operating performance:

- Adjusted net income, which is GAAP net income (loss) adjusted to exclude the tax-effected impact of (i) amortization of acquired intangibles, (ii) inventory step-up adjustment, (iii) research and development license option expense, (iv) restructuring costs, (v) one-time severance payments (vi) acquisition and integration related expenses, (vii) acquired in-process research and development, (viii) amortization of debt financing costs, and (ix) foreign currency effect;
- Adjusted EPS-diluted, which is adjusted net income as defined above expressed on a diluted per share basis;
- EBITDA, which is GAAP net income adjusted to exclude (i) taxes, (ii) interest expense, (iii) interest income, (iv) depreciation and amortization, (v) amortization of acquired intangibles, and (vi) inventory step-up adjustment;
- Adjusted EBITDA, which is EBITDA as defined above further adjusted to exclude (i) share-based compensation expense, (ii) restructuring costs, (iii) one-time severance payments, (iv) acquired in-process research and development, (v) acquisition and integration related expenses, (vi) research and development license option expense, and (vii) foreign currency effect.

We believe that providing this additional information is useful to the reader to better assess and understand our operating performance, primarily because management typically monitors the business adjusted for these items in addition to GAAP results. These non-GAAP financial metrics should be considered supplemental to and not a substitute for financial information prepared in accordance with GAAP. Our definition of these non-GAAP metrics may differ from similarly titled metrics used by others. We view these non-GAAP financial metrics as a means to facilitate our financial and operational decision-making, including evaluation of our historical operating results and comparison to competitors' operating results. These non-GAAP financial metrics reflect an additional way of viewing aspects of our operations that, when viewed with GAAP results may provide a more complete understanding of factors and trends affecting our business. The determination of the amounts that are excluded from these non-GAAP financial metrics is a matter of management judgment and depends upon, among other factors, the nature of the underlying expense or income amounts. Because non-GAAP financial metrics exclude the effect of items that will increase or decrease our reported results of operations, we strongly encourage investors to review our consolidated financial statements and periodic reports in their entirety.

The following tables present reconciliations of these non-GAAP financial metrics to the most directly comparable GAAP financial measure for the three and six months ended June 30, 2017 and 2016.

Non-GAAP Financial Metrics

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share amounts)	2017	2016	2017	2016
Non-GAAP adjusted net income				
GAAP net loss	$ (181,167)	$ (832)	$ (176,543)	$ (4,889)
Amortization of acquired intangibles	6,753	6,334	13,506	12,245
Inventory step-up adjustment	-	6,303	-	15,235
R&D license option expense	4,500	-	4,500	3,000
Restructuring costs	189	1,504	554	1,687
One-time severance payments	984	-	1,460	-
Acquisition and integration related expenses	1,111	1,105	8,121	1,632
Acquired in-process research and development	186,603	-	186,603	-
Amortization of debt financing costs	477	889	949	1,811
Foreign currency effect	511	2,658	317	3,009
Tax effect of adjustments	(3,500)	(7,641)	$ (10,028)	$ (13,660)
Non-GAAP adjusted net income	$ 16,461	$ 10,320	$ 29,439	$ 20,070
Non-GAAP adjusted EPS - diluted	$ 0.28	$ 0.24	$ 0.51	$ 0.47
(In thousands)				
Non-GAAP EBITDA				
GAAP net loss	$ (181,167)	$ (832)	$ (176,543)	$ (4,889)
Taxes	1,940	(51)	5,525	(3,089)
Interest expense	2,916	5,972	5,806	12,242
Interest income	-	(10)	(28)	(35)
Depreciation	222	205	420	464
Amortization of acquired intangibles	6,753	6,334	13,506	12,245
Inventory step-up adjustment	-	6,303	-	15,235
EBITDA	$ (169,336)	$ 17,921	$ (151,314)	$ 32,173
(In thousands)				
Non-GAAP adjusted EBITDA				
EBITDA	$ (169,336)	$ 17,921	(151,314)	32,173
Share-based compensation expense	2,849	1,783	5,124	3,698
Restructuring costs	189	1,504	554	1,687
One-time severance payments	984	-	1,460	-
Acquired in-process research and development	186,603	-	186,603	-
Acquisition and integration related expenses	1,111	1,105	8,121	1,632
R&D license option expense	4,500	-	4,500	3,000
Foreign currency effect	511	2,658	317	3,009

Adjusted EBITDA	$ 27,411	$ 24,971	$ 55,365	$ 45,199

Results of Operations

Comparison of Three Months Ended June 30, 2017 and 2016

Revenues

The following table summarizes our revenues for the three months ended June 30, 2017 and 2016:

	Three Months Ended June 30,	
(In thousands)	**2017**	**2016**
Product royalty revenue	$ 20,562	$ 18,735
Product sales revenue - AMITIZA	32,132	27,001
Product sales revenue - RESCULA	2,105	1,388
Research and development revenue	5,051	3,369
Contract and collaboration revenue	46	1,458
Total	$ 59,896	$ 51,951

Total revenues were $59.9 million for the three months ended June 30, 2017, compared to $52.0 million for the three months ended June 30, 2016, an increase of $7.9 million or 15.3%.

Product royalty revenue

Product royalty revenue primarily represents royalty revenue earned on Takeda net sales of AMITIZA in North America and was $20.6 million for the three months ended June 30, 2017 compared to $18.7 million for the three months ended June 30, 2016, an increase of $1.8 million or 9.8%. The increase was due to higher Takeda reported AMITIZA net sales which were primarily driven by price and volume increases.

Product sales revenue

Product sales revenue represents drug product sales of AMITIZA in North America, Japan and Europe, and drug product sales of RESCULA in Japan. AMITIZA product sales revenue was $32.1 million for the three months ended June 30, 2017 compared to $27.0 million for the three months ended June 30, 2016, an increase of $5.1 million or 19.0%. The increase was primarily attributable to increased AMITIZA sales in Japan under the Japan Mylan Agreement. RESCULA product sales revenue was $2.1 million for the three months ended June 30, 2017 compared to $1.4 million for the three months ended June 30, 2016, an increase of $0.7 million.

Research and development revenue

Research and development revenue was $5.1 million for the three months ended June 30, 2017 compared to $3.4 million for the three months ended June 30, 2016. The increase was primarily due to increases in pediatric and alternative formulation studies.

Contract and collaboration revenue

Contract and collaboration revenue was $46,000 for the three months ended June 30, 2017 compared to $1.5 million for the three months ended June 30, 2016, a decrease of $1.4 million or 96.8%. The decrease was primarily due to the release of the collaboration obligation under the Global Takeda Agreement in the second quarter of 2016.

Costs of Goods Sold

Costs of goods sold were $17.0 million for the three months ended June 30, 2017 compared to $20.4 million for the three months ended June 30, 2016, a decrease of $3.4 million or 16.3%. The decrease was primarily due to a $6.3 million decrease in amortization of R-Tech inventory step up, partially offset by an increased cost of goods related to higher volume of AMITIZA product sales and changes in foreign currency exchange rates.

Research and Development Expenses

The following table summarizes our research and development expenses for the three months ended June 30, 2017 and 2016:

	Three Months Ended June 30,	
(In thousands)	**2017**	**2016**
Direct costs:		
Lubiprostone	$ 7,382	$ 5,726
Cobiprostone	-	2,930
CPP-1X	4,518	(61)
RTU-1096	-	1,227
VTS270	4,748	-
Other	1,188	442
	17,836	10,264
Indirect costs	1,263	669
Total	$ 19,099	$ 10,933

Total research and development expenses for the three months ended June 30, 2017 were $19.1 million compared to $10.9 million for the three months ended June 30, 2016, an increase of $8.2 million or 74.7%. The increase was primarily due to research and development activity related to the newly acquired VTS-270 and the option fee related to the positive result from CPP's futility analysis, partially offset by discontinuing certain research and development programs.

Acquisition

In April 2017, we acquired Vtesse, including its Phase 2b/3 product candidate known as VTS-270 (the IPR&D asset), a well-characterized mixture of 2-hydroxypropyl-ß-cyclodextrins (HPßCD) with a specific compositional fingerprint that distinguishes it from other HPßCD mixtures, for the treatment of Niemann-Pick Disease Type C1 (NPC-1), an ultra-orphan, progressive and fatal disease. Among the significant strategic benfits of the acquisition are that the purchased IPR&D further diversified our pipeline through the acquisition of a late-stage program, increased the Company's focus on specialized area of high unmet need, and is expected to be accretive beginning in 2019. Under the terms of the agreement, the Company acquired Vtesse for upfront consideration of $212.0 million, and agreed to pay Vtesse shareholders contingent consideration based on mid-single digit to double-digit royalties on global net sales of the product based on increasing net sales levels, and a share of net proceeds that may be generated from the monetization of the pediatric review voucher, which is expected to be granted in connection with the approval of the product in the U.S. Of the $212.0 million consideration, the Company made a cash payment of $182.0 million and re-issued $30.0 million of Treasury Stock, 2,782,678 Class A common shares, based upon the closing price of $10.78 on April 3, 2017, to Vtesse stockholders.

The preliminary purchase price allocation was determined as follows:

	April 3, 2017
Total purchase price	$ 211,996
(In thousands)	
Total fair value of tangible assets acquired and liabilities assumed	
Deferred Tax Assets	(13,613)
Net Assets	(11,780)
Total IPR&D asset	$ 186,603

Vtesse did not meet the definition of a business under ASC 805 as substantially all of the fair value of Vtesse was attributable to the VTS-270 IPR&D asset. Based on the asset acquisition method of accounting, the consideration paid was allocated primarily to the IPR&D asset acquired of $186.6 million, which was immediately expensed as the IPR&D asset has no other alternate use. The balance was allocated to the remaining assets and liabilities based on their estimated fair values. The acquired IPR&D expense is not tax deductible.

The acquisition of the IPR&D asset and related expense had a significant impact on our results of operation for the three month ended June 30, 2017. The following summary shows the impact of IPR&D expense on our net loss per share:

	Three Months Ended June 30, 2017
(In thousands, except per share data)	
Net loss	$ (181,167)
Weighted average Common Class A shares outstanding - basic and diluted	46,195
Net loss per share - Basic and diluted	$ (3.92)
Net loss adjustments:	
Add: Acquired in-process research and development	$ 186,603
Add: Remaining adjusted net income (loss) items	11,025
Non-GAAP adjusted net income	$ 16,461
Add back: Accrued interest expense on convertible debt, net of tax	$ 1,454
Diluted Earnings Per Share:	
Assumed exercise of options under treasury stock method	424
Assumed shares if-converted	18,079
Weighted average Common Class A shares outstanding- Diluted	64,698
Impact of IPR&D per share - diluted	$ 2.88
Impact of other adjusted net income (loss) items - diluted	$ 0.17
Non-GAAP adjusted EPS - diluted	$ 0.28

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the three months ended June 30, 2017 and 2016:

(In thousands)	Three Months Ended June 30, 2017	2016
Salaries, benefits and related costs	$ 4,166	$ 2,877
Legal, consulting and other professional expenses	3,228	2,834
Stock-based compensation expenses	1,785	1,284
Pharmacovigilance	388	443
Restructuring costs	-	1,504
R-Tech opportunity costs	-	1,105
Other expenses	2,016	2,376
Total	$ 11,583	$ 12,423

General and administrative expenses were $11.6 million for the three months ended June 30, 2017, compared to $12.4 million for the three months ended June 30, 2016, an decrease of $0.8 million or 6.8%. The decrease was primarily due to a $2.6 million in restructuring and R-Tech acquisition costs that occurred in the second quarter of 2016 but did not occur in the second quarter 2017, partially offset by the Vtesse acquisition and inclusion of Vtesse administrative costs and personnel costs related to severance of multiple executives.

Selling and Marketing Expenses

The following table summarizes our selling and marketing expenses for the three months ended June 30, 2017 and 2016:

(In thousands)	Three Months Ended June 30, 2017	2016
Salaries, benefits and related costs	$ 622	$ 107
Consulting and other professional expenses	48	21
Data purchases	37	43
Promotional materials & programs	150	796
Other expenses	554	(344)
Total	$ 1,411	$ 623

Selling and marketing expenses were $1.4 million for the three months ended June 30, 2017, compared to $0.6 million for the three months ended June 30, 2016, an increase of $0.8 million or 126.5%. The increase was primarily due to the creation of a commercial function to support VTS-270 during the three months ended June 30, 2017.

Non-Operating Income and Expense

The following table summarizes our non-operating income and expense for the three months ended June 30, 2017 and 2016:

	Three Months Ended June 30,	
(In thousands)	**2017**	**2016**
Interest income	$ -	$ 10
Interest expense	(2,916)	(5,972)
Other expense, net	(476)	(2,539)
Total	$ (3,392)	$ (8,501)

Interest expense was $2.9 million for the three months ended June 30, 2017, compared to $6.0 million for the three months ended June 30, 2016, a decrease of $3.1 million or 51.2%. This decrease resulted from interest rates on notes payable decreasing from 8.4% to 3.3% as a result of refinancing our debt. The benefit from the lower interest rates was partially offset by higher principal balance.

Other expense, net was $0.5 million for the three months ended June 30, 2017, compared to $2.5 million for the three months ended June 30, 2016, a change of $2.0 million, substantially all of which was attributable to a decrease in foreign currency exchange losses.

Income Taxes

We recorded an income tax expense of $1.9 million and benefit of $0.1 million for the three months ended June 30, 2017 and 2016, respectively. In 2017, earnings (prior to considering the expense recognized for acquired in-process research and development) exceeded the pre-tax earnings for the three months ended June 30, 2016. This increase in earnings, along with no tax benefit available for the acquired in-process research and development from Vtesse, were the primary drivers of increase in tax expense.

The effective tax rate (ETR) for the three months ended June 30, 2017 was (1.1)%, compared to 5.8% in the same period of 2016. The ETR for the quarter was based on a projection of the full year rate. The decrease in the ETR was primarily due to the non-deductibility of the acquired in-process research and development expense.

Comparison of Six Months Ended June 30, 2017 and 2016

Revenues

The following table summarizes our revenues for the six months ended June 30, 2017 and 2016:

	Six Months Ended June 30,	
(In thousands)	**2017**	**2016**
Product royalty revenue	$ 38,997	$ 35,451
Product sales revenue - AMITIZA	63,472	50,121
Product sales revenue - RESCULA	4,919	4,863
Research and development revenue	8,499	6,799
Contract and collaboration revenue	292	1,925
Total	$ 116,179	$ 99,159

Total revenues were $116.2 million for the six months ended June 30, 2017, compared to $99.2 million for the six months ended June 30, 2016, an increase of $17.0 million or 17.2%.

Product royalty revenue

Product royalty revenue primarily represents royalty revenue earned on Takeda net sales of AMITIZA in North America and was $39.0 million for the six months ended June 30, 2017 compared to $35.5 million for the six months ended June 30, 2016, an increase of $3.6 million or 10.0%. The increase was primarily due to higher Takeda reported AMITIZA net sales which were driven by a mix of price and volume increases.

Product sales revenue

AMITIZA product sales revenue was $63.5 million for the six months ended June 30, 2017 compared to $50.1 million for the six months ended June 30, 2016, an increase of $13.4 million or 26.6%. The increase was primarily due to increased volumes of AMITIZA sold to Mylan in Japan and Takeda in North America. RESCULA product sales revenue was $4.9 million for both the six months ended June 30, 2017 and the six months ended June 30, 2016.

Research and development revenue

Research and development revenue was $8.5 million for the six months ended June 30, 2017 compared to $6.8 million for the six months ended June 30, 2016, an increase of $1.7 million or 25.0%. The increase was due to increased activity on the advancement of pediatric and alternative formulation studies for the six months ended June 30, 2016, for which we receive reimbursement from Takeda.

Contract and collaboration revenue

Contract and collaboration revenue was $0.3 million for the six months ended June 30, 2017 compared to $1.9 million for the six months ended June 30, 2016, a decrease of $1.6 million or 84.8%. The decrease was primarily attributable to the release of the collaboration obligation under the Global Takeda Agreement in the six months ended June 30, 2017.

Costs of Goods Sold

Costs of goods sold were $33.9 million for the six months ended June 30, 2017 compared to $43.7 million for the same period in 2016, an decrease of $9.8 million or 22.4%. The decrease was primarily due to the release of inventory step up of $15.2 million in 2016 that did not recur in 2017, partially offset by an increased cost of goods related to higher volume of AMITIZA product sales and foreign currency fluctuations.

