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 March 31, 2019

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 001-36510

ZAFGEN, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-3857670**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

Zafgen, Inc.
175 Portland Street, 4th Floor
Boston, Massachusetts 02114
(Address of principal executive offices, including zip code)

Registrant's Telephone Number, Including Area Code: (617) 622-4003

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

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

Indicate by check mark 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	☐	Emerging growth company	☒
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 ☒

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	ZFGN	NASDAQ Global Market

As of April 30, 2019, there were 37,326,895 shares of the registrant's Common Stock, $0.001 par value per share, outstanding.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q Report, or Quarterly Report, contains forward-looking statements that involve risks and uncertainties. We make such forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. All statements other than statements of historical facts contained in this Quarterly Report are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “continue” or the negative of these terms or other comparable terminology. These forward-looking statements include, but are not limited to, statements about:

- the accuracy of our estimates regarding expenses, future revenues, cash forecasts and capital requirements;
- our ability to successfully file and have our investigational new drug application, or IND, for ZGN-1258, ZGN-1345 and/or ZGN-1061 go into effect, including our ability to overcome the full clinical hold placed on ZGN-1061 by the U.S. Food and Drug Administration, or FDA;
- our ability to continue to evaluate ZGN-1258 and to advance the program in nonclinical and clinical development following an unexpected finding in muscle tissue in rodent toxicology studies;
- our ability to successfully advance ZGN-1061 and our other product candidates into and through all clinical trials to enable submission of a new drug application, or NDA;
- our ability to gain regulatory approval and to successfully commercialize our product candidates;
- our ability to develop supportive clinical and nonclinical data for partnering and to successfully partner ZGN-1061 before commencing Phase 3 clinical development;
- our ability to advance our earlier-stage product candidates, including ZGN-1258 (if our further evaluation of ZGN-1258 warrants continued development and potential commercialization) or ZGN-1345, into clinical development and successfully complete clinical trials;
- our ability to dissociate effects of methionine aminopeptidase 2, or MetAP2, inhibitors from pro-thrombotic effects or other adverse events observed in clinical development of our first-generation compound, beloranib;
- our ability to distinguish ZGN-1061, ZGN-1258, ZGN-1345 and other novel MetAP2 inhibitors relative to our first-generation compound;
- regulatory and political developments in the United States and foreign countries;
- the performance of our third-party contract manufacturers and clinical research organizations;
- our ability to obtain and maintain intellectual property protection for our proprietary assets;
- the size of the potential markets for our product candidates and our ability to serve those markets;
- the rate and degree of market acceptance of our product candidates for any indication once approved;
- our ability to obtain additional financing when needed;
- the success of competing products that are or become available for the indications that we are pursuing;
- the loss of our executive, medical and development teams; and
- other risks and uncertainties, including those listed under Part I, Item 1A. Risk Factors.

Any forward-looking statements in this Quarterly Report reflect our current views with respect to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under Part II, Item 1A. Risk Factors and elsewhere in this Quarterly Report. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

This Quarterly Report also contains estimates, projections and other information concerning our industry, our business, and the markets for certain diseases, including data regarding the estimated size of those markets, and the incidence and prevalence of certain medical conditions. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained this industry, business, market and other data from reports, research surveys, studies and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data and similar sources.

Zafgen, Inc.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

ZAFGEN, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

	March 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 36,423	$ 49,331
Marketable securities	68,243	68,735
Tax incentive receivable	1,550	1,536
Prepaid expenses and other current assets	1,259	1,728
Total current assets	107,475	121,330
Property and equipment, net	337	375
Operating lease right-of-use assets	883	—
Tax incentive receivable, net of current portion	94	—
Restricted cash	1,339	—
Other assets	57	57
Total assets	$ 110,185	$ 121,762
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 3,156	$ 3,590
Accrued expenses and other	3,299	4,261
Notes payable, current	7,273	5,455
Total current liabilities	13,728	13,306
Notes payable, long-term	13,526	15,185
Operating lease liabilities	567	—
Total liabilities	27,821	28,491
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock; $0.001 par value per share; 5,000,000 shares authorized as of March 31, 2019 and December 31, 2018; no shares issued and outstanding as of March 31, 2019 and December 31, 2018	—	—
Common stock, $0.001 par value per share; 115,000,000 shares authorized as of March 31, 2019 and December 31, 2018; 37,323,079 and 37,287,221 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively	37	37
Additional paid-in capital	446,383	444,212
Accumulated deficit	(364,057)	(350,945)
Accumulated other comprehensive income (loss)	1	(33)
Total stockholders' equity	82,364	93,271
Total liabilities and stockholders' equity	$ 110,185	$ 121,762