Research and Development Expenses

The following table summarizes our research and development expenses for the six months ended June 30, 2017 and 2016:

	Six Months Ended June 30,	
(In thousands)	**2017**	**2016**
Direct costs:		
Lubiprostone	$ 15,347	$ 11,352
Cobiprostone	-	5,039
CPP-1X	4,518	2,928
RTU-1096	-	2,147
VTS270	4,748	-
Other	2,244	1,861
	26,857	23,327
Indirect costs	2,575	2,277
Total	$ 29,432	$ 25,604

Total research and development expenses for the six months ended June 30, 2017 were $29.4 million compared to $25.6 million for the six months ended June 30, 2016, an increase of $3.8 million or 15.0%. The increase was primarily due to research and development activity related to the newly acquired VTS-270 product candidate and the option fee related to the positive result from CPP's futility analysis, partially offset by discontinuing certain research and development programs.

Acquisition

In April 2017, we acquired Vtesse, including its Phase 2b/3 product candidate known as VTS-270 (the IPR&D asset), a well-characterized mixture of 2-hydroxypropyl-ß-cyclodextrins (HPßCD) with a specific compositional fingerprint that distinguishes it from other HPßCD mixtures, for the treatment of Niemann-Pick Disease Type C1 (NPC-1), an ultra-orphan, progressive and fatal disease. Among the significant strategic benfits of the acquisition are that the purchased IPR&D further diversified our pipeline through the acquisition of a late-stage program, increased the Company's focus on specialized area of high unmet need, and is expected to be accretive beginning in 2019. Under the terms of the agreement, the Company acquired Vtesse for upfront consideration of $212.0 million, and agreed to pay Vtesse shareholders contingent consideration based on mid-single digit to double-digit royalties on global net sales of the product based on increasing net sales levels, and a share of net proceeds that may be generated from the monetization of the pediatric review voucher, which is expected to be granted in connection with the approval of the product in the U.S. Of the $212.0 million consideration, the Company made a cash payment of $182.0 million and re-issued $30.0 million of Treasury Stock, 2,782,678 Class A common shares, based upon the closing price of $10.78 on April 3, 2017, to Vtesse stockholders.

The preliminary purchase price allocation was determined as follows:

		April 3, 2017
Total purchase price	$	211,996
(In thousands)		
Total fair value of tangible assets acquired and liabilities assumed		
Deferred Tax Assets		(13,613)
Net Assets		(11,780)
Total IPR&D asset	$	186,603

Vtesse did not meet the definition of a business under ASC 805 as substantially all of the fair value of Vtesse was attributable to the VTS-270 IPR&D asset. Based on the asset acquisition method of accounting, the consideration paid was allocated primarily to the IPR&D asset acquired of $186.6 million, which was immediately expensed as the IPR&D asset has no other alternate use. The balance was allocated to the remaining assets and liabilities based on their estimated fair values. The acquired IPR&D expense is not tax deductible.

The acquisition of the IPR&D asset and related expense had a significant impact on our results of operation for the three month ended June 30, 2017. The following summary shows the impact of IPR&D expense on our net loss per share:

	Six Months Ended June 30, 2017
(In thousands, except per share data)	
Net loss	$ (176,543)
Weighted average Common Class A shares outstanding - basic and diluted	44,826
Net loss per share - Basic and diluted	$ (3.94)
Net loss adjustments:	
Add: Acquired in-process research and development	$ 186,603
Add: Remaining adjusted net income (loss) items	19,378
Non-GAAP adjusted net income	$ 29,439
Add back: Accrued interest expense on convertible debt, net of tax	$ 2,892
Assumed exercise of options under treasury stock method	511
Assumed shares if-converted	18,079
Weighted average Common Class A shares outstanding- Diluted	63,416
Impact of IPR&D per share - diluted	$ 2.94
Impact of other adjusted net income (loss) items - diluted	$ 0.31
Non-GAAP adjusted EPS - diluted	$ 0.51

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the six months ended June 30, 2017 and 2016:

	Six Months Ended June 30,	
(In thousands)	2017	2016
Salaries, benefits and related costs	$ 7,860	$ 5,924
Legal, consulting and other professional expenses	12,974	4,990
Stock-based compensation expenses	3,393	2,671
Pharmacovigilance	548	871
Restructuring costs	365	1,633
R-Tech opportunity costs	-	1,687
Other expenses	4,134	3,574
Total	$ 29,274	$ 21,350

General and administrative expenses were $29.3 million for the six months ended June 30, 2017, compared to $21.4 million for the six months ended June 30, 2016, an increase of $7.9 million or 37.1%. The increase was primarily due to a $8.1 million increase in legal, consulting and other professional expenses related to the initiation of our patent litigation against Amneal (as discussed under "Legal Proceedings" below) and the acquisition of Vtesse and subsequent inclusion of Vtesse administrative costs, partially offset by lower restructuring costs and R-Tech opportunity costs for the six months ended June 30, 2017 compared to the six months ended June 30, 2016.

Selling and Marketing Expenses

The following table summarizes our selling and marketing expenses for the six months ended June 30, 2017 and 2016:

	Six Months Ended June 30,	
(In thousands)	**2017**	**2016**
Salaries, benefits and related costs	$ 861	334
Consulting and other professional expenses	118	56
Data purchases	77	89
Promotional materials & programs	217	797
Other expenses	654	122
Total	$ 1,927	$ 1,398

Selling and marketing expenses were $1.9 million for the six months ended June 30, 2017, compared to $1.4 million for the six months ended June 30, 2016, an increase of $0.5 million or 37.8%. The increase was primarily due to creation of a commercial function to support VTS-270, partially offset by reduction in RESCULA sales and marketing effort in Japan.

Non-Operating Income and Expense

The following table summarizes our non-operating income and expense for the six months ended June 30, 2017 and 2016:

	Six Months Ended June 30,	
(In thousands)	**2017**	**2016**
Interest income	$ 28	$ 35
Interest expense	(5,806)	(12,242)
Other expense, net	(265)	(2,886)
Total	$ (6,043)	$ (15,093)

Interest expense was $5.8 million for the six months ended June 30, 2017, compared to $12.2 million for the six months ended June 30, 2016, a decrease of $6.4 million or 52.6%. This decrease resulted from interest rates on notes payable decreasing from 8.4% to 3.3% as a result of refinancing our debt. The benefit from the lower interest rates was partially offset by higher principal balances.

Other expense, net was $0.3 million expense for the six months ended June 30, 2017, compared to $2.9 million expense for the six months ended June 30, 2016, a positive change of $2.7 million. The change was primarily attributable to foreign currency exchange rate fluctuations.

Income Taxes

We recorded an income tax expense of $5.5 million and income tax benefit of $3.1 million for the six months ended June 30, 2017 and 2016, respectively. In 2017, the year to date earnings (prior to considering the expense recognized for acquired in-process research and development) exceeded the pre-tax earnings for the six months ended June 30, 2016. This increase in earnings, along with no tax benefit available for the acquired in-process research and development from Vtesse, were the primary drivers of increase in tax expense.

The effective tax rate (ETR) for the six months ended June 30, 2017 was (3.2%) compared to 38.7% in the same period of 2016. The ETR for the quarter was based on a projection of the full year rate. The decrease in the ETR was was primarily due to the non-deductibility of the acquired in-process research and development expense.

Reportable Operating Segments

We have one operating segment which is the development and commercialization of pharmaceutical products.

Financial Condition, Liquidity and Capital Resources

Financial Condition

Sources of Liquidity

We finance our operations principally from cash generated from revenues, cash and cash equivalents on hand, debt and to a lesser extent, from cash generated from the issuance and sale of our class A common stock and through the exercise of employee stock options. Revenues generated from operations principally consist of a combination of royalty payments, product sales, upfront and milestone payments, and research and development expense reimbursements received from Takeda, Mylan and other parties.

Our cash, cash equivalents and restricted cash consist of the following as of June 30, 2017 and December 31, 2016:

(In thousands)	June 30, 2017	December 31, 2016
Cash and cash equivalents	$ 84,734	$ 198,308
Restricted cash, current	213	213
Total	$ 84,947	$ 198,521

Our cash and cash equivalents are deposited in operating accounts and highly liquid investments with an original maturity at time of purchase of 90 days or less. As of June 30, 2017, and December 31, 2016, our restricted cash consisted of a certificate of deposit pledged to support an operating lease for our former office facility in Bethesda, Maryland.

On April 3, 2017, we acquired Vtesse for upfront consideration of $212.0 million. The acquisition was funded through the issuance of 2,782,676 shares of our Class A common stock and $182.0 million of cash on hand. Substantially all of the fair value of Vtesse is related to VTS-270, its only significant asset. VTS-270 is an investigational drug in a pivotal Phase 2b/3 study for the treatment of NPC-1, an ultra-orphan, progressive and fatal disease.

Cash Flows

The following table summarizes our cash flows for the six months ended June 30, 2017 and 2016:

	Six Months Ended June 30,	
(In thousands)	2017	2016
Cash provided by (used in):		
Operating activities	$ 56,192	$ 26,285
Investing activities	(170,019)	(2,893)
Financing activities	319	(10,635)
Effect of exchange rates	(66)	6,940
Net (decrease) increase in cash and cash equivalents	$ (113,574)	$ 19,697

Six months ended June 30, 2017

Net cash provided by operating activities was $56.2 million for the six months ended June 30, 2017. This was primarily due to net loss of $176.5 million plus adjustments to reconcile net income to net cash provided by operating activities consisting of acquired in-process research and development of $186.6 million, depreciation and amortization of $14.9 million, stock-based compensation expense of $5.6 million, less deferred tax provision of $4.7 million, as well as changes in operating assets and liabilities consisting of a increase in accounts receivable and product royalties receivable, net of $29.2 million.

Net cash used in investing activities was $170.0 million for the six months ended June 30, 2017 due to the $182.0 million of cash used to purchase in-process research and development from Vtesse, net of $12.3 million cash acquired.

Net cash provided by financing activities was $0.3 million for the six months ended June 30, 2017. The cash received was primarily the result issuing Class A common stock upon the exercise of options and purchases through the employee stock purchase plan.

The effect of exchange rates on the cash balances of currencies held in foreign denominations for six months ended June 30, 2017 was a decrease of $66,000.

Six months ended June 30, 2016

Net cash provided by operating activities was $26.3 million for the six months ended June 30, 2016. This was primarily due to adjustments to reconcile net loss to net cash consisting of depreciation and amortization of $30.1 million, unrealized currency translation losses of $9.1 million, deferred tax provision increase of $5.0 million, and stock-based compensation expense of $3.7 million. Additional cash provided by operating activities consisted of decreases in receivables of $9.9 million and changes in other assets and liabilities, net of $1.3 million. Partially offsetting these items were increases in prepaid and income taxes payable and receivable, net of $18.2 million, decreases in payables of $11.1 million and a net loss of $4.9 million.

Net cash used in investing activities was $2.9 million for the six months ended June 30, 2016. This was primarily due to the payment of the squeeze-out liability for non-tendering R-Tech shareholders of $7.7 million and investment in a convertible note receivable of $5.0 million, partially offset by a decrease in restricted cash of $10.6 million.

Net cash used in financing activities was $10.2 million for the six months ended June 30, 2016. This was primarily due to repayments of notes payable (net of restricted cash) of $12.4 million, partially offset by the issuance of Class A common stock upon the exercise of options.

The effect of exchange rates on the cash balances of currencies held in foreign denominations for the six months ended June 30, 2016 was an increase of $6.9 million.

Off-Balance Sheet Arrangements

As of June 30, 2017, we did not have any off-balance sheet arrangements, as such term is defined in Item 303(a)(4) of Regulation S-K under the Securities Act of 1933, as amended.

Funding Requirements and Capital Resources

We may need substantial amounts of capital to continue growing our business. We may require this capital, among other things, to fund:

- our share of the on-going development program of AMITIZA;
- research, development, manufacturing, regulatory and marketing efforts for VTS-270 and other potential product candidates;
- the costs involved in obtaining and maintaining proprietary protection for our products, technology and know-how, including litigation costs and the results of such litigation;
- activities to resolve our on-going and potential legal matters;
- any option and milestone payments under general option and licensing ventures, including our exclusive option and collaboration agreement with CPP;
- other business development activities, including partnerships, alliances and investments in or acquisitions of other businesses, products and technologies;
- the expansion of our commercialization activities including the purchase of inventory; and
- the payment of principal and interest under our Convertible Notes.

The timing of these funding requirements is difficult to predict due to many factors, including the outcomes of our preclinical and clinical research and development programs and when those outcomes are determined, the timing of obtaining regulatory approvals and the presence and status of competing products. Our capital needs may exceed the capital available from our future operations, collaborative and licensing arrangements and existing liquid assets. Our future capital requirements and liquidity will depend on many factors, including, but not limited to:

- the cost and time involved to pursue our research and development programs;
- our ability to establish collaborative arrangements and to enter into licensing agreements and contractual arrangements with others; and
- any future change in our business strategy.

To the extent that our capital resources may be insufficient to meet our future capital requirements, we may need to finance our future cash needs through at-the-market sales, public or private equity offerings, further debt financings or corporate collaboration and licensing arrangements.

Based upon our current business plan, we believe our future cash flows from operating activities and our existing capital resources will be sufficient to meet our cash requirements for at least the next 12 months.

Effects of Foreign Currency

We currently receive a portion of our revenue, incur a portion of our operating expenses, and have assets and liabilities denominated in currencies other than the U.S. Dollar, the reporting currency for our consolidated financial statements. As such, the results of our operations could be adversely affected by changes in exchange rates either due to transaction losses, which are recognized in the statement of operations, or translation losses, which are recognized in comprehensive income. We currently do not hedge foreign exchange rate exposure via derivative instruments.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk.***

Our market risks during the three months ended June 30, 2017 have not materially changed from those discussed in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2016, which was filed with the SEC on March 8, 2017.

Foreign Currency Exchange Rate Risk

We are subject to foreign exchange risk for revenues and expenses denominated in foreign currencies. Foreign currency risk arises from the fluctuation of foreign exchange rates and the degree of volatility of these rates relative to the U.S. Dollar. We do not currently hedge our foreign currency transactions via derivative instruments.

Interest Rate Risk

Our exposure to market risks associated with changes in interest rates relates to both (i) the amount of interest income earned on our investment portfolio, and (ii) the amount of interest payable by us on the Convertible Notes. As our investment portfolio is immaterial at this time and the interest rate on our Convertible Notes is fixed at 3.25% through 2021, we believe that our exposure to market risks associated with changes in interest rates is nominal.

Credit Risk

Our exposure to cr edit risk generally consists of cash and cash equivalents, restricted cash, investments and receivables. We place our cash, cash equivalents and restricted cash with what we believe to be highly rated financial institutions and invest the excess cash in highly rated investments. Our investment policy limits investments to certain types of debt and money market instruments issued by institutions primarily with investment grade credit ratings and places restrictions on maturities and concentrations by asset class and issuer.

Our exposure to credit risk also extends to strategic investments made as part of our ongoing business development activities, such as the $5.0 million investment in CPP made in January 2016.

As of June 30, 2017 and December 31, 2016, less than 1.0% of our cash, cash equivalents, restricted cash and investments are issued or insured by the federal government or government agencies. We have not experienced any losses on these accounts related to amounts in excess of insured limits.

Item 4. ***Controls and Procedures.***

a) Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of June 30, 2017. In designing and evaluating such controls, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Based upon the evaluation we carried out, our Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2017, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified under the applicable rules and forms of the SEC, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

b) Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II — OTHER INFORMATION

Item 1. ***Legal Proceedings.***

On December 28, 2015, in connection with our acquisition of R-Tech, three non-tendering stockholders of R-Tech submitted complaints to the Tokyo District Court alleging that the purchase price of R-Tech's shares was unfair, and demanding an appraisal of the fair value of the shares. The number of shares subject to these proceedings is minimal. On November 11, 2016, the Court (i) dismissed the petitions with respect to all shares purchased by the complainants after the public notice of the acquisition and (ii) with respect to shares purchase prior to such public notice, determined that the tender offer price was fair. One of the petitioners appealed this ruling; however, the appellate proceeding was dismissed on February 15, 2017. The petitioner has appealed to the Supreme Court of Japan; this final appeal remains ongoing as of the date of this report.