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

ZAFGEN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except share and per share data)

	Three Months Ended March 31,	
	2019	2018
Revenue	$ —	$ —
Operating expenses:		
Research and development	9,631	12,433
General and administrative	3,646	3,269
Total operating expenses	13,277	15,702
Loss from operations	(13,277)	(15,702)
Other income (expense):		
Interest income	642	267
Interest expense	(500)	(458)
Foreign currency transaction gains (losses), net	23	(63)
Total other income (expense), net	165	(254)
Net loss	$ (13,112)	$ (15,956)
Net loss per share, basic and diluted	$ (0.35)	$ (0.58)
Weighted average common shares outstanding, basic and diluted	37,313,947	27,541,594
Comprehensive loss:		
Net loss	$ (13,112)	$ (15,956)
Other comprehensive income:		
Unrealized gain on marketable securities	34	9
Total other comprehensive income	34	9
Total comprehensive loss	$ (13,078)	$ (15,947)

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

ZAFGEN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands, except share data)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Par Value				
Balances as of December 31, 2017	27,489,457	$ 27	$ 367,825	$ (289,577)	$ (58)	$ 78,217
Issuance of common stock upon exercise of stock options and employee stock purchase plan	63,893	1	260	—	—	261
Issuance of restricted stock units	5,533	—	—	—	—	—
Stock-based compensation expense	—	—	2,466	—	—	2,466
Unrealized gain on marketable securities	—	—	—	—	9	9
Net loss	—	—	—	(15,956)	—	(15,956)
Balances as of March 31, 2018	27,558,883	$ 28	$ 370,551	$ (305,533)	$ (49)	$ 64,997
Balances as of December 31, 2018	37,287,221	$ 37	$ 444,212	$ (350,945)	$ (33)	$ 93,271
Issuance of common stock upon exercise of stock options and employee stock purchase plan	31,391	—	95	—	—	95
Issuance of restricted stock units	4,467	—	—	—	—	—
Stock-based compensation expense	—	—	2,076	—	—	2,076
Unrealized gain on marketable securities	—	—	—	—	34	34
Net loss	—	—	—	(13,112)	—	(13,112)
Balances as of March 31, 2019	37,323,079	$ 37	$ 446,383	$ (364,057)	$ 1	$ 82,364

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

ZAFGEN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Three Months Ended March 31,	
	2019	**2018**
Cash flows from operating activities:		
Net loss	$ (13,112)	$ (15,956)
Adjustments to reconcile net loss to net cash used in operating activities		
Stock-based compensation expense	2,076	2,466
Depreciation expense	51	50
Unrealized foreign currency transaction (gains) losses	(14)	14
Premium on marketable securities, net	—	(3)
Amortization of discount on marketable securities	(283)	(11)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	469	507
Tax incentive receivable	(94)	(581)
Accounts payable	(445)	776
Accrued expenses and other	(1,119)	(527)
Net cash used in operating activities	(12,471)	(13,265)
Cash flows from investing activities:		
Proceeds from sales and maturities of marketable securities	34,275	30,839
Purchases of marketable securities	(33,466)	(12,880)
Purchases of property and equipment	(2)	(1)
Net cash provided by investing activities	807	17,958
Cash flows from financing activities:		
Proceeds from exercise of common stock options and employee stock purchase plan	95	261
Net cash provided by financing activities	95	261
Net (decrease) increase in cash, cash equivalents and restricted cash	(11,569)	4,954
Cash, cash equivalents and restricted cash at beginning of period	49,331	40,777
Cash, cash equivalents and restricted cash at end of period	$ 37,762	$ 45,731
Supplemental disclosure of non-cash investing and financing activities:		
Property and equipment included in accounts payable	$ 11	$ —
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 339	$ 198