On March 2, 2017, we received a Paragraph IV certification notice letter ("Notice Letter") regarding an Abbreviated New Drug Application ("ANDA") submitted to the FDA by Amneal Pharmaceuticals, LLC ("Amneal") requesting approval to market, sell and use a generic version of the 8 mcg and 24 mcg AMITIZA® (lubiprostone) soft gelatin capsule products. In its Notice Letter, Amneal alleges that certain patents covering compositions, formulations and methods of using AMITIZA, are invalid, unenforceable and/or will not be infringed by Amneal's manufacture, use or sale of the product described in its ANDA. On April 13, 2017, we, Takeda, and certain affiliates of Takeda filed a patent infringement lawsuit in the U.S. District Court for the District of New Jersey against Amneal related to the ANDA filed by Amneal. The lawsuit claims infringement of five patents that are listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations (the Orange Book), with the latest expiring in 2027. Under the Drug Price Competition and Patent Term Restoration Act of 1984, known as the Hatch-Waxman Act, as a result of the patent infringement lawsuit, final FDA approval of Amneal's ANDA will be stayed up to 30 months from the date of receipt of the notice letter. This litigation remains ongoing as of the date of this report.

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

Our business is subject to certain risks and events that, if they occur, could adversely affect our financial condition and results of operations and the trading price of our common stock. For a discussion of these risks, please refer to the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed by us with the SEC on March 8, 2017. There have not been any material changes from the risk factors as previously disclosed in our Form 10-K for the fiscal year ended December 31, 2016.

Item 6. ***Exhibits***

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
3.1	Certificate of Incorporation	8-K	001-33609	3.1	12/29/2008
3.2	Certificate of Amendment	8-K	001-33609	3.2	12/29/2008
3.3	Amended and Restated Bylaws	8-K	001-33609	3.3	8/2/2013
4.1	Specimen Stock Certificate evidencing the shares of class A common stock	S-1/A	333-135133	4.1	2/1/2007
10.1^	Separation Agreement, dated as of May 17, 2017, between the Company and Andrew Smith	Included herewith			
10.2^	Separation Agreement, dated as of June 6, 2017, between the Company and Matthias Alder	Included herewith			
10.3^	Executive Employment Agreement, dated as of March 7, 2017, between the Company and Jones Woodrow Bryan, Jr.	Included herewith			
12.1	Ratio of earnings to fixed charges	Included herewith			
31.1	Certification of the Principal Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002	Included herewith			
31.2	Certification of the Principal Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002	Included herewith			
32.1*	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Included herewith			
32.2*	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Included herewith			
101.[INS]	XBRL Instance Document	Included herewith			
101.[SCH]	XBRL Taxonomy Extension Schema Document	Included herewith			
101.[CAL]	XBRL Taxonomy Extension Calculation Linkbase Document	Included herewith			
101.[DEF]	XBRL Taxonomy Extension Definition Linkbase Document	Included herewith			
101.[LAB]	XBRL Taxonomy Extension Label Linkbase Document	Included herewith			
101.[PRE]	XBRL Taxonomy Extension Presentation Linkbase Document	Included herewith			

* These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

^ Compensatory plan, contract or arrangement.

The exhibits filed as part of this Form 10-Q are set forth on the Exhibit Index immediately preceding such exhibits, and are incorporated herein by reference.

SIGNATURES

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

Sucampo Pharmaceuticals, Inc.

August 2, 2017

By: /s/ PETER GREENLEAF
Peter Greenleaf
Chief Executive Officer
(Principal Executive Officer)

August 2, 2017

By: /s/ PETER PFREUNDSCHUH
Peter Pfreundschuh
Chief Financial Officer
(Principal Financial Officer)

Sucampo Pharmaceuticals, Inc.
Exhibit Index

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
3.1	Certificate of Incorporation	8-K	001-33609	3.1	12/29/2008
3.2	Certificate of Amendment	8-K	001-33609	3.2	12/29/2008
3.3	Amended and Restated Bylaws	8-K	001-33609	3.3	8/2/2013
4.1	Specimen Stock Certificate evidencing the shares of class A common stock	S-1/A	333-135133	4.1	2/1/2007
10.1^	Separation Agreement, dated as of May 17, 2017, between the Company and Andrew Smith	Included herewith			
10.2^	Separation Agreement, dated as of June 6, 2017, between the Company and Matthias Alder	Included herewith			
10.3^	Executive Employment Agreement, dated as of March 7, 2017, between the Company and Jones Woodrow Bryan, Jr.	Included herewith			
12.1	Ratio of earnings to fixed charges	Included herewith			
31.1	Certification of the Principal Executive Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002	Included herewith			
31.2	Certification of the Principal Financial Officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002	Included herewith			
32.1*	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Included herewith			
32.2*	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Included herewith			
101.[INS]	XBRL Instance Document	Included herewith			
101.[SCH]	XBRL Taxonomy Extension Schema Document	Included herewith			
101.[CAL]	XBRL Taxonomy Extension Calculation Linkbase Document	Included herewith			
101.[DEF]	XBRL Taxonomy Extension Definition Linkbase Document	Included herewith			
101.[LAB]	XBRL Taxonomy Extension Label Linkbase Document	Included herewith			
101.[PRE]	XBRL Taxonomy Extension Presentation Linkbase Document	Included herewith			

* These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

^ Compensatory plan, contract or arrangement.

The exhibits filed as part of this Form 10-Q are set forth on the Exhibit Index immediately preceding such exhibits, and are incorporated herein by reference.

Exhibit 10.1

CONFIDENTIAL SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release (the "Separation Agreement") is made by and between Sucampo Pharmaceuticals, Inc., ("SPI") and Andrew Smith ("Employee").

WHEREAS, Employee and SPI are parties to the Amended and Restated Executive Employment Agreement attached as Exhibit 1 to this Separation Agreement ("Employment Agreement");

WHEREAS, Employee and SPI intend to settle any and all claims that Employee may have against the Company as a result of any act, occurrence, decision, event or omission occurring at any time prior to the signing of this Agreement, including, but not limited to, any matter or fact arising out of Employee's employment with SPI, compensation during Employee's employment, the termination of Employee's employment, or the events giving rise to the Employment Agreement or this Agreement;

WHEREAS, the parties have had extensive negotiations concerning the terms and conditions of Employee's separation from SPI, and they have agreed upon such terms and conditions as set forth in this Separation Agreement;

NOW, THEREFORE, in consideration of the payments and benefits, obligations and covenants all contained herein, the parties agree as follows:

1. **End of Employment.**

a. The parties hereby mutually agree to terminate Employee's employment from SPI and all positions and offices held in any of SPI's subsidiaries effective on May 17, 2017 (the "Separation Date"). Further, Employee hereby resigns from his position as Director of Sucampo Pharma Europe Ltd. as of the date Employee signs this Separation Agreement.

b. As a condition for receiving the consideration set forth in this Separation Agreement, Employee agrees to continue performing services for SPI until the Separation Date. Between March 20, 2017 and the Separation Date (the "Transition Period"), Employee shall be relieved of specific day-to-day duties, and shall complete the transition of matters with which Employee is familiar or for which he was responsible, make himself reasonably available to SPI or its representatives to answer questions, provide information and otherwise assist in matters with which Employee has been involved or has relevant information or experience, and provide such services and special assignments within the scope of his current employment as may be reasonably requested by SPI's Chief Executive Officer or his designee (collectively, the "Transition Services"). During the Transition Period, Employee is not authorized to report to work at any SPI worksite, or take any action on behalf of SPI, unless specifically authorized in writing by SPI's Chief Executive Officer or his designee.

2. **Consideration.**

a. In consideration for Employee signing this Separation Agreement without revocation, and complying with its terms, SPI shall continue to retain Employee on SPI's payroll until the Separation Date at Employee's current rate of pay.

b. If Employee performs the Transition Services in a professional manner, and on the Separation Date executes—then subsequently does not revoke—the General Release attached as Exhibit 2 ("Final Release"), SPI shall pay Employee the separation benefits as set forth on Exhibit 3 within five (5) business days from the date on which the right to revoke such General Release has expired.

c. Employee understands and agrees that Employee would not receive the monies and/or benefits specified in this Section 2, except for Employee's execution of this Separation Agreement, the fulfillment of the promises contained herein, and the execution without revocation of the Final Release.

3. **General Release, Claims Not Released and Related Provisions.**

a. **General Release of All Claims.** Employee knowingly and voluntarily releases and forever discharges SPI, its parent, affiliates, subsidiaries, joint ventures, holding companies, divisions, predecessors, successors and assigns (collectively, "the Company"), and their current and former employees, attorneys, officers, directors, board committee members, shareholders, and agents thereof, both individually and in their business capacities, and their insurers, employee benefit plans and programs and their administrators and fiduciaries (collectively referred to throughout the remainder of this Separation Agreement as "Releasees"), of and from any and all claims, known and unknown, asserted or unasserted, which the Employee has or may have against Releasees as of the date of execution of this Agreement, including, but not limited to, any alleged violation of:

- Title VII of the Civil Rights Act of 1964;
- Sections 1981 through 1988 of Title 42 of the United States Code;
- The Employee Retirement Income Security Act of 1974 ("ERISA") (as modified below);
- The Immigration Reform and Control Act;
- The Americans with Disabilities Act of 1990;
- The Age Discrimination in Employment Act of 1967 ("ADEA");
- The Worker Adjustment and Retraining Notification Act;
- The Fair Credit Reporting Act;
- The Family and Medical Leave Act;

- The Equal Pay Act;
- The Genetic Information Nondiscrimination Act of 2008;
- All Maryland laws including:
- Maryland Human Relations Act – Md. State Government Code Ann. § 20-101 et seq., any regulations thereunder, and any human rights law of any Maryland county or municipality;
- Maryland Statutory Provision Regarding Retaliation/Discrimination for Filing a Workers' Compensation Claim – Md. Labor & Employment Code § 9-1105;
- Maryland Equal Pay Law – Md. Labor & Employment Code § 3-301 et seq.;
- Maryland Adoption Leave Law – Md. Labor & Employment Code §§ 3-801 and 3- 802;
- Maryland Medical Information Bias Law – Md. Labor & Employment Code § 5- 604;
- Maryland Volunteer/Civil Air Patrol Law – Md. Labor & Employment Code § 3- 703;
- Maryland Military Leave Law – Md. Public Safety Code § 13-705;
- Maryland law protecting witnesses, jurors and victims who attend court proceedings – Md. Courts and Judicial Proceedings Code §§ 8-105, 9-205;
- Maryland Day of Rest Law – Md. Labor & Employment Code § 3-704;
- Maryland Lie Detector Law – Md. Labor & Employment Code § 3-702;
- Maryland Workplace Fraud Act, Md. Labor & Employment Code § 3-901 et seq.;
- Maryland Job Applicant Fairness Act – Md. Labor & Employment Code § 3-711, effective October 1, 2011;
- Maryland Wage and Hour Laws – Md. Labor & Employment Code §§ 3-401 et seq. and 3-501 et seq.;
- Maryland Occupational Safety & Health Act, as amended – Md. Labor & Employment Code § 5-101 et seq.;
- Maryland Flexible Leave Act;
- Maryland Pay Disparity Act;
- any other statutory claims;
- any other federal, state or local law, rule, regulation, or ordinance;
- any public policy, contract, tort, or common law; or
- any basis for recovering costs, fees, or other expenses including attorneys' fees incurred in these matters.

Subject to the limitations below, Employee agrees not to institute a lawsuit against any Releasee alleging any claim that Employee is releasing in this Separation Agreement. Employee agrees that, if Employee challenges the validity of this Separation Agreement, Employee shall return to SPI all the consideration Employee received from SPI under this Separation Agreement.

a. **Claims Not Released.** Employee is not waiving any rights Employee may have to: (a) Employee's own vested accrued employee benefits under any SPI health, welfare, retirement benefit, or stock plans as of the Separation Date; (b) benefits and/or the right to seek benefits under applicable workers' compensation and/or unemployment compensation statutes; (c) pursue claims which by law cannot be waived by signing this Separation Agreement; (d) enforce this Separation Agreement; (e) challenge the validity of this Separation Agreement; and/or (f) seek indemnification, advancement, contribution or defense by SPI under SPI's D&O liability coverage, bylaws and/or Delaware law.

b. **Governmental Agencies.** Nothing in this Separation Agreement prohibits or prevents Employee from filing a charge with or participating, testifying, or assisting in any investigation, hearing, whistleblower proceeding or other proceeding before any federal, state, or local government agency (e.g. EEOC, NLRB, SEC., etc.), nor does anything in this Separation Agreement preclude, prohibit, or otherwise limit, in any way, Employee's rights and abilities to contact, communicate with, report matters to, or otherwise participate in any whistleblower program administered by any such agencies. However, to the maximum extent permitted by law, Employee agrees that if such an administrative claim is made, Employee shall not be entitled to recover any individual monetary relief or other individual remedies.

c. **Collective/Class Action Waiver.** If any claim is not subject to release, to the extent permitted by law, Employee waives any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on such a claim in which SPI or any other Releasee identified in this Separation Agreement is a party.

4. **Acknowledgments and Affirmations.**

Employee acknowledges and affirms that:

a. Employee has not filed, caused to be filed, or presently is a party to any claim against the Company;

b. Employee has been paid and/or has received all compensation, wages, bonuses, commissions, and/or benefits which are due and payable as of the date Employee signs this Separation Agreement;

c. Employee has been granted any leave to which Employee was entitled under the Family and Medical Leave Act or related state or local leave or disability accommodation laws;

d. Employee has no known workplace injuries or occupational diseases;

e. Employee has not been retaliated against for reporting any allegations of wrongdoing by the Company or its officers, including any allegations of corporate fraud;

f. All of the Company's decisions regarding Employee's pay and benefits through the date of Employee's execution of this Separation Agreement were not discriminatory based on age, disability, race, color, sex, religion, national origin or any other classification protected by law; and that Employee has not divulged any of the Company's proprietary or confidential information of the Company and shall continue to maintain the confidentiality of such information consistent with the Company's policies and Employee's agreement(s) with SPI and/or common law, including the terms of the Employment Agreement, which is incorporated by reference and remains in effect.

5. **Limited Disclosure and Return of Property.**

a. Except as required or permitted by this Section 6, Employee shall not disclose any information regarding the negotiation, existence or terms of this Separation Agreement.

b. Employee may disclose information regarding the negotiation, existence or terms of this Separation Agreement, to Employee's immediate family members, tax and financial advisors, an attorney with whom Employee chooses to consult regarding Employee's consideration of this Separation Agreement and/or to any federal, state, or local government agency.

c. From February 27, 2017 until March 17, 2018, Employee shall provide a copy of Exhibit 4 of this Separation Agreement to any prospective employer prior to accepting employment with that prospective employer.

d. Employee affirms that, as of the Separation Date, Employee will have returned all of the Company's property in Employee's possession or control. Employee also affirms that Employee is in possession of all of Employee's property that Employee had at SPI's premises and that SPI is not in possession of any of Employee's property.

6. **Communications.**

a. **Non-Disparagement.** Employee agrees not to defame or maliciously disparage the Company in any manner whatsoever, except as may be specifically protected or required by law. Promptly following the Separation Date, the Company shall direct in writing its senior executives and members of its board of directors not to defame or maliciously disparage Employee in any manner whatsoever, except as may be specifically protected or required by law.

b . **References.** Any inquiries for employment references or any other inquiries regarding Employee's employment with the Company shall be directed to either Max Donley, Executive Vice President, Global Human Resources or Peter Greenleaf, Chief Executive Officer. If Mr. Donley or Mr. Greenleaf are contacted by third parties concerning Employee's employment, they shall be limited to the sum and substance of the information contained in Exhibit 5 of this Separation Agreement. If both Mr. Donley and Mr. Greenleaf are no longer with the Company, the parties will agree to another representative specifically to be contacted.

7. **Restrictive Covenants.** The parties hereby agree that any restrictive covenant relating to non-solicitation and non-competition to which Employee is subject, including those contained in Section E of the Employment Agreement and any restrictions contained in Employee's equity incentive award agreements, shall cease to apply on March 20, 2018.

8. **Governing Law and Arbitration.** This Separation Agreement shall be governed and conformed in accordance with Maryland law without regard to Maryland's conflict of laws provision. Any controversy, claim, or breach arising out of or relating to this Separation Agreement shall be arbitrated in the State of Maryland in accordance with the rules of the American Arbitration Association for employment disputes. SPI shall pay the case initiation fee for any such arbitration. The arbitrator shall have the authority to award attorneys' fees and costs incurred to the prevailing party. Should any provision of this Separation Agreement be declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, excluding the general release language, such provision shall immediately become null and void, leaving the remainder of this Separation Agreement in full force and effect.