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

1. Nature of the Business and Basis of Presentation

Zafgen, Inc., or the Company, was incorporated on November 22, 2005 under the laws of the State of Delaware. The Company is a clinical-stage biopharmaceutical company leveraging its proprietary knowledge of the methionine aminopeptidase 2 ("MetAP2") pathway to develop novel therapies for patients affected by a range of complex metabolic diseases. Zafgen has pioneered the study of MetAP2 inhibitors in both common and rare metabolic disorders, and its current disease areas of focus are type 2 diabetes, Prader-Willi syndrome ("PWS") and liver diseases. The Company's lead product candidate, ZGN-1061, is a MetAP2 inhibitor in Phase 2 clinical development with unique properties that maximize impact on metabolic parameters relevant to the treatment of type 2 diabetes and other related metabolic disorders. In November 2018, the Company received a letter from the U.S. Food and Drug Administration ("FDA") placing a full clinical hold on the investigational new drug application ("IND") for the first U.S. clinical trial of ZGN-1061. The FDA cited the possibility of cardiovascular ("CV") safety risk based on the Company's prior compound and outlined multiple potential paths for moving forward, including nonclinical or clinical options, to address these concerns in the ongoing development of ZGN-1061. In January 2018, the Company announced advancement of its highly optimized MetAP2 development candidate ZGN-1258, and in the first quarter of 2018, initiated IND enabling nonclinical efforts for evaluation of ZGN-1258 in the treatment of people affected by PWS. In March 2019, the Company announced its decision to suspend plans to file an IND for ZGN-1258 in order to evaluate ZGN-1258 following an unexpected finding in muscle tissue in rodent toxicology studies. In the fourth quarter of 2018, the Company announced that ZGN-1345, an oral dosed MetAP2 inhibitor specifically targeting the liver, has been formally advanced to development candidate stage. The Company is subject to risks common to companies in the biotechnology industry including, but not limited to, new technological innovations, protection of proprietary technology, dependence on key personnel, compliance with government regulations and the need to obtain additional financing. Product candidates currently under development will require significant additional research and development efforts, including extensive nonclinical and clinical testing and regulatory approval, prior to commercialization. These efforts require significant amounts of additional capital, adequate personnel infrastructure, and extensive compliance-reporting capabilities.

Each of the Company's product candidates is in the research and development stage. There can be no assurance that the Company's research and development will be successfully completed, that adequate protection for the Company's intellectual property will be obtained, that any product candidates developed will obtain necessary government regulatory approval or that any approved products will be commercially viable. Even if the Company's product development efforts are successful, it is uncertain when, if ever, the Company will generate significant revenue from product sales. The Company operates in an environment of rapid change in technology and substantial competition from pharmaceutical and biotechnology companies. In addition, the Company is dependent upon the services of its employees and consultants.

The Company has incurred losses and negative cash flows from operations since its inception. As of March 31, 2019, the Company had an accumulated deficit of $364.1 million. From its inception through March 31, 2019, the Company received net proceeds of $397.9 million from the sales of redeemable convertible preferred stock, the issuance of convertible promissory notes, the proceeds from its initial public offering ("IPO") in June 2014 and its follow-on offerings in January 2015 and July 2018. On July 2, 2018, the Company completed a public offering of its common stock, which resulted in the sale of 9,200,000 shares at a price of $7.50 per share, resulting in net proceeds of approximately $64.6 million after deducting underwriting discounts and commissions, as well as offering costs. As disclosed in Note 5 to the condensed consolidated financial statements, the Company has a term loan with an aggregate principal balance of $20.0 million as of March 31, 2019. The loan agreement requires that the Company maintain certain minimum liquidity at all times, which as of March 31, 2019, was approximately $21.0 million. If the minimum liquidity covenant is not met, the Company may be required to repay the loan prior to scheduled maturity dates. Until such time, if ever, as the Company can generate substantial product revenue, the Company expects to finance its cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances, licensing arrangements and other sources of funding.

Based on its current operating plans, the Company believes its cash, cash equivalents and marketable securities of $104.7 million as of March 31, 2019 will be sufficient to fund its anticipated level of operations, capital expenditures and satisfy debt repayments for a period of at least 12 months from the issuance date of this Quarterly Report. The Company expects to generate operating losses for the foreseeable future. If the Company is unable to raise additional funds through equity or debt financings, the Company may be required to delay, limit, reduce or terminate product development or future commercialization efforts or grant rights to develop and market products or product candidates that the Company would otherwise prefer to develop and market itself.

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Zafgen Securities Corporation, Zafgen Australia Pty Limited, and Zafgen Animal Health, LLC. All intercompany balances and transactions have been eliminated.

Unaudited Interim Financial Information

The condensed consolidated balance sheet as of December 31, 2018 was derived from the Company's audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). The accompanying unaudited condensed consolidated financial statements as of March 31, 2019 and for the three months ended March 31, 2019 and 2018, have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), for interim financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2018, included in the Company's Annual Report on Form 10-K, for the year ended December 31, 2018, on file with the SEC. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of the Company's condensed consolidated financial position as of March 31, 2019 and condensed consolidated results of operations and cash flows for the three months ended March 31, 2019 and 2018 have been made. The results of operations for the three months ended March 31, 2019 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2019.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the condensed consolidated financial statements, and the reported amounts of expenses during the reporting periods. Significant estimates and assumptions reflected in these condensed consolidated financial statements include, but are not limited to, the accrual of research and development expenses and the valuation of stock-based awards. Estimates are periodically reviewed in light of changes in circumstances, facts and experience. Actual results could differ from the Company's estimates.

Marketable securities

Marketable securities consist of investments with original maturities greater than ninety days. The Company has classified its investments with maturities beyond one year as short term, based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations. The Company classifies its marketable securities as available-for-sale. Accordingly, these investments are recorded at fair value, which is based on quoted market prices. Unrealized gains and losses are reported as a component of accumulated other comprehensive income (loss) in stockholders' equity. Realized gains and losses and declines in value judged to be other than temporary are included as a component of other income (expense), net, based on the specific identification method. When determining whether a decline in value is other than temporary, the Company considers various factors, including whether the Company has the intent to sell the security, and whether it is more likely than not that the Company will be required to sell the security prior to recovery of its amortized cost basis. Fair value is determined based on quoted market prices.

Net Loss Per Share

Basic net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net loss per share attributable to common stockholders is computed by dividing the diluted net loss attributable to common stockholders by the weighted average number of common shares, including potential dilutive common shares assuming the dilutive effect of outstanding stock options and unvested restricted common shares, as determined using the treasury stock method. For periods in which the Company has reported net losses, diluted net loss per common share attributable to common stockholders is the same as basic net loss per common share attributable to common stockholders, since dilutive common shares are not assumed to have been issued if their effect is antidilutive.

The Company excluded the following common stock equivalents, outstanding as of March 31, 2019 and 2018, from the computation of diluted net loss per share for the three months ended March 31, 2019 and 2018 because they had an anti-dilutive impact due to the net loss incurred for the periods:

	As of March 31,	
	2019	2018
Options to purchase common stock	6,663,162	5,839,261
Unvested restricted common stock	351,371	13,393
	7,014,533	5,852,654

Recently Issued and Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2016-02, *Leases* and in July 2018, the FASB issued ASU No. 2018-11, Leases (Topic 842): *Targeted Improvements*. The new leasing standards generally require lessees to recognize operating and financing lease liabilities and corresponding right-of-use assets on the consolidated balance sheet and to provide enhanced disclosures surrounding the amount, timing and uncertainty of cash flows arising from leasing arrangements.

We adopted the new leasing standards using the modified retrospective transition approach, as of January 1, 2019, with no restatement of prior periods or cumulative adjustment to retained earnings. Upon adoption, we elected the package of transition practical expedients, which allowed us to carry forward prior conclusions related to whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases and initial direct costs for existing leases. In addition, the Company elected the hindsight practical expedient to determine the lease term for existing leases. The Company elected not to record leases with an initial term of 12 months or less on the balance sheet and recognize the associated lease payments in the consolidated statements of operations on a straight-line basis over the lease term. Upon adoption of the new leasing standards we recognized an operating lease asset of approximately $1.0 million and a corresponding operating lease liability of approximately $1.0 million, which are included in our condensed consolidated balance sheet. The adoption of the new leasing standards did not have an impact on our condensed consolidated statements of income or cash flows.