9. **Employee's Cooperation.**

a. As long as there is no conflict between Employee's legal interests and those of the Company, Employee agrees that Employee shall reasonably cooperate with and serve in any capacity requested by the Company in any investigation and/or threatened or pending litigation (now or in the future) in which the Company is a party, and regarding which Employee, by virtue of Employee's employment with the Company, has knowledge or information relevant to said investigation or litigation, including, but not limited to: (a) meeting with representatives of the Company at mutually acceptable times, and for reasonable amounts of time, to prepare for testimony and to provide truthful information regarding Employee's knowledge; (b) acting as the Company's representative; and (c) providing, in any jurisdiction in which the Company requests, truthful information or testimony relevant to the investigation or litigation. The Company's request for reasonable cooperation shall take into consideration Employee's personal and business commitments and the amount of notice provided to Employee by the Company. The Company agrees to reimburse Employee for Employee's reasonable expenses incurred to comply with this Section 8.

b. Employee also agrees to cooperate with the Company and its counsel in connection with any matters relating to the Company in which Employee has been compelled, by subpoena or other compulsory, to testify or produce documents. To the extent permitted by law, Employee shall provide notice to the Company within 72 hours of receiving such notice and agrees to (A) meet with the Company's representatives and attorneys (B) provide the attorneys with any documents requested, and (C) prepare for any appearance with the Company's attorneys.

c. Employee, at Employee's own expense, may retain Employee's own counsel, in lieu of or in addition to, the Company's counsel.

d. Failure to comply with the terms of this Section 8 shall constitute a material breach of this Separation Agreement.

10. **Nonadmission of Wrongdoing.** The Parties agree that neither this Separation Agreement nor the furnishing of the consideration for this Separation Agreement shall be deemed or construed at any time for any purpose as an admission by Releasees of wrongdoing or evidence of any liability or unlawful conduct of any kind.

11. **Assignment; Successors.** SPI shall have the right to assign this Separation Agreement and to delegate all rights, duties and obligations hereunder to any entity that controls the Company, that the Company controls or that may be the result of the merger, consolidation, acquisition or reorganization of the Company and another entity; provided, the Company shall require any successor entity (whether as a result of a merger, consolidation, acquisition or reorganization) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Separation Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

12. **Amendment.** This Separation Agreement may not be modified, altered or changed except in writing and signed by both parties wherein specific reference is made to this Separation Agreement.

13. **Entire Agreement.** This Separation Agreement sets forth the entire agreement between the parties hereto, and fully supersedes any prior agreements or understandings between the parties, except for the Employment Agreement, which is incorporated by reference and remains in effect, as amended herein, until the Separation Date. Employee acknowledges that Employee has not relied on any representations, promises, or agreements of any kind made to Employee in connection with Employee's decision to accept this Separation Agreement, except for those set forth in this Separation Agreement.

EMPLOYEE IS ADVISED THAT EMPLOYEE HAS UP TO TWENTY-ONE (21) CALENDAR DAYS TO CONSIDER THIS AGREEMENT. EMPLOYEE ALSO IS ADVISED TO CONSULT WITH AN ATTORNEY PRIOR TO EMPLOYEE'S SIGNING OF THIS AGREEMENT.

EMPLOYEE MAY REVOKE THIS AGREEMENT FOR A PERIOD OF SEVEN (7) CALENDAR DAYS FOLLOWING THE DAY EMPLOYEE SIGNS THIS AGREEMENT. ANY REVOCATION WITHIN THIS PERIOD MUST BE SUBMITTED, IN WRITING, TO MAX DONLEY, EVP, GLOBAL HR, IT AND STRATEGY, AT 805 KING FARM BLVD., SUITE 550, ROCKVILLE, MD 20850, AND STATE, "I HEREBY REVOKE OUR AGREEMENT." THE REVOCATION MUST BE PERSONALLY DELIVERED TO MAX DONLEY OR HIS DESIGNEE, OR MAILED TO MAX DONLEY AND POSTMARKED WITHIN SEVEN (7) CALENDAR DAYS AFTER EMPLOYEE SIGNS THIS AGREEMENT.

EMPLOYEE AGREES THAT ANY MODIFICATIONS, MATERIAL OR OTHERWISE, MADE TO THIS AGREEMENT, DO NOT RESTART OR AFFECT IN ANY MANNER THE ORIGINAL UP TO TWENTY-ONE CALENDAR DAY CONSIDERATION PERIOD.

EMPLOYEE ACKNOWLEDGES THAT HE HAS READ AND UNDERSTANDS THE TERMS OF THIS AGREEMENT. EMPLOYEE FREELY AND KNOWINGLY, AND AFTER DUE CONSIDERATION, ENTERS INTO THIS AGREEMENT INTENDING TO WAIVE, SETTLE AND RELEASE ALL KNOWN AND UNKNOWN CLAIMS (AS ALLOWED BY LAW) WHICH HE MAY HAVE AGAINST RELEASEES, INCLUDING CLAIMS PURSUANT TO THE AGE DISCRIMINATION IN EMPLOYMENT ACT.

The Parties knowingly and voluntarily sign this Separation Agreement as set forth below:

Sucampo Pharmaceuticals, Inc.

By:	/s/ Andrew Smith Andrew Smith	By:	/s/ Max Donley Max Donley EVP, Global HR, IT & Strategy
Date:	March 17, 2017	Date:	March 27, 2017

EXHIBIT 2

GENERAL RELEASE
("Release")

1. General Release, Claims Not Released and Related Provisions.

Sucampo Pharmaceuticals, Inc. ("SPI") and Andrew Smith ("Employee") agree that as a condition to and in consideration of the separation benefits payable by SPI to Employee pursuant to the Employee's signed Confidential Separation Agreement and General Release ("Separation Agreement"):

a. **General Release of All Claims.** Employee knowingly and voluntarily releases and forever discharges SPI, its parent, affiliates, subsidiaries, joint ventures, holding companies, divisions, predecessors, successors and assigns (collectively, "the Company"), and their current and former employees, attorneys, officers, directors, board committee members, shareholders, and agents thereof, both individually and in their business capacities, and their insurers, employee benefit plans and programs and their administrators and fiduciaries (collectively referred to throughout the remainder of this Agreement as "Releasees"), of and from any and all claims, known and unknown, asserted or unasserted, which the Employee has or may have against Releasees as of the date of execution of this Agreement, including, but not limited to, any alleged violation of:

- Title VII of the Civil Rights Act of 1964;
- Sections 1981 through 1988 of Title 42 of the United States Code;
- The Employee Retirement Income Security Act of 1974 ("ERISA") (as modified below);
- The Immigration Reform and Control Act;
- The Americans with Disabilities Act of 1990;
- The Age Discrimination in Employment Act of 1967 ("ADEA");
- The Worker Adjustment and Retraining Notification Act;
- The Fair Credit Reporting Act;
- The Family and Medical Leave Act;
- The Equal Pay Act;
- The Genetic Information Nondiscrimination Act of 2008;
- All Maryland laws including:
- Maryland Human Relations Act – Md. State Government Code Ann. § 20-101 et seq., any regulations thereunder, and any human rights law of any Maryland county or municipality;
- Maryland Statutory Provision Regarding Retaliation/Discrimination for Filing a Workers' Compensation Claim – Md. Labor & Employment Code § 9-1105;

- Maryland Equal Pay Law – Md. Labor & Employment Code § 3-301 et seq.;
- Maryland Adoption Leave Law – Md. Labor & Employment Code §§ 3-801 and 3- 802;
- Maryland Medical Information Bias Law – Md. Labor & Employment Code § 5- 604;
- Maryland Volunteer/Civil Air Patrol Law – Md. Labor & Employment Code § 3- 703;
- Maryland Military Leave Law – Md. Public Safety Code § 13-705;
- Maryland law protecting witnesses, jurors and victims who attend court proceedings – Md. Courts and Judicial Proceedings Code §§ 8-105, 9-205;
- Maryland Day of Rest Law – Md. Labor & Employment Code § 3-704;
- Maryland Lie Detector Law – Md. Labor & Employment Code § 3-702;
- Maryland Workplace Fraud Act, Md. Labor & Employment Code § 3-901 et seq.;
- Maryland Job Applicant Fairness Act – Md. Labor & Employment Code § 3-711, effective October 1, 2011;
- Maryland Wage and Hour Laws – Md. Labor & Employment Code §§ 3-401 et seq. and 3-501 et seq.;
- Maryland Occupational Safety & Health Act, as amended – Md. Labor & Employment Code § 5-101 et seq.;
- Maryland Flexible Leave Act;
- Maryland Pay Disparity Act;
- any other statutory claims;
- any other federal, state or local law, rule, regulation, or ordinance;
- any public policy, contract, tort, or common law; or
- any basis for recovering costs, fees, or other expenses including attorneys' fees incurred in these matters.

Subject to the limitations below, Employee agrees not to institute a lawsuit against any Releasee alleging any claim that Employee is releasing in this Agreement. Employee agrees that, if Employee challenges the validity of this Agreement, Employee shall return to SPI all the consideration Employee received from SPI under this Agreement.

b. **Claims Not Released.** Employee is not waiving any rights Employee may have to: (a) Employee's own vested accrued employee benefits under any SPI health, welfare, retirement benefit or stock plans as of the Separation Date; (b) benefits and/or the right to seek benefits under applicable workers' compensation and/or unemployment compensation statutes; (c) pursue claims which by law cannot be waived by signing this Agreement; (d) enforce this Agreement; (e) challenge the validity of this Agreement; and/or (f) seek indemnification, advancement, contribution or defense by SPI under SPI's D&O liability coverage, bylaws and/or Delaware law.

c. **Governmental Agencies.** Nothing in this Agreement prohibits or prevents Employee from filing a charge with or participating, testifying, or assisting in any investigation, hearing, whistleblower proceeding or other proceeding before any federal, state, or local government agency (e.g. EEOC, NLRB, SEC., etc.), nor does anything in this Agreement preclude, prohibit, or otherwise limit, in any way, Employee's rights and abilities to contact, communicate with, report matters to, or otherwise participate in any whistleblower program administered by any such agencies. However, to the maximum extent permitted by law, Employee agrees that if such an administrative claim is made, Employee shall not be entitled to recover any individual monetary relief or other individual remedies.

d. **Collective/Class Action Waiver .** If any claim is not subject to release, to the extent permitted by law, Employee waives any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on such a claim in which SPI or any other Releasee identified in this Agreement is a party.

2. Acknowledgments and Affirmations.

Employee acknowledges and affirms that:

a. Employee has not filed, caused to be filed, or presently is a party to any claim against the Company;

b. Employee has been paid and/or has received all compensation, wages, bonuses, commissions, and/or benefits which are due and payable as of the date Employee signs this Agreement;

c. Employee has been granted any leave to which Employee was entitled under the Family and Medical Leave Act or related state or local leave or disability accommodation laws;

d. Employee has no known workplace injuries or occupational diseases;

e. Employee has not been retaliated against for reporting any allegations of wrongdoing by the Company or its officers, including any allegations of corporate fraud;

f. All of the Company's decisions regarding Employee's pay and benefits through the date of Employee's execution of this Agreement were not discriminatory based on age, disability, race, color, sex, religion, national origin or any other classification protected by law; and that

g. Employee has not divulged any of the Company's proprietary or confidential information of the Company and shall continue to maintain the confidentiality of such information consistent with the Company's policies and Employee's agreement(s) with SPI and/or common law, including the terms of the Employment Agreement, which is incorporated by reference and remains in effect.

3. **Governing Law and Arbitration.** This Release shall be governed and conformed in accordance with Maryland law without regard to Maryland's conflict of laws provision. Any controversy, claim, or breach arising out of or relating to this Release shall be arbitrated in the State of Maryland in accordance with the rules of the American Arbitration Association for employment disputes. SPI shall pay the case initiation fee for any such arbitration. The arbitrator shall have the authority to award attorneys' fees and costs incurred to the prevailing party. Should any provision of this Release be declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, excluding the general release language, such provision shall immediately become null and void, leaving the remainder of this Release in full force and effect.

4. **Nonadmission of Wrongdoing.** The Parties agree that neither this Release nor the furnishing of the consideration for this Release shall be deemed or construed at any time for any purpose as an admission by Releasees of wrongdoing or evidence of any liability or unlawful conduct of any kind.

5. **Assignment.** SPI shall have the right to assign this Release and to delegate all rights, duties and obligations hereunder to any entity that controls the Company, that the Company controls or that may be the result of the merger, consolidation, acquisition or reorganization of the Company and another entity; provided, the Company shall require any successor entity (whether as a result of a merger, consolidation, acquisition or reorganization) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Separation Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place..

6. **Amendment.** This Release may not be modified, altered or changed except in writing and signed by both parties wherein specific reference is made to this Release.

7. **Entire Agreement.** This Release sets forth the entire agreement between the parties hereto, and fully supersedes any prior agreements or understandings between the parties, except for Employee's signed Employment Agreement (as amended) and Employee's signed Separation Agreement, both of which are incorporated by reference and remain in full force and effect. Employee acknowledges that Employee has not relied on any representations, promises, or agreements of any kind made to Employee in connection with Employee's decision to execute this Release, except for those set forth in this Release and the Separation Agreement.

EMPLOYEE IS ADVISED THAT EMPLOYEE HAS UP TO TWENTY-ONE (21) CALENDAR DAYS TO CONSIDER THIS RELEASE. EMPLOYEE ALSO IS ADVISED TO CONSULT WITH AN ATTORNEY PRIOR TO EMPLOYEE'S SIGNING OF THIS RELEASE.

EMPLOYEE MAY REVOKE THIS RELEASE WITH RESPECT TO CLAIMS UNDER TO THE AGE DISCRIMINATION IN EMPLOYMENT ACT FOR A PERIOD OF SEVEN (7) CALENDAR DAYS FOLLOWING THE DAY EMPLOYEE SIGNS THIS RELEASE. ANY REVOCATION WITHIN THIS PERIOD MUST BE SUBMITTED, IN WRITING, TO MAX DONLEY, EVP, GLOBAL HR, IT AND STRATEGY, AT 805 KING FARM BLVD., SUITE 550, ROCKVILLE, MD 20850, AND STATE, "I HEREBY REVOKE MY WAIVER OF CLAIMS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT." THE REVOCATION MUST BE PERSONALLY DELIVERED TO MAX DONLEY OR HIS DESIGNEE, OR MAILED TO MAX DONLEY AND POSTMARKED WITHIN SEVEN (7) CALENDAR DAYS AFTER EMPLOYEE SIGNS THIS RELEASE. THE PARTIES AGREE THAT THE CONSIDERATION IN SECTION 4 OF THE SEPARATION AGREEMENT IS ALLOCATED AS FOLLOWS: $150,000 TO EMPLOYEE'S WAIVER OF ADEA CLAIMS, AND THE REMAINDER TO EMPLOYEE'S WAIVER OF OTHER CLAIMS.

EMPLOYEE AGREES THAT ANY MODIFICATIONS, MATERIAL OR OTHERWISE, MADE TO THIS RELEASE, DO NOT RESTART OR AFFECT IN ANY MANNER THE ORIGINAL UP TO TWENTY-ONE CALENDAR DAY CONSIDERATION PERIOD.

EMPLOYEE AGREES THAT EMPLOYEE HAS READ AND UNDERSTANDS THE TERMS OF THIS RELEASE. EMPLOYEE FREELY AND KNOWINGLY, AND AFTER DUE CONSIDERATION, ENTERS INTO THIS RELEASE INTENDING TO WAIVE, SETTLE AND RELEASE ALL CLAIMS EMPLOYEE HAS OR MIGHT HAVE AGAINST RELEASEES.

The Parties knowingly and voluntarily sign this Release as of the date(s) set forth below:

Sucampo Pharmaceuticals, Inc.

By:	/s/ Andrew Smith Andrew Smith	By:	/s/ Max Donley Max Donley EVP, Global HR, IT & Strategy
Date:	March 17, 2017	Date:	May 23, 2017

EXHIBIT 3

SEPARATION BENEFITS

(A) A lump sum payment of US$366,795.60, which corresponds to Employee's current annual base salary;

(B) The amount of any COBRA continuation premium payments made by Employee during the 12-month period following the date of termination, or the period ending when Executive becomes eligible for comparable group medical benefits coverage from another source (whichever comes first);

(C) Full vesting of Employee's unvested equity incentive awards listed in Schedule 1. Notwithstanding any provisions to the contrary in the award agreements or plan documents relating to such equity incentive awards, the right to exercise any equity option shall terminate six months after the Separation Date (to allow the Employee appropriate time to exercise as he may be prevented from trading as a result of a mandatory trading blackout).