We determine if an arrangement is a lease at contract inception. Operating lease assets represent our right to use an underlying asset for the lease term and operating lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date of the lease based upon the present value of lease payments over the lease term. When determining the lease term, we include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. We use the implicit rate when readily determinable and use our incremental borrowing rate when the implicit rate is not readily determinable based upon the information available at the commencement date in determining the present value of the lease payments. Our incremental borrowing rate is determined using a secured borrowing rate for the same currency and term as the associated lease.

The lease payments used to determine our operating lease assets may include lease incentives, stated rent increases and escalation clauses linked to rates of inflation when determinable and are recognized in our operating lease assets in our condensed consolidated balance sheets.

Our operating leases are reflected in operating lease right-of-use assets, accrued expenses and in long-term operating lease liabilities in our condensed consolidated balance sheets. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

For additional information on the adoption of the new leasing standards, please read Note 7, *Commitments and Contingencies*, to these condensed consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. This ASU is intended to simplify aspects of share-based compensation issued to non-employees by making the guidance consistent accounting for employee share-based compensation. This standard was effective for the Company in 2019. The adoption of this guidance had an immaterial impact on the Company's consolidated financial statements as of and for the three months ended March 31, 2019.

3. Fair Value Measurements and Marketable Securities

Fair Value Measurements

The following tables present information about the Company's financial assets that have been measured at fair value as of March 31, 2019 and December 31, 2018 and indicate the fair value of the hierarchy of the valuation inputs utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair value determined by Level 2 inputs utilize observable inputs other than Level 1 prices, such as quoted prices, for similar assets or liabilities, quoted market prices 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 related assets or liabilities. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. During the three months ended March 31, 2019 and the year ended December 31, 2018, there were no transfers between Level 1 and Level 2 financial assets.

The following tables summarize the Company's cash equivalents and marketable securities as of March 31, 2019 and December 31, 2018:

	March 31, 2019			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			
Cash equivalents:				
Money market funds	$ 17,499	$ 17,499	$ —	$ —
Commercial paper	10,675	—	10,675	—
U.S. Government securities	1,246	—	1,246	—
Total cash equivalents	29,420	17,499	11,921	—
Marketable securities:				
Commercial paper	33,732	—	33,732	—
Corporate bonds	22,441	—	22,441	—
U.S. Government securities	12,070	—	12,070	—
Total marketable securities	68,243	—	68,243	—
Total cash equivalents and marketable securities	$ 97,663	$ 17,499	$ 80,164	$ —

	December 31, 2018			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			
Cash equivalents:				
Money market funds	$ 40,231	$ 40,231	$ —	$ —
Commercial paper	4,979	—	4,979	—
Total cash equivalents	45,210	40,231	4,979	—
Marketable securities:				
Commercial paper	38,911	—	38,911	—
Corporate bonds	25,830	—	25,830	—
U.S. Government securities	3,994	—	3,994	—
Total marketable securities	68,735	—	68,735	—
Total cash equivalents and marketable securities	$ 113,945	$ 40,231	$ 73,714	$ —

The carrying amounts reflected in the condensed consolidated balance sheets for tax incentive receivable, accounts payable, and accrued expenses approximate fair value due to their short-term maturities. The carrying value of the Company's outstanding notes payable approximates fair value (a Level 2 fair value measurement), reflecting interest rates currently available to the Company.

Marketable Securities

The following tables summarize the Company's marketable securities as of March 31, 2019 and December 31, 2018:

	March 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Assets:				
Commercial paper (due within 1 year)	$ 33,733	$ —	$ (1)	$ 33,732
Corporate bonds (due within 1 year)	22,439	4	(2)	22,441
U.S. Government securities (due within 1 year)	12,067	3	—	12,070
	$ 68,239	$ 7	$ (3)	$ 68,243

	December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Assets:				
Commercial paper (due within 1 year)	$ 38,921	$ —	$ (10)	$ 38,911
Corporate bonds (due within 1 year)	25,851	3	(24)	25,830
U.S. Government securities (due within 1 year)	3,995	—	(1)	3,994
	$ 68,767	$ 3	$ (35)	$ 68,735

4. Accrued Expenses and Other

Accrued expenses and other consisted of the following as of March 31, 2019 and December 31, 2018:

	March 31, 2019	December 31, 2018
	(in thousands)	
Accrued research and development expenses	$ 1,338	$ 1,526
Accrued payroll and related expenses	931	2,291
Accrued professional fees	486	221
Operating lease liabilities	332	—
Accrued other	212	223
	$ 3,299	$ 4,261

5. Notes Payable

On December 29, 2017, the Company entered into a loan and security agreement with Silicon Valley Bank (the "Term Loan"). The Term Loan provided for borrowings of $20.0 million. On December 29, 2017, the Company received proceeds of $20.0 million from the issuance of a promissory note. The promissory note issued under the Term Loan is collateralized by substantially all of the Company's personal property, other than its intellectual property.

Upon entering into the Term Loan, the Company became obligated to make monthly, interest-only payments until March 29, 2019 and, thereafter, to pay 33 consecutive, equal monthly installments of principal and interest from April 1, 2019 through December 1, 2021. The outstanding Term Loan bears a variable interest at an annual rate of 1.25% above the prime rate, which at March 31, 2019 was 5.5%. In addition, a final payment equal to 8.0% of the Term Loan is due upon the earlier of the maturity date, acceleration of the Term Loan or prepayment of all or part of the Term Loan. The Company accrues the final payment amount of $1.6 million, to outstanding debt by charges to interest expense using the effective-interest method from the date of issuance through the maturity date.

Additionally, the Company, as borrower, is required to maintain a minimum cash, cash equivalents and marketable securities balance at Silicon Valley Bank of no less than 105% of the total outstanding principal balance of the Term Loan, which was $21.0 million as of March 31, 2019 and December 31, 2018.

Further, since 45 days after the Term Loan was entered in, the Company has met its obligation to maintain a balance of unrestricted cash, cash equivalents and marketable securities at Silicon Valley Bank in an amount not less than the greater of (i) $55.0 million and (ii) sixty-five percent (65%) of all the Company's cash, cash equivalents and marketable securities. If the Company does not meet this requirement it will not be considered an event of default provided it immediately secures 87.5% of the principal balance in a restricted cash account.

There are negative covenants restricting the Company's activities, including limitations on dispositions, mergers or acquisitions; encumbering or granting a security interest in its intellectual property; incurring indebtedness or liens; paying dividends; making certain investments; limiting the aggregate value of cash maintained by its Australian subsidiary not to exceed $4.0 million and certain other business transactions.

The Term Loan also includes events of default, the occurrence and continuation of any of which provides the lenders the right to exercise remedies against the Company and the collateral securing the amounts due under the Term Loan, including cash in the amount of the outstanding balance. These events of default include, among other things, failure to pay any amounts due under the Term Loan, insolvency, the occurrence of a material adverse event, the occurrence of any default under certain other indebtedness and a final judgment against the Company in an amount greater than $0.3 million.

As of March 31, 2019 and December 31, 2018, notes payable consist of the following:

	March 31, 2019	December 31, 2018
	(in thousands)	
Notes payable	$ 20,000	$ 20,000
Less: current portion	(7,273)	(5,455)
Notes payable, net of current portion	12,727	14,545
Accretion related to final payment	799	640
Notes payable, long term	$ 13,526	$ 15,185

As of March 31, 2019, the estimated future principal payments due are as follows:

Year Ending December 31, (in thousands)	
2019 (April - December)	$ 5,455
2020	7,273
2021	7,272
Total	$ 20,000

During the three months ended March 31, 2019 and 2018, the Company recognized $0.5 million of interest expense related to the Term Loan. The effective annual interest rate as of March 31, 2019 on the outstanding debt under the Term Loan was approximately 9.9%.