(D) Upon receipt of expense reports with sufficient backup documentation within 30 days after the expenses were incurred, SPI shall reimburse Employee for up to US$20,000 of repatriation assistance to cover:

a. Direct airfare for Employee and Employee's family (including pets, if any) from the U.S. to Switzerland or U.K;
b. Shipment of household goods;
c. Temporary accommodations for up to three months prior to moving into permanent quarters; and
d. Costs and fees incurred in connection with the early termination of any leases due to Employee's repatriation.

(E) Outplacement services with Challenger, Gray and Christmas as further described in Schedule 2.

(F) Tax preparation and equalization, as set forth in Employee's Assignment Letter dated October 27, 2015, attached as Schedule 3, for the year ending December 31, 2017 and any other year in which Employee receives foreign income from Employer.

(G) An amount of US$ 16,928.38 in respect of accrued unpaid PTO (96 hours) as of March 20, 2017.

Exhibit 10.2

SEPARATION AGREEMENT AND RELEASES

This Separation Agreement and Releases ("Separation Agreement") is made and entered into as of June 6, 2017, by and between **Matthias Alder** (hereinafter "Executive") and **Sucampo Pharmaceuticals, Inc.** ("SPI"), a corporation organized under the laws of the State of Delaware, and its affiliates (hereinafter collectively referred to as the "Company").

WHEREAS, Executive and SPI are parties to an Employment Agreement dated as of October 21, 2014 (hereinafter, the "Employment Agreement");

WHEREAS, Executive and Company intend to settle any and all claims that Executive may have against Company as a result of any act, occurrence, decision, event or omission occurring at any time prior to the signing of this Separation Agreement, including, but not limited to, any matter or fact arising out of Executive's employment with SPI, compensation during the employment, the termination of Executive's employment, or the events giving rise to the Employment Agreement or this Separation Agreement;

WHEREAS, the parties have had extensive negotiations concerning the terms and conditions of the Executive's separation arrangement from the Company, and they have agreed upon such terms and conditions as set forth in this Separation Agreement;

NOW, THEREFORE, in consideration of the severance payments and benefits, obligations and covenants all contained herein, the parties agree as follows:

1. **Termination of Employment.** Executive's last day of employment with the Company is June 30, 2017 (the "Separation Date"). After that date, Executive shall have no role or relationship with or obligation to the Company except as set forth in this Separation Agreement.

2. Separation Agreement.

A. Executive understands that any payments or benefits paid or granted to him pursuant to this Separation Agreement represent consideration for signing this Separation Agreement and are not salary, wages or benefits to which Executive was already entitled. Executive understands that, in light of the circumstances surrounding his employment with the Company, the Company and Executive agreed to terminate the Employment Agreement, but in consideration for Executive's execution of this Separation Agreement, the Company has agreed to provide Executive with payment and benefits in excess of the payments and benefits described in the Employment Agreement for such termination. Executive understands that he shall not receive any payments or benefits from the Company unless (a) he executes this Separation Agreement and does not revoke it within the time period permitted herein, and (b) he complies with all obligations in this Separation Agreement and does not breach it. Pursuant to the terms of this Separation Agreement, Executive shall receive the following benefits:

a. a lump sum severance payment of $420,842.16, less all taxes and withholdings, to be made by no later than ten (10) business days following the execution of **Exhibits A** and **B** in accordance with Section 9 of this Separation Agreement without any revocation having occurred; and

b. in the event Executive elects COBRA, the COBRA continuation premium payments shall be made by the Company during the twelve (12) month
period following the termination date; and

c. payment for Executive's accrued and unused PTO through June 30, 2017, which amounts to $40,464, 03; and

d. full vesting of Executive's unvested equity incentive awards listed in **Exhibit C**. Notwithstanding any provisions to the contrary in the award agreements or plan documents relating to such equity incentive awards, the right to exercise any equity option shall terminate six months after the Separation Date (to allow the Employee appropriate time to exercise as he may be prevented from trading as a result of a mandatory trading blackout); and

e. payment of the Executive's target bonus for 2017 prorated for the time of service (i.e. 6 months), which amounts to $121,413.00.

3. Release of Claims by Executive.

A. Executive and the Company intend to settle any and all claims that Executive may have against the Company as a result of the hiring of Executive, Executive's employment, Executive's compensation while employed, and the termination of Executive's employment. Executive agrees that in exchange for SPI's promises in the Agreement and in exchange for the separation pay and benefits to be paid to Executive as described in the Agreement, Executive, on behalf of Executive and Executive's heirs, successors and assigns, hereby releases and forever discharges the Company, its predecessors, successors, and assigns, and their respective boards of directors, board committees, officers, directors, shareholders, agents, employees, and insurers (the "Released Parties"), from all liability for damages and from all claims that Executive may have against the Released Parties arising from or relating to the hiring of Executive, Executive's compensation while employed, Executive's employment, the termination of Executive's employment, and any other actions, decisions, alleged omissions, or events occurring on or prior to the signing of this Separation Agreement.

B. Executive understands and agrees that Executive's release of claims in this Separation Agreement includes, but is not limited to, any claims Executive may have under Title VII of the Federal Civil Rights Act of 1964, as amended; the Americans with Disabilities Act, the Equal Pay Act, the Fair Labor Standards Act, the Employee Retirement and Income Security Act, the Age Discrimination in Employment Act, the Family and Medical Leave Act, the Maryland Fair Employment Practices Statute (formerly referred to as Article 49 B) - MD. Code Ann., State Gov't § 20-601 et seq.; Maryland Lily Ledbetter Civil Rights Restoration Act - MD. Code Ann., State Gov't § 20-607 (b); Maryland Equal Pay Law- MD. Code Ann., Lab. & Emp. § 3-301 et seq.; Maryland Wage Payment and Collection Law - MD. Code Ann., Lab. & Emp. § 3-501 et seq.; Maryland Wage Hour Law - MD. Code Ann., Lab. & Emp. § 3-401 et seq.; Maryland Worker's Compensation Act - MD. Code Ann., Lab. & Emp. § 9-101 et seq.; Maryland Occupational Safety and Health Law - MD. Code Aim., Lab. & Emp. § 5-101 et seq. or any other federal, state, or local statute, ordinance, or law.

C. Executive also understands that Executive is giving up all other claims, whether grounded in contract or tort theories, including, but not limited to, wrongful discharge, breach of contract, tortious interference with contractual relations, promissory estoppel, detrimental reliance, breach of the implied covenant of good faith and fair dealing, breach of express or implied promise, breach of manuals or other policies, breach of fiduciary duty, assault, battery, fraud, invasion of privacy, intentional or negligent misrepresentation, defamation, including libel, slander, discharge defamation and self-publication defamation, discharge in violation of public policy, whistleblower, intentional or negligent infliction of emotional distress, or any other theory, whether legal or equitable.

D. Executive shall not institute any lawsuit against the Released Parties arising from or relating to the hiring of Executive, Executive's employment, Executive's compensation while employed, the termination of Executive's employment, or any other actions, decisions, alleged omissions, or events occurring prior to the signing of this Separation Agreement.

E. To the extent required by law, nothing contained in this Separation Agreement shall be interpreted to prevent Executive from filing a charge with a governmental agency or participating in or cooperating with an investigation conducted by a governmental agency. However, Executive agrees that Executive is waiving the right to any monetary damages or other individual legal or equitable relief awarded as a result of any such proceeding related to any claim against the Released Parties arising from or relating to the hiring of Executive, Executive's employment, Executive's compensation while employed, the termination of Executive's employment, or any other actions, decisions, alleged omissions, or events occurring on or prior to the signing of this Separation Agreement.

F. Notwithstanding any of the foregoing, this Separation Agreement shall not apply with respect to any rights or claims which Executive may have under this Separation Agreement itself or to any rights or benefits Executive may have related to vested accrued benefits under the terms of the Company's benefit plans or to the Executive's right to be indemnified by the Company pursuant to the terms of its bylaws and the law of the State of Delaware.

G. Executive expressly acknowledges that he has been given the opportunity to take twenty-one (21) days to review this Separation Agreement before signing it, and that he has been advised to consult with an attorney before signing it. Executive acknowledges that he understands that he may revoke this Separation Agreement, insofar as it extends to potential claims under the Age Discrimination in Employment Act, by informing the Company of Executive's intent to revoke this release within seven (7) days following the execution of this Separation Agreement, and that this Separation Agreement is not effective or enforceable until that seven-day revocation period has expired. Executive understands that any such revocation must be stated in writing and delivered by hand, or by certified mail-return receipt requested, to LaKisha Partman, Human Resources Department, Sucampo Pharmaceuticals, Inc., 805 King Farm Blvd #550, Rockville, MD 20850. If Executive exercises this right to revoke or rescind, the Company shall have no obligation to provide severance pay or benefits to Executive as provided by the Agreement.

H. Executive acknowledges that the Company's obligation to provide any severance pay or benefits pursuant to the Agreement shall not become effective or enforceable until this Separation Agreement has been executed and the revocation period identified above has expired without notice of revocation having been made.

I. Executive agrees that he shall forfeit all amounts payable by the Company under this Separation Agreement if he challenges the validity of this Separation Agreement. Executive also agrees that if he violates this Separation Agreement by suing the Company or the other Released Parties, in the event that the Company is the prevailing party, Executive shall pay all costs and expenses of defending against the suit incurred by the Released Parties, including reasonable attorneys' fees, and return all payments received by Executive on or after the termination of his employment.

J. Executive hereby acknowledges and states that Executive has read this Separation Agreement, this Separation Agreement is written in language which is understandable to Executive, that Executive fully appreciates the meaning of the terms of this Separation Agreement, and that Executive enters into this Separation Agreement freely and voluntarily.

4. **Release of Claims by Company.** The Company, its boards of directors, board committees, officers, directors, shareholders, agents, and employees agree and forever discharge and release Executive, his heirs, assign, executors and administrators from any and all currently known claims, actions, causes of action, grievances, arbitrations, suits, proceedings, debts, controversies, agreements, attorney fees, judgments, demands, and damages whatsoever, in law or equity, arising from or relating to any actions, decisions, alleged omissions, or events occurring on or prior to the signing of this Separation Agreement, except any action or proceeding which the Company may be required or requested to take against Executive as a result of any regulatory agency action. This includes any currently known claims arising from or relating to Executive's employment with, and recruitment to, the Company, and Executive's termination of employment. Nothing in this Separation Agreement releases or waives Company's right to enforce any breach or violation of this Separation Agreement.

5. **Confidentiality.** Executive agrees that this Separation Agreement and the Employment Agreement are confidential and agrees not to disclose any information regarding the terms of this Separation Agreement or the Employment Agreement, except to his immediate family and any tax, legal or other counsel he has consulted regarding the meaning or effect hereof or as required by law, and he shall instruct each of the foregoing not to disclose the same to anyone. The Company agrees to disclose any such information only to any tax, legal or other counsel of the Company as required by law. Further, Executive shall not affirmatively make any public or private statements about his employment or separation from the Company except to his immediate family and any tax, legal or other counsel he has retained, unless authorized in writing by the Company; except however, that in response to any inquiries from any media or third party, Executive only can state that "Executive and the Company have agreed to part ways on an amicable basis upon the conclusion of the Employment Agreement." Company shall provide dates of employment and positions held by Executive in response to any inquiry made by a third party for any purpose regarding Executive's employment by the Company, and shall not be required to provide any other reference for Executive, whether oral or written.

6. Executive Cooperation.

A. As long as there is no conflict between Executive's legal interests and those of the Company, Executive agrees that he shall, to the extent reasonably requested in writing, cooperate with and serve in any capacity requested by the Company in any investigation and/or threatened or pending litigation (now or in the future) in which the Company is a party, and regarding which Executive, by virtue of his employment with the Company, has knowledge or information relevant to said investigation or litigation including, but not limited to (i) meeting with representatives of the Company to prepare for testimony and to provide truthful information regarding his knowledge, (ii) acting as the Company's representative, and (iii) providing, in any jurisdiction in which the Company requests, truthful information or testimony relevant to the investigation or litigation. Company agrees to reimburse Executive's reasonable expenses incurred for his cooperation under this Section 6.

B. Executive also agrees to cooperate with the Company and its counsel in connection with any matters relating to the Company in which Executive has been compelled, by subpoena or other compulsory, to testify or produce documents. Executive shall provide notice to the Company within 48 hours of receiving such notice and agrees to (i) meet with the Company's representatives and attorneys (ii) provide the attorneys with any documents requested, and (iii) prepare for any appearance with the Company's attorneys.

C. Executive, at his own expense, may retain his own counsel, in lieu of or in addition to, the Company's counsel. Executive's appointment of his own counsel shall in no way interfere with his obligation to cooperate with the Company as described herein.

7. **Mutual Non-Disparagement.** Executive and the Company agree that, at all times following the signing of this Separation Agreement, they shall not engage in any disparagement or vilification of the other, and shall refrain from making any false, negative, critical or otherwise disparaging statements, implied or expressed, concerning the other, including, but not limited to, the management style, methods of doing business, the quality of products and services, role in the community, treatment of employees or the circumstances and events regarding Executive's employment separation. Executive acknowledges that the only persons whose statements may be attributed to the Company for purposes of this Separation Agreement not to make disparaging statements shall be each member of the Board of Directors of the SPI and each of SPI's senior executive officers. The parties further agree to do nothing that would damage the other's business reputation or goodwill. Nothing in this Separation Agreement prevents the Company responding to subpoenas, government inquiries or other obligations they may have under the law or from reporting criminal activities to appropriate authorities.

8. Employment Agreement Provisions Incorporated Into Separation Agreement.

A. Executive and the Company shall be bound by and comply with all provisions of Article 5 of the Employment Agreement, for the durations expressly stated in Article 5, all of which are incorporated by reference into this Separation Agreement, except that Article 5 of the Employment Agreement is amended as follows:

i. The first sentence of Article 5.1(b) of the Employment Agreement is replaced with the following sentence:

> "Confidential Information" means all confidential and proprietary information of the Company, its parent, subsidiaries, predecessors and affiliates, whether in written, oral, electronic or other form that provides an unknown competitive advantage to a third party or provides a competitive advantage to SPA, including but not limited to: trade secrets as defined by the federal Defend Trade Secrets Act of 2016 (the "DTSA"); technical, scientific or business information; processes; works of authorship; inventions; discoveries; developments; systems; chemical compounds; computer programs; code; algorithms; formulae; methods; ideas; test data; know how; functional and technical specifications; designs; drawings; passwords; analyses; business plans; information regarding actual or demonstrably anticipated business, research or development; marketing, sales and pricing strategies; and health-related or personal identifying information (Social Security Numbers or personal contact information) of the Company's current consultants, customers, licensors, licensees, investors and personnel.

ii. The second sentence of Article 5.1(b) of the Employment Agreement is amended by adding:

> or (v) constitutes legally protected speech, such as protected concerted activity under Section 7 of the National Labor Relations Act.

iii. The following paragraph is inserted after the last sentence of Article 5.1(b) of the Employment Agreement:

Under the DTSA, Executive shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made to Executive's attorney in relation to a lawsuit for retaliation against Executive for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

B. Aside from Article 5 of the Employment Agreement, which is incorporated herein, this Separation Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all other agreements, oral or written, heretofore made with respect thereto including, without limitation, the Employment Agreement.

C. No provision of this Separation Agreement may be amended, modified, changed, altered, or supplemented except by a writing that is signed by Executive and by the Company.

9. **Post-Employment General Release and Termination Certificate.** As consideration for the payments and benefits Executive receives under this Separation Agreement, Executive agrees to execute the Termination Certificate attached as **Exhibit A** and the General Release as **Exhibit B** to this Separation Agreement. If Executive fails to execute and return such documents to the Company by July 10, 2017, or revokes the General Release after executing it, Executive forfeits his right to all payments and benefits in the Separation Agreement.

10. **Indemnification Rights.** In the event Executive is named as a defendant in a lawsuit because of his role as an officer, manager, or employee of the Company, Executive shall be entitled to the same indemnification rights and directors and officers liability coverage he had while employed by the Company. In any such lawsuit, the Executive shall have the option of designating counsel for his representation reasonably acceptable to the Company, and Executive agrees that his counsel shall enter into a joint defense agreement with the attorneys for the Company and any of its officers, directors, shareholders, employees, or other agents or representatives with respect to their common defense.

11. **Severability.** Any provisions of this Separation Agreement that may be prohibited by, or unlawful or unenforceable under, any applicable law of any jurisdiction shall, as to such jurisdiction, be ineffective without affecting any other provision hereof. To the full extent, however, that the provisions of such applicable law may be waived, they are hereby waived, to the end that this Separation Agreement be deemed to be a valid and binding agreement enforceable in accordance with its terms.

12. **Controlling Law.** This Separation Agreement has been entered into by the parties in the State of Maryland and shall be continued and enforced in accordance with the laws of Maryland.

13. **Arbitration.** Any controversy, claim, or breach arising out of or relating to this Separation Agreement or the breach thereof shall be settled by arbitration in the State of Maryland in accordance with the rules of the American Arbitration Association for commercial disputes and the judgment upon the award rendered shall be entered by consent in any court having jurisdiction thereof; provided, however, that this provision shall not preclude the Company from seeking injunctive or similar relief from the courts to enforce its rights under the Employment Covenants set forth in Article 5 of the Employment Agreement as incorporated into this Separation Agreement.

14. **Assignments.** Subject to obtaining Executive's prior approval, which shall not be unreasonably withheld or delayed, the Company shall have the right to assign this Separation Agreement and to delegate all rights, duties and obligations hereunder to any entity that controls the Company, that the Company controls or that may be the result of the merger, consolidation, acquisition or reorganization of the Company and another entity. Executive agrees that this Separation Agreement is personal to Executive and Executive's rights and interest hereunder may not be assigned, nor may Executive's obligations and duties hereunder be delegated (except as to delegation in the normal course of operation of the Company), and any attempted assignment or delegation in violation of this provision shall be void.

EXECUTIVE ACKNOWLEDGES THAT HE HAS READ THIS ENTIRE SEPARATION AGREEMENT CAREFULLY, AS THIS SEPARATION AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS (AS ALLOWED BY LAW) WHICH HE MAY HAVE AGAINST THE COMPANY INCLUDING CLAIMS PURSUANT TO THE AGE DISCRIMINATION IN EMPLOYMENT ACT.

(Signature page appears on the following page.)

IN WITNESS WHEREOF, Executive after due consideration and consultation, has authorized, executed, and delivered this Separation Agreement all as of the date first above written.

Sucampo Pharmaceuticals, Inc.

By:	/s/ Matthias Alder	By:	/s/ Max Donley
	Matthias Alder		Max Donley EVP, Global HR, IT & Strategy
Date:	June 6, 2017	Date:	June 6, 2017

EXHIBIT A

TERMINATION CERTIFICATE

I hereby certify that I do not have in my possession or under my control, nor have I failed to return, any "Company Materials" as defined in that certain Employment Agreement entered into before Sucampo Pharmaceuticals, Inc., a Delaware corporation, and me, dated as of October 21, 2014. I further certify that I have complied with and shall continue to comply with all the terms of the Separation Agreement.

By: /s/ Matthias Alder
Matthias Alder

Date: June 30, 3017

EXHIBIT B

GENERAL RELEASE

This General Release is made and entered into as of the 30th day of June, 2017 (the "Separation Date"), by and between **Matthias Alder** (hereinafter "Executive") and **Sucampo Pharmaceuticals, Inc.** ("SPI"), a corporation organized under the laws of the State of Delaware, and its affiliates (hereinafter collectively referred to as the "Company").

WHEREAS, Executive and SPI are parties to Separation and Release Agreement dated as of June 6, 2017 (hereinafter, the "Separation Agreement");

WHEREAS, Executive and Company intend to settle any and all claims that Executive may have against Company as a result of any act, occurrence, decision, event or omission occurring at any time after the signing of the Separation Agreement, including, but not limited to, any matter or fact arising out of Executive's employment with SPI, the termination of Executive's employment, or the events giving rise to the Separation Agreement or this General Release;

WHEREAS, under the terms of the Separation Agreement, Executive promised to enter into this General Release as a condition precedent to the separation payments and benefits to be provided under the Separation Agreement;

NOW, THEREFORE, in consideration of the payments and benefits, obligations and covenants contained in the Separation Agreement herein, the parties agree as follows:

1. **Release of Claims by Executive.** Executive and the Company intend to settle any and all claims that Executive may have against the Company as a result of the hiring of Executive, Executive's employment, Executive's compensation while employed, and the termination of Executive's employment. Executive agrees that in exchange for SPI's promises in the Separation Agreement and in exchange for the separation pay and benefits to be paid to Executive as described in the Separation Agreement, Executive, on behalf of Executive and Executive's heirs, successors and assigns, hereby releases and forever discharges the Company, its predecessors, successors, and assigns, and their respective boards of directors, board committees, officers, directors, shareholders, agents, employees, and insurers (the "Released Parties"), from all liability for damages and from all claims that Executive may have against the Released Parties arising from or relating to the hiring of Executive, Executive's compensation while employed, Executive's employment, the termination of Executive's employment pursuant to any other actions, decisions, alleged omissions, or events occurring on or prior to the signing of this General Release.

A. Executive understands and agrees that Executive's release of claims in this General Release includes, but is not limited to, any claims Executive may have under Title VII of the Federal Civil Rights Act of 1964, as amended; the Americans with Disabilities Act, the Equal Pay Act, the Fair Labor Standards Act, the Employee Retirement and Income Security Act, the Age Discrimination in Employment Act, the Family and Medical Leave Act, the Maryland Fair Employment Practices Statute (formerly referred to as Article 49 B) - MD. Code Ann., State Gov't § 20-601 et seq.; Maryland Lily Ledbetter Civil Rights Restoration Act - MD. Code Ann., State Gov't § 20-607 (b); Maryland Equal Pay Law- MD. Code Ann., Lab. & Emp. § 3-301 et seq.; Maryland Wage Payment and Collection Law - MD. Code Ann., Lab. & Emp. § 3-501 et seq.; Maryland Wage Hour Law - MD. Code Ann., Lab. & Emp. § 3-401 et seq.; Maryland Worker's Compensation Act - MD. Code Ann., Lab. & Emp. § 9-101 et seq.; Maryland Occupational Safety and Health Law - MD. Code Ann., Lab. & Emp. § 5-101 et seq., or any other federal, state, or local statute, ordinance, or law.

B. Executive also understands that Executive is giving up all other claims, whether grounded in contract or tort theories, including, but not limited to, wrongful discharge, breach of contract, tortious interference with contractual relations, promissory estoppel, detrimental reliance, breach of the implied covenant of good faith and fair dealing, breach of express or implied promise, breach of manuals or other policies, breach of fiduciary duty, assault, battery, fraud, invasion of privacy, intentional or negligent misrepresentation, defamation, including libel, slander, discharge defamation and self-publication defamation, discharge in violation of public policy, whistleblower, intentional or negligent infliction of emotional distress, or any other theory, whether legal or equitable.

C. Executive shall not institute any lawsuit against the Released Parties arising from or relating to the hiring of Executive, Executive's employment, Executive's compensation while employed, the termination of Executive's employment, or any other actions, decisions, alleged omissions, or events occurring prior to the signing of this General Release.

D. To the extent required by law, nothing contained in this General Release shall be interpreted to prevent Executive from filing a charge with a governmental agency or participating in or cooperating with an investigation conducted by a governmental agency. However, Executive agrees that Executive is waiving the right to any monetary damages or other individual legal or equitable relief awarded as a result of any such proceeding related to any claim against the Released Parties arising from or relating to the hiring of Executive, Executive's employment, Executive's compensation while employed, the termination of Executive's employment, or any other actions, decisions, alleged omissions, or events occurring on or prior to the signing of this General Release.

E. Notwithstanding any of the foregoing, this General Release shall not apply with respect to any rights or claims which Executive may have under the terms of the Separation Agreement itself or to any rights or benefits Executive may have related to vested accrued benefits under the terms of the Company's benefit plans or to the Executive's right to be indemnified by the Company pursuant to the terms of its bylaws and the law of the State of Delaware.

F. Executive expressly acknowledges that he has been given the opportunity to take twenty-one (21) days to review this General Release before signing it, and that he has been advised to consult with an attorney before signing it. Executive acknowledges that he understands that he may revoke this General Release, insofar as it extends to potential claims under the Age Discrimination in Employment Act, by informing the Company of Executive's intent to revoke this release within seven (7) days following the execution of this General Release, and that this General Release is not effective or enforceable until that seven-day revocation period has expired. Executive understands that any such revocation must be stated in writing and delivered by hand, or by certified mail-return receipt requested, to LaKisha Partman, Human Resources Department, Sucampo Pharmaceuticals, Inc., 805 King Farm Blvd #550, Rockville, MD 20850. If Executive exercises this right to revoke or rescind, the Company shall have no obligation to provide severance pay or benefits to Executive as provided by the Agreement.

G. Executive acknowledges that the Company's obligation to provide any severance pay or benefits pursuant to the Agreement shall not become effective or enforceable until the revocation period identified above has expired without notice of revocation having been made.

H. Executive agrees that he shall forfeit all amounts payable by the Company under the Separation Agreement if he challenges the validity of this General Release. Executive also agrees that if he violates this General Release by suing the Company or the other Released Parties, in the event that the Company is the prevailing party, Executive shall pay all costs and expenses of defending against the suit incurred by the Released Parties, including reasonable attorneys' fees, and return all payments received by Executive on or after the termination of his employment.

2. This General Release shall be binding upon, and inure to the benefit of, Executive and the Company and their respective successors and permitted assigns.

3. Executive hereby acknowledges and states that Executive has read this General Release, this General Release is written in language which is understandable to Executive, that Executive fully appreciates the meaning of the terms of this General Release, and that Executive enters into this General Release freely and voluntarily.

EXECUTIVE ACKNOWLEDGES THAT HE HAS READ THIS ENTIRE GENERAL RELEASE CAREFULLY, AS THIS GENERAL RELEASE INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS (AS ALLOWED BY LAW) WHICH HE MAY HAVE AGAINST THE COMPANY INCLUDING CLAIMS PURSUANT TO THE AGE DISCRIMINATION IN EMPLOYMENT ACT.

(Signature page appears on the following page.)

IN WITNESS WHEREOF, Executive after due consideration and consultation, has authorized, executed, and delivered this General Release all as of the date first above written.

Sucampo Pharmaceuticals, Inc.

By:	/s/ Matthias Alder	By:	/s/ Max Donley
	Matthias Alder		Max Donley EVP, Global HR, IT & Strategy
Date:	June 30, 2017	Date:	July 10, 2017

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (the "Agreement") is made by and between Sucampo Pharmaceuticals, Inc., its parent, subsidiary, predecessor and affiliated corporations (collectively "Sucampo"), and Jones Woodrow Bryan, Jr. ("Executive").

A. Employment and Duties.

1. Sucampo shall employ Executive as Senior Vice President, Business Development. While employed by Sucampo, Executive shall devote Executive's full-time work efforts exclusively on behalf of Sucampo and shall not perform work of any nature for compensation of any kind for any person or entity other than for Sucampo, unless approved in writing and signed by Sucampo's CEO.

2. This Agreement shall be in effect for the one-year period following the first date on which both Executive and Sucampo have signed the Agreement (the "Anniversary Date"). The Agreement will continue to renew on a year-to-year basis unless either party ends the Executive's employment pursuant to Section H; or Sucampo delivers written notice to the Executive about Sucampo's intent to renew the Agreement with specifically articulated changes at least 30 days before the Anniversary Date, and then terminates the Agreement under Section N.

B. Compensation and Benefits.

1. **Base Salary**. Sucampo shall pay Executive an annual base salary of Three Hundred Sixty-Five Thousand and Zero Cents US dollars (US $365,000) in accordance with Sucampo's regular payroll cycle (the "Base Salary"). The Base Salary shall be reviewed on an annual basis and may, in the sole discretion of the CEO of Sucampo, be increased, but not decreased (unless either mutually agreed by Executive and Sucampo, or established as part of salary reductions that apply equally to similarly situated officers as a percentage reduction in their salaries).

2. **Bonus**. Executive shall be entitled to participate in Sucampo's annual incentive plan, as defined and modified from time to time by Sucampo. The target bonus for Executive shall be 40% of Executive's Base Salary, in the sole discretion of the Board of Directors. The annual bonus payable to Executive for any fiscal year shall be paid to Executive in a lump sum on the date set forth in Sucampo's incentive plan in effect at the time of payment. Sucampo reserves the unilateral right to modify the incentive plan and reserves the unilateral discretion to determine the amount of Executive's bonus, if any. Executive agrees that such bonus is not "earned" until approved by the Board of Directors.

3. **Stock**. At least annually for the Term of this Agreement, Executive shall be eligible for consideration to receive restricted stock grants, stock options or other awards (collectively, "Equity Incentive Awards") in accordance with the 2016 Equity Incentive Plan or such other equity incentive plan as may be designated in the Stock Agreement (collectively referred to as the "Plan"). Any such Equity Incentive Awards shall be made in the sole discretion of the Board of Directors.

_____
Executive's Initials

4. **Taxes**. Executive acknowledges and agrees that Executive shall be solely responsible for the satisfaction of any applicable taxes that may arise pursuant to this Agreement (including taxes arising under Section 409A of the Internal Revenue Code ("IRC"), which pertains to deferred compensation) or 4999 (which pertains to golden parachute excise taxes), and that neither Sucampo nor any of its employees, officers, directors, or agents shall have any obligation whatsoever to pay such taxes or to otherwise indemnify or hold Executive harmless from any or all of such taxes. For purposes of IRC Section 409A, the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments. All compensation due to Executive shall be paid subject to withholding by Sucampo to ensure compliance with all applicable laws and regulations.

5. **Participation in Benefits**. Executive shall be entitled to participate in all Sucampo employee benefit plans or programs offered to other Sucampo employees to the extent that Executive's position, tenure, salary, and other qualifications make Executive eligible to participate in such plans. Sucampo reserves the unilateral right to adopt, continue, discontinue, amend, modify, reduce or expand each and every employee benefit plan, program or other fringe benefit during any term of the Agreement. Participation by Executive in any such plan, program or benefit shall be subject to all applicable rules and regulations.

6. **Expenses**. Sucampo shall pay or reimburse Executive for all reasonable and necessary out-of-pocket expenses incurred by Executive the performance of his or her obligations under this Agreement. Sucampo shall reimburse such expenses in accordance with Sucampo's expense reimbursement policies and procedures. Sucampo reserves the right to modify such policies and procedures in its sole discretion. All reimbursements due under this Agreement shall be separately requested and paid not later than one year after Executive incurs the underlying expense.

7. **Professional Organizations**. During the Term, Sucampo shall reimburse Executive for the annual dues payable for membership in professional societies associated with the Executive's job responsibilities or subject matters related to Sucampo's interests. Sucampo shall only reimburse for a new membership if and after Sucampo has approved such membership.

C. <u>Confidential Information.</u>

1. Executive acknowledges that Sucampo operates in a competitive environment and has a legitimate business interest in protecting Sucampo's Confidential Information and Protected Property. "Confidential Information" includes any of the following information pertaining to Sucampo or its affiliated entities:

a. Any and all information, whether or not meeting the legal definition of a trade secret, and whether in written, oral, electronic or other form, containing and/or concerning: (i) business plans, strategic plans, forecasts, budgets, sales, financial projections and costs; (ii) personnel and payroll records and employee lists, including any information related to an employee's health; (iii) candidates, consultants, and contractors, including lists, resumes, preferences, transaction histories and rates; (iv) customers and prospective customers, including their identity, the identities of their employees, contractors and consultants, special needs, job orders, preferences, transaction histories, contacts, characteristics, agreements and current or proposed pricing; (v) marketing activities, plans, promotions, operations and research and development; (vi) business operations, internal organizational structure and financial affairs; (vii) pricing structure and/or current or proposed manufacturing costs; (viii) proposed services, technologies and products; (ix) contracts with customers, suppliers, joint ventures, licensors, licensees, or distributors; (x) customer history; (xi) compensation structure and strategy compared to the market; (xii) current or proposed product tests; (xiii) technical or scientific information or processes, including chemical compounds, computer programs, code, algorithms, Inventions (as defined below), formulae, test data, know how, functional and technical specifications, designs, drawings; (xiv) passwords; and

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b. Any information (including any compilation, device, method, technique or process) that (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy (hereafter "Trade Secret"). Such information constitutes a Trade Secret even if a person has acquired the information without express notice that it is a Trade Secret if, under all the circumstances, such person knows or has reason to know that the party who owns the information or has disclosed it intends or expects the secrecy of the type of information comprising the Trade Secret to be maintained.

c. The term "Confidential Information" excludes any information that (i) is, was, or enters in the public domain without violation of this Agreement and through no fault of the Executive, (ii) was in Executive's possession free of any obligation of confidence at the time it was disclosed to the Executive, or (iii) was rightfully communicated to the Executive by a third party free of any obligation of confidentiality subsequent to the time it was disclosed by Sucampo to the Executive.

2. During and after the Term of this Agreement, Executive shall not, directly or indirectly, reproduce, commercialize, use, disclose, or authorize use or disclosure of, any Confidential Information, unless such use or disclosure is (a) consistent with Sucampo's obligations or business purposes and for the sole purpose of carrying out Executive's duties to Sucampo, or (b) specifically authorized by Sucampo in writing prior to such use or disclosure. Executive understands and agrees that this restriction shall continue to apply after this Agreement terminates, regardless of the reason for such termination. Executive agrees to comply with all policies and procedures of Sucampo for protecting Confidential Information.

3. Executive agrees that Sucampo has the right to refuse publication of any papers prepared by Executive as a result of Executive's employment, consultation, work or services, with, for, on behalf of or in conjunction with Sucampo. Executive agrees to submit any proposed publications referring to Executive's employment, consultation, work, services and activities with, for, on behalf of or in conjunction with Sucampo, or referring to any information developed therefrom, to Sucampo for review, prior to publication, to ensure that Sucampo's position with respect to Confidential Information is not adversely affected by publication disclosures.

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4. If Executive is required to disclose Confidential Information due to the issuance of a court order or other government process, Executive shall (a) promptly, but in no event more than 72 hours after learning of such court order or other government process, notify the Executive Vice President, Global Human Resources, IT and Strategy; (b) at Sucampo's expense, take all reasonable necessary steps requested by Sucampo to defend against the enforcement of such court order or other government process, and permit Sucampo to intervene and participate with counsel of its choice in any proceeding relating to the enforcement thereof; and (c) if such compelled disclosure is required, Executive shall disclose only that portion of the Confidential Information that is necessary to meet the minimum legal requirement imposed on Executive

5. Executive agrees that, upon termination of this Agreement or if requested by Sucampo, Executive shall immediately return to Sucampo any and all Sucampo Property (as defined below) and documents and other media containing Confidential Information (and all hard/electric copies thereof) in Executive's possession, custody or control.

a. "Sucampo Property" shall mean any and all documents, instruments, records and databases, recorded or stored on any medium whatsoever, relating or pertaining, directly or indirectly, to the business of Sucampo, including without limitation any and all documents (and copies) containing or relating to Confidential Information. Executive acknowledges that Sucampo Property is solely the property of Sucampo regardless of whether it was created, stored or used on property of the Executive or any other person or entity.

b. Executive agrees that, while employed by Sucampo, Executive shall not directly or indirectly, use, or allow the use of, Sucampo property of any kind (including property leased to Sucampo), for any purpose other than Sucampo activities, except with the authorization of a duly authorized representative of Sucampo.

c. Executive agrees not to remove any Sucampo Property from Sucampo's business premises or deliver any Sucampo Property to any person or entity outside of Sucampo, except as required in connection with Executive's duties of employment.

d. If Sucampo Property in electronic form that contains or relates to Confidential Information is stored on a computer or device that is not Sucampo Property, then at the termination of this Agreement, Executive agrees to promptly deliver a copy of the stored Sucampo Property to Sucampo, permanently delete the Sucampo Property from the computer or device, and confirm these actions to Sucampo in writing.

6. Executive understands that Executive is signing this Agreement as a condition of Executive's employment, or continued employment, with Sucampo. Executive further acknowledges and agrees that Executive's employment or continued employment by Sucampo, Executive's access to Sucampo's Confidential Information, and other goods and valuable consideration associated with employment by Sucampo, provide good and sufficient consideration for Executive's obligations under this Agreement.

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D. Protected Property.

1. "Protected Property" includes any Invention (as defined below), discovery, improvement, idea or expression of idea, process, development, design, know-how, data, and formula, whether patentable or un-patentable, or protectable by copyright or other intellectual property law, that Executive makes or conceives, alone or with others, during or outside of working matters, during Executive's employment with Sucampo, that relates in any manner to the actual or demonstrably anticipated business, research or development of Sucampo, or results from or is suggested by any task assigned to Executive or any work performed by Executive on behalf of Sucampo. "Invention" means any apparatus, biological processes, cell line, chemical compound, creation, data, development, design, discovery, formula, idea, improvement, innovation, know-how, laboratory notebook, manuscript, process or technique, whether or not patentable or protectable by copyright, or other intellectual property in any form.

2. Executive agrees to communicate to Sucampo in writing as promptly and fully as practicable all Protected Property conceived or reduced to practice by Executive at any time during the Executive's employment by Sucampo. Executive agrees to keep and maintain adequate written records of Protected Property at all times and stages, in the form of notes, sketches, drawings, memoranda and reports. Those records shall be the property of and be available to Sucampo at all times.

3. Executive hereby assigns to Sucampo and/or its nominees, all of Executive's right, title, and interest in such Protected Property, and all of the Executive's right, title, and interest in any patents, copyrights, patent applications, software, trademarks, or copyright applications based thereon. Executive agrees that all Protected Property subject to copyright protection constitutes "work made for hire" under United States copyright laws (17 U.S.C. § 101) and is owned exclusively Sucampo. To the extent that title to any Protected Property subject to copyright protection does not constitute a "work for hire," and to the extent title to any other Protected Property does not, by operation of law or otherwise, vest in Sucampo, all right, title, and interest therein, including, without limitation, all copyrights, patents and trade secrets, and all copyrightable or patentable subject matter, are hereby irrevocably assigned to Sucampo.

4. Executive shall, at the expense of and on behalf of Sucampo, do everything reasonably necessary for Sucampo to obtain, preserve, and protect Sucampo's right, title and interest in and to such Protected Property, including preparing and signing all documents Sucampo may deem necessary to obtain and maintain patents, copyrights, trade secrets, trademarks, service marks and other rights within the United States or anywhere in the world. This obligation binds Executive or Executive's legal representative and continues despite the end of Executive's employment with Sucampo, subject to reasonable compensation by Sucampo for Executive's time and expenses. Should Sucampo be unable, after reasonable effort, to obtain Executive's signature on any document necessary to apply for or prosecute any of the above rights for any reason, Executive hereby irrevocably designates and appoints Sucampo or its officers and agents as Executive's agent coupled with a power of attorney to act on Executive's behalf to do everything necessary to accomplish the above.

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Executive's Initials

5. The provisions of this Section D do not apply to any invention if (a) Executive developed it entirely on Executive's own time; (b) Executive did not use or rely on any of Sucampo's Confidential Information, equipment, supplies, or facilities; (c) the invention is unrelated to Sucampo's business; and (d) the invention did not result from any work Executive performed for Sucampo. If, when hired or during Executive's employment, Executive is working on any invention that is excluded under this Section D.5. Executive agrees to put Sucampo on written notice at the time of hire or as soon as the Executive starts working on the invention during Executive's employment. To further comply with this notice requirement, Executive has provided Exhibit 2 to this Agreement, which includes a complete list and description of all Inventions, intellectual property and equipment located at Sucampo that is owned directly or indirectly by Executive and which shall not be transferred to Sucampo pursuant to this Agreement. Except for those items listed on Exhibit 2, Executive agrees that he or she shall not assert any rights under any intellectual property as having been made or acquired by Executive prior to being employed by Sucampo. If Sucampo and Executive disagree about whether an invention is appropriately listed on Exhibit 2, Executive and Sucampo agree to submit the matter to arbitration per the terms of Section I below.

E. <u>Non-Competition And Non-Solicitation.</u>

1. Executive agrees that, as a result of Executive's position with Sucampo and/or the unique skills Executive brings to Sucampo, Sucampo has entrusted Executive with information and customer relationships that are valuable to Sucampo, and that Sucampo has a legitimate interest in protecting. Accordingly, Executive agrees that, during the term of this Agreement and for a period of twelve consecutive months following the end of that employment, absent the prior written, signed consent of the President of Sucampo, Executive shall not directly or indirectly render services, advice or assistance similar to the services Executive provided while employed by Sucampo, or involving the Executive's use of knowledge Executive gained while employed at Sucampo, to any Conflicting Organization, in connection with any Conflicting Product. "Conflicting Organization" means any person, entity or organization engaged in research on, or development, production, or marketing of, a Conflicting Product. "Conflicting Product" means any product, method, process, system or service provided for commercial use or sale of any person or organization other than Sucampo, that is the same, similar to, or interchangeable with a product, method, process, system, or service provided for commercial use or sale or under development for commercial use or sale by Sucampo when this Agreement terminates, or about which Executive developed Protected Property while employed by Sucampo. The foregoing restrictions shall not prevent Executive from working for or performing services on behalf of any business or other entity that offers Conflicting Products if such business or entity is also engaged in other lines of business and if Executive certifies to Sucampo before accepting such employment that Executive's employment or services shall be restricted to such other lines of business, and Executive shall not directly or indirectly be providing support, advice, instruction, direction or other guidance to lines of business providing a Conflicting Product.

2. Executive agrees that, solely as a result of Executive's position and employment with Sucampo, Executive shall or has come to know Confidential Information regarding some of Sucampo's employees, independent contractors and/or consultants. Accordingly, both during the Term of this Agreement and for a period of twelve consecutive months following the end of that employment, Executive agrees to not directly or indirectly—either on Executive's own account or on behalf of any person, company, corporation, or other entity—induce, solicit, endeavor to entice or attempt to induce any Sucampo Employees (as defined below) to: (a) leave employment with Sucampo; (b) supply any Sucampo Confidential Information to any third party or entity; or (c) alter, sever, discontinue, or in any other way interfere with their relationship with Sucampo. "Sucampo Employees" are Sucampo employees, independent contractors and consultants who Executive has come to know as a result of Executive's employment with Sucampo, and with whom Executive had business communications at any time during the last twenty-four months of the Term of this Agreement.

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Executive's Initials

3. Executive agrees that, solely as a result of Executive's position and employment with Sucampo, Executive shall or has come to know some of Sucampo's clients and has access to Confidential Information related to them. Accordingly, both during the Term of this Agreement and for a period of twelve consecutive months following the end of such employment, Executive agrees to not, directly or indirectly, induce, solicit, endeavor to entice or attempt to induce any Sucampo Client (as defined below) to cease doing business with Sucampo, or in any way interfere with the relationship between any such Sucampo Client and Sucampo. "Sucampo Clients" are individuals or entities of any nature, with whom/which Executive had business-related involvement on behalf of Sucampo at any time during the last twenty-four months of the Term of this Agreement. "Business-related involvement" includes Executive's direct communication with the Sucampo client, and any direct or indirect involvement in any aspect of developing the initial relationship and any direct or indirect involvement on behalf of Sucampo in any aspect of Sucampo's relationship with the Sucampo Client.

4. Executive acknowledges and agrees that Sucampo operates globally, and the products and services of Sucampo are or are intended to be marketed to customers on a global basis. Executive further acknowledges and agrees to the reasonableness of the provisions in this Section E and the adequacy of the consideration supporting these provisions. Executive also acknowledges and agrees that the provisions of this Section E will not preclude Executive from becoming gainfully employed following termination of employment with Sucampo.

F. <u>Breach of Obligations of Confidentiality, Non-Competition and Non-Solicitation.</u>

1. Executive acknowledges that any threatened or actual breach of Section C or E of this Agreement may cause irreparable harm to Sucampo, for which money damages would be inadequate to compensate Sucampo. Consequently, in the event of a breach or threatened breach of Section C or E of this Agreement, Executive agrees that Sucampo shall be entitled to expedited arbitration under Section I of this Agreement to obtain injunctive relief to enforce this Agreement, without necessity of posting a bond. In such an expedited arbitration proceeding, the arbitrator must issue a determination within 30 days after Sucampo initiates the arbitration proceeding. The twelve-month period described in Section E shall be tolled during any period when Executive is engaged in activity that violates the terms of Section E. In such an arbitration proceeding, the arbitrator shall have the authority to award damages as appropriate. However, given the difficulty of assessing damages for breaches of this Agreement, the Parties agree that, if the arbitrator finds Executive violated this Agreement, the arbitrator must issue a damage award of, at minimum, $25,000. Each disclosure or transmission of Protected Property shall constitute a separate violation and the minimum damage amount will apply to each violation. Further, if Executive breaches or fails to honor any provision in Section C or E of this Agreement, and Sucampo is successful in whole or in part in any legal or equitable action to defend its right under or to enforce any terms of Section C or E, Executive agrees to reimburse Sucampo for Sucampo's costs, expenses, and reasonable attorneys' fees associated with such action. In that event, the arbitrator will be obligated to award Sucampo all its attorneys' fees and costs as part of the arbitrator's determination. Executive waives any defense as to the validity of any liquidated damages stated in this Agreement on the grounds that such liquidated damages are void as penalties or are not reasonably related to actual damages.

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2. Notwithstanding the language in Section F.1. above, under the federal Defend Trade Secrets Act of 2016, Executive shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made to Executive's attorney in relation to a lawsuit for retaliation against Executive for reporting a suspected violation of law; or (c) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

G. Sucampo Access.

Executive agrees and consents that, during the Term of this Agreement and thereafter, Sucampo may review, audit, intercept, review and disclose all messages created, received or sent over the voice mail, electronic mail and Internet access systems provided by Sucampo, with or without notice to Executive. Executive further consents and agrees that Sucampo may, at any time, access and review the contents of all telephones and related systems, computers, computer disks, other data storage equipment and devices, files, desks, drawers, closets, cabinets and work stations which are either on Sucampo's premises or which are owned or provided by Sucampo. Executive acknowledges that Executive should have no expectation of privacy in any of the electronic communications systems or work areas described in this paragraph.

H. Termination.

1. **Termination by Sucampo for Cause**. Sucampo may terminate this Agreement and Executive's employment for Cause (as defined below) by written notice with immediate effect.

"Cause" shall mean any of the following:

(i) the gross neglect, willful failure, or refusal of Executive to perform Executive's duties and/or responsibilities (other than as a result of Executive's death or Disability); or

(ii) perpetration of an intentional and knowing fraud against or affecting the Company or any customer, supplier, client, agent or employee thereof; or

(iii) any willful or intentional act that could reasonably be expected to injure the reputation, financial condition, business or business relationships of the Company or Executive's reputation or business relationships, including but not limited to any act that could subject Sucampo to legal liability (e.g. violation of Sucampo's policy prohibiting sexual harassment); or

(iv) conviction (including conviction on a *nolo contendere* plea) of a felony or any crime involving fraud, dishonesty or moral turpitude; or

(v) the material breach by Executive of this Agreement (including, without limitation, Section C or E); or

(vi) Executive's supervisor demonstrates he/she had *legitimate reasons* to conclude Executive failed or refused to perform Executive's job duties and/or responsibilities at an acceptable level, within 30 days after Executive's supervisor provided Executive with written notice detailing the specific (unacceptable) performance areas and/or behavior that Executive must improve to remain employed; or

(vii) Executive refuses to execute a modified Agreement offered by Sucampo on the Anniversary Date of this Agreement that is in compliance with Section A.2; as long as the modified Agreement does not make any unilateral changes to Section B.1 (protections against deductions in the Executive's Base Salary), Section H (Termination for Cause/Termination Without Cause/Resignation for Good Reason/Change of Control/Separation Benefits) or substantially change Section I (agreement to arbitrate).

2. **Termination Other Than For Cause**.

a. **Termination Without Cause**. Either party may terminate this Agreement and Executive's employment hereunder at any time upon 30 days' prior written notice to the other party. Executive's employment and this Agreement shall terminate at the end of the 30-day notice period. Sucampo may elect to provide Executive with 30 days' salary in lieu of Executive's continued active employment during the notice period.

b. **Resignation for Good Reason**.

i. To resign for Good Reason, within 21 days of any event or condition that gives rise to Executive's belief that he/she has Good Reason to resign, Executive must notify Sucampo in writing that Executive intends to resign for "Good Reason under Section H.2.b" and state the reasons for Executive's belief he/she has reason to do so. Following receipt of such notice, Sucampo will have 30 days (the "Cure Period") to cure the issues identified by Executive. If, by the expiration of the Cure Period, Sucampo has not cured the issues identified by Executive, and those issues meet the standard for Good Reason defined below, Executive may resign for Good Reason. If Executive does not resign within 14 days following the Cure Period, Executive waives any future right to resign for Good Reason based on the same reasons set forth in his/her 21 day letter.

ii. As used herein, "Good Reason" is the same standard as "constructive discharge" in Maryland federal employment law cases. More specifically, to resign for Good Reason, Executive must establish that Sucampo unilaterally made materially significant change(s) to, or diminutions of, Executive's work environment, commute to work, terms, conditions; job duties, responsibilities and/or overall status of his/her position, that rendered Executive's continued employment so *unbearable that a reasonable person would resign.*

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iii. Executive shall have the right to resign for Good Reason if Sucampo requires Executive to accept any unilateral change(s) to Section A.2, Section B.1 (Base Salary), Section H (standards for termination/resignation/death and disability/separation benefits), Section N (limits to unilateral changes), or any materially significant changes to Section I (Arbitration) of this Agreement at any time—including before, on or after the Anniversary Date. If Executive resigns under this subsection H.2.b.iii, Sucampo shall pay Executive the Separation Benefits enumerated in Section H.2.d without any obligation to meet the constructive discharge standard for Good Reason set forth above in Section H.2.b.ii. In addition, if Executive resigns because Sucampo or its successor makes unilateral changes to this Agreement to prepare for—or within 12 months following—a Change in Control, that qualify as Good Reason under this Section H.2.b.iii, Sucampo and/or its successor shall pay Executive the "Change in Control Benefits" enumerated below in Section H.3.b—*instead of* the Separation Benefits in Section H.2.d.

iv. If Executive provides notice that he/she is resigning for Good Reason, Sucampo reserves the right to accept Executive's resignation immediately, end the Agreement, release Executive from employment immediately or at any time during the Cure Period, and pay Executive's Base Salary during the remaining Cure Period, up to a maximum of 30 days. By electing to do so, Sucampo does not concede that Executive has met the condition(s) to resign for Good Reason defined above.

c. **Death or Disability**. If Executive dies, this Agreement and Executive's employment shall terminate automatically. If Executive has or develops a disability that affects Executive's ability to work, Sucampo shall explore options with Executive to determine whether Executive is able to perform the essential functions of the job with or without reasonable accommodation. In the event of any dispute as to whether Employee is disabled for purposes of this Section H.2.c., such dispute shall be resolved by an independent physician competent to assess the condition at issue selected by Sucampo and performing such assessment at Sucampo's expense. Upon termination of this Agreement due to Executive's death or disability, Sucampo shall provide Executive (or Executive's estate, as applicable) with all of Executive's compensation and benefits that had fully accrued or fully vested as of the date this Agreement terminated. No other compensation or benefits of any nature shall accrue, vest or continue after the effective date the Agreement is terminated, except as provided under paragraph d. immediately below.

d. **Separation Benefits**. If Sucampo terminates Executive's employment without meeting the conditions for "Termination for Cause" in Section H.1; if Executive resigns for Good Reason under the conditions set forth in Section H.2.b, or due to the Executive's "Death or Disability" under Section H.2.c; and Executive (or the executor of Executive's estate upon death or incapacity) signs and returns to Sucampo without revocation a release prepared by Sucampo of all legally waivable claims related to or arising from Executive's employment with Sucampo and all other terms determined exclusively by Sucampo, then (i) Sucampo shall pay Executive (or the estate): (A) the amount of any COBRA continuation premium payments made by Executive during the 12-month period following the date of termination, or the period ending when Executive becomes eligible for comparable group medical benefits coverage from another source (whichever comes first); and (B) a lump sum payment equal to 12 months of Executive's then-current annual Base Salary; and (ii) Executive's Equity Incentive Awards shall vest as set forth in Section H.5 (collectively, the "Separation Benefits").

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3. **Termination in Connection with Change In Control**.

a. This Agreement terminates if it is not assumed by the successor corporation (or affiliate thereto) upon a Change in Control (as defined below).

"Change in Control" means: (i) the acquisition by any person of beneficial ownership of 50% or more of the outstanding shares of the voting securities of Sucampo ; (ii) Sucampo is the non-surviving party in a merger; (iii) Sucampo sells all or substantially all of its assets, provided, that no "Change in Control" shall be deemed to have occurred merely as the result of a refinancing by Sucampo or as a result of Sucampo's insolvency or the appointment of a conservator; or (iv) the Board of Directors of Sucampo, in its sole and absolute discretion, determines that there has been a sufficient change in the share ownership or ownership of the voting power of Sucampo's voting securities to constitute a change of effective ownership or control of Sucampo.

b. If, in advance of the closing or within 12 months following the occurrence of a Change in Control of Sucampo, this Agreement is terminated other than for Cause, and Executive signs and returns to Sucampo without revocation a release prepared by Sucampo of all legally waivable claims related to or arising from Executive's employment with Sucampo and all other terms determined exclusively by Sucampo, then (i) Sucampo shall pay Executive: (A) the amount of any COBRA continuation premium payments made by Executive during the 18-month period following the Date of Termination, or the period ending when Executive becomes eligible for comparable group medical benefits coverage from another source (whichever comes first) and (B) a lump sum payment equal to the sum of (1) 18 months of Executive's then-current annual Base Salary and (2) 150% of the current target bonus percentage of the Executive's current annual Base Salary, to be made not later than 60 days following Executive's date of termination; and (ii) Executive's Equity Incentive Awards shall vest as set forth in Section H.5 (collectively, the "Change in Control Benefits").

c. If within 12 months following a Change in Control, there is a material diminution of Executive's role in the company, material diminution of status, or diminution of reporting structure, Executive shall have the right to resign and receive the Change in Control Benefits enumerated in Section H.3.b. without being required to satisfy the standard for Good Reason defined in Section H.2.b.ii.

4. **Timing Of Payments**.

a. Sucampo shall, only to the extent necessary, modify the timing of delivery of the Separation Benefits or the Change in Control Benefits to Executive if Sucampo reasonably determines that the timing would subject such Benefit to any additional tax or interest assessed under IRC Section 409A. In such event, the payments shall be made as soon as practicable without causing the Benefit to trigger such additional tax or interest under Section 409A of the IRC. If any amount of the Benefit becomes constitutes "nonqualified deferred compensation" within the meaning of Section 409A, payment of such amount shall not commence until Executive incurs a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h). If, at the time of Executive's separation from service, Executive is a "specified employee" (under IRC Section 409A), any benefit as to which Section 409A penalties could be assessed that becomes payable to Executive on account of Executive's "separation from service" (including any amounts payable pursuant to the preceding sentence) shall be paid, without interest thereon, on the date six months and one day after such separation from service.

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Executive's Initials

b. Prior to paying any Change in Control Benefit, Sucampo shall cause its independent auditors promptly to review, at Sucampo's sole expense, the applicability to those payments of Sections 280G and 4999 of the IRC. If the auditors determine that any payment of the Change in Control Benefit would be subject to the excise tax imposed by Section 4999 of the IRC or any interest or penalties with respect to such excise tax, then such payment owed to Executive shall be reduced by an amount calculated to provide to Executive the maximum Change in Control Benefits which will not trigger application of Sections 280G and 4999 of the IRC, with any such reduction being made last with respect to benefits that are not exempt from IRC §409A.

5. **Effect Of Termination On Equity Incentive Awards**.

a. If this Agreement is terminated other than by Sucampo for Cause, any unvested Equity Incentive Awards that have a duration vesting condition as defined in the Stock Agreement shall immediately vest to the extent such unvested Equity Incentive Awards would have vested in the 12 months from the date of termination; or

b. If Sucampo is acquired or is the non-surviving party in a merger, or Sucampo sells all of its assets, and in advance of the closing of such transaction or within 12 months thereafter, this Agreement is terminated other than for Cause, any unvested Equity Incentive Awards that have a duration vesting condition as defined in the Stock Agreement shall immediately vest and any unvested Equity Incentive Awards with a performance condition shall immediately vest and may be exercised only to the extent the performance targets have been achieved or would be achieved by such acquisition, merger or sale in accordance with the terms of the Plan and the Stock Agreement.

c. If any provision of this Agreement conflicts with a provision of the Stock Agreement and/or the Plan, the provision more favorable to the Executive shall govern.

6 . **No Further Compensation**. Executive shall receive all compensation and benefits provided to Executive by Sucampo that fully accrued and fully vested before the date of termination of this Agreement. No other compensation or benefits of any nature provided by Sucampo shall continue, accrue or vest after the date of termination, except as provided under the terms of any Sucampo benefits plan in which Executive is enrolled as of the date of termination.

I. <u>Arbitration.</u>

1. Executive and Sucampo agree to resolve by arbitration any and all disputes arising from or relating to Executive's employment with Sucampo, Executive's application for such employment, the termination of this Agreement, any alleged breach of this Agreement, or post-employment issues with Sucampo (collectively, "Covered Disputes"), including:

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a. claims relating to any claim of employment discrimination on the basis of any legally protected trait, claims of retaliation for engaging in any legally protected activity, claims under the Maryland Wage Payment and Collection Law, or claims under any other federal, state or local law;

b. claims under the Family and Medical Leave Act of 1993, the Fair Labor Standards Act of 1938, the Occupational Safety and Health Act of 1970, the Uniformed Services Employment and Reemployment Rights Act of 1994, or the Worker Adjustment and Retraining Notification Act;

c. claims for breach of an express or implied contract, quasi-contractual claims (*e.g.* unjust enrichment, quantum meruit, promissory estoppel), or tort claims;

d. claims for benefits under the Executive Retirement Income Security Act, except claims under an employee pension or benefit plan which specifies that its claims procedure shall culminate in an arbitration procedure different from this one, or is underwritten by a commercial insurer which decides such claims.

2. Covered Disputes do not include: (a) claims for workers' compensation benefits; (b) claims for unemployment compensation benefits; (c) claims based upon Sucampo's current (successor or future) stock option plans, employee pension and/or welfare benefit plans if those plans contain some form of a grievance, arbitration, or other procedure for the resolution of disputes under the plan; and (d) claims by law which are not subject to mandatory binding pre-dispute arbitration pursuant to the Federal Arbitration Act, such as claims under the Dodd-Frank Act.

3. Executive agrees that, if Sucampo terminates the Agreement for Cause and an arbitrator later determines that Sucampo did not have Cause to terminate the Agreement, then the remedy awarded to Executive shall be limited to such compensation and benefits as Executive would have received in the event of Executive's termination other than for Cause at the same time as the original termination.

4. Executive affirms that Executive has been provided with a copy of Sucampo's Arbitration Procedures, and has had an opportunity to ask questions regarding the procedures, to seek counsel, and has read, understands and accepts them. By signing below, the Executive acknowledges and agrees that Sucampo has the unilateral right to amend its arbitration procedures from time to time as long as the underlying procedures provide similar access to the arbitration process

J. Executive's Representations. Executive represents to Sucampo that Executive has no obligations to any other person or entity that conflict with the Executive's obligations under this Agreement. Executive further represents that, to the extent Executive has disclosed information to Sucampo, created any original materials or used any proprietary information in consulting, working or rendering services with, for or to Sucampo, Executive has the right to do so, and such actions shall not violate any privacy, proprietary or other rights of others.

_____
Executive's Initials

K. Choice of Law.

This Agreement is governed by the laws of the United States and the State of Maryland, without regard to its choice of law provisions.

L. Severability.

If any term of this Agreement is declared unenforceable, the decision-maker of competent jurisdiction shall interpret or modify this Agreement, to the extent necessary, for it to be enforceable. If any term of this Agreement is declared unenforceable and cannot be modified to be enforceable, such term or provision shall immediately become null and void, leaving the remainder of this Agreement in full force and effect.

M. No Oral Agreements.

By signing below, Executive confirms that Executive understands Sucampo does not enter into any oral agreements with any personnel.

N. Entire Agreement; Amendment.

1. This Agreement sets forth the entire agreement between the Parties concerning the topics addressed in this Agreement. This Agreement shall be binding upon and inure to the benefit of Sucampo, its successors and assigns, without the need for further agreement or consent by Executive. If Sucampo is acquired during the Term, or is the non-surviving party in a merger, or sells all or substantially all of its assets, this Agreement shall not automatically be terminated, and Sucampo agrees to use its best efforts to ensure that the transferee or surviving company shall assume and be bound by the provisions of this Agreement. The failure of either party to enforce any of the provisions in this Agreement shall not be construed to be a waiver of the right of that party to enforce any such provision.

2. During the term of this Agreement, the Agreement may not be modified, altered or changed, except through a writing signed by both Parties. On the Anniversary Date of this Agreement, Sucampo reserves the unilateral right to modify any term of this Agreement except for the terms of Section B.1, Section H. Section I or Section N so long as Sucampo complies with the notice requirements in Section A.2 above. If Executive rejects Sucampo's modified Agreement that complies with Section N, Sucampo may elect to employ Executive at-will without an employment agreement, or either party may end Executive's employment under the terms of Section H.

O. Notices.

Executive and Sucampo agree that all notices or other communications required or permitted under this Agreement shall be deemed to be sufficient only if contained in a written instrument given by personal delivery, air courier or registered or certified mail, postage prepaid, return receipt requested, addressed to such party at the address set forth below or such other address as may thereafter be designated in a written notice from such party to the other party:

To Sucampo:	Sucampo Pharmaceuticals, Inc. Attn: Executive Vice President, Global Human Resources, Information Technology and Strategy Copy to: Corporate Secretary 805 King Farm Boulevard, Suite 550 Rockville, Maryland 20850
To Executive:	Jones Woodrow Bryan, Jr. ##### ########## ##### ########## ## #####

All such notices, advances and communications shall be deemed to have been delivered and received (1) in the case of personal delivery, on the date of such delivery, (2) in the case of air courier, on the business day after the date when sent and (3) in the case of mailing, on the third business day following such mailing.

P. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and both of which, taken together shall constitute one and the same instrument. Signatures to this Agreement transmitted by facsimile transmission, by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, shall have the same effect as physical delivery of the paper document bearing the original signature.

EXECUTIVE KNOWINGLY AND FREELY AGREES TO ALL THE TERMS OF THIS AGREEMENT, INCLUDING THE MUTUAL AGREEMENT TO ARBITRATE CLAIMS THAT OTHERWISE COULD HAVE BEEN BROUGHT IN COURT. EXECUTIVE AFFIRMS THAT EXECUTIVE HAS HAD SUFFICIENT TIME TO READ AND UNDERSTAND THE TERMS OF THIS AGREEMENT AND HAS BEEN ADVISED OF EXECUTIVE'S RIGHT TO SEEK LEGAL COUNSEL REGARDING THE MEANING AND EFFECT OF THIS AGREEMENT PRIOR TO SIGNING.

EXECUTIVE:

Jones W. Bryan — 3/7/2017

Executive (signature) — Date

/s/ Jones W. Bryan

Executive (printed name)

SUCAMPO PHARMACEUTICALS, INC.

/s/ Max Donley — 3/7/2017

Max Donley (signature) — Date

Executive Vice President
Global Human Resources,
Information Technology and Strategy

Executive's Initials

Exhibit 12.1

Ratio of Earnings to Fixed Charges

(in thousands, except for ratio)	Six Months Ended June 30, 2017	Year ended December 31, 2016	2015	2014	2013	2012
Pretax income from continuing operations	$ (171,018)	$ 14,375	$ 43,675	$ 27,133	$ 10,943	$ 7,977
Fixed charges:						
Interest expense	5,806	23,761	6,854	1,520	1,894	2,346
Earnings (a)	(165,212)	38,136	50,529	28,653	12,837	10,323
Fixed charges (b)	5,806	23,761	6,854	1,520	1,894	2,346
Ratio of earnings to fixed charges (a/b)	(28.5)	1.6	7.4	18.9	6.8	4.4

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Peter Greenleaf, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sucampo Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(F)) for the registrant and have:

   (a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrants fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2017

/s/ Peter Greenleaf
Peter Greenleaf
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Peter Pfreundschuh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sucampo Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(F)) for the registrant and have:

   (a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrants fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2017

/s/ Peter Pfreundschuh
Peter Pfreundschuh
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Sucampo Pharmaceuticals, Inc. (the "Company") certifies to the best of his knowledge that:

(1) The Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 of the Company (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2017

/s/ Peter Greenleaf
Peter Greenleaf
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Sucampo Pharmaceuticals, Inc. (the "Company") certifies to the best of his knowledge that:

(1) The Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 of the Company (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2017

/s/ Peter Pfreundschuh
Peter Pfreundschuh
Chief Financial Officer
(Principal Financial Officer)