6. Stock-Based Awards

The Company's 2014 Stock Option and Incentive Plan, as amended (the "2014 Plan") provides for the grant of stock options, stock appreciation rights, restricted stock awards, restricted stock units, unrestricted stock awards, performance-share awards, cash-based awards and dividend equivalent rights to employees, members of the board of directors and consultants of the Company. The Company has outstanding stock-based awards under its Amended and Restated 2006 Stock Option Plan but is no longer granting awards under this plan. The Company also issues common stock under its 2014 Employee Stock Purchase Plan (the "ESPP"). As of March 31, 2019, 1,986,794 shares are available for grant under the 2014 Plan, including 1,491,488 shares automatically added to the 2014 Plan on January 1, 2019, and 109,120 shares are available for issuance to participating employees under the ESPP.

The Company recorded stock-based compensation expense related to stock options, restricted common stock and the ESPP in the following expense categories within its condensed consolidated statements of operations for the three ended March 31, 2019 and 2018 as follows:

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Research and development	$ 960	$ 1,572
General and administrative	1,116	894
	$ 2,076	$ 2,466

7. Commitments and Contingencies

Leases

On February 12, 2019, the Company entered into a lease with Shigo Center Plaza Owners, LLC, for approximately 17,705 square feet of office space for a new headquarters located at 3 Center Plaza, Boston, Massachusetts. The lease has a term of 124 months with an option to extend the lease for 60 additional months. As part of the agreement the Company is required to maintain a letter of credit, which upon signing was $1.3 million and is classified as restricted cash within the condensed consolidated financial statements. Under the lease agreement, the Company will pay monthly rent beginning four months after an agreed upon commencement date with total lease payments over the initial term of $10.7 million. As of March 31, 2019, the commencement date has not yet been determined.

The Company also has a lease for office space in Boston, Massachusetts, effective as of July 28, 2014, with a term expiring July 31, 2020. In March 2015, the Company entered into an operating lease for additional office space in Boston, Massachusetts, effective as of April 15, 2015, with a term expiring on July 31, 2020, and an option to extend this lease for three additional years. In addition, with the landlord's consent, the Company has subleased 2,976 square feet of office space in Boston, Massachusetts to an unrelated third party beginning on January 1, 2017 and expiring on June 30, 2020, and the Company expects to receive approximately $0.1 million in sublease rental income from April 1, 2019 through the end of the sublease term. In October 2015, the Company entered into an operating lease for office space in San Diego, California, effective as of October 1, 2015, with a term extended to expire on December 31, 2024.

The future minimum lease payments, not including the new headquarters located at 3 Center Plaza, for the next five years and thereafter as of March 31, 2019, are as follows:

Year Ending December 31, (in thousands)	Operating Leases
2019 (April - December)	$ 285
2020	255
2021	108
2022	113
2023	118
Thereafter	123
Total lease payments	1,002
Less: imputed interest	(103)
Total	$ 899

Under the prior lease guidance minimum rental commitments under non-cancelable leases for each of the next five years and thereafter as of December 31, 2018, were as follows:

Year Ending December 31, (in thousands)	Operating Leases
2019	$ 464
2020	226
2021	—
2022	—
2023	—
Thereafter	—
Total lease payments	$ 690

During the three months ended March 31, 2019 we incurred $0.1 million of lease expense associated with research and development and less than $0.1 million of lease expense associated with general and administrative activities. The components of lease expense are as follows:

	Three Months Ended March 31, 2019 (in thousands)
Operating lease cost	$ 127
Short-term lease cost	41
Sublease income	(28)
Total lease cost	$ 140

During the three months ended March 31, 2018 the Company recognized $0.1 million of rental expense related to office space.

The following table summarizes the presentation in our condensed consolidated balance sheet information related to our operating leases:

	As of March 31, 2019 (in thousands)
Assets	
Operating lease right-of-use assets	$ 883
Liabilities	
Accrued expenses - current operating lease liabilities	332
Operating lease liabilities	567
Total operating lease liabilities	$ 899

The weighted average remaining lease term and weighted average discount rate of our operating leases are as follows:

	As of March 31, 2019
Weighted average remaining lease term in years	4.03
Weighted average discount rate	5.5%

Cash paid for amounts included in the measurement of operating lease liabilities was $0.1 million during the three months ended March 31, 2019 and is included in operating activities within the condensed consolidated statement of cash flows. There were no additional right-of-use assets recognized as non-cash asset additions that resulted from new operating lease liabilities during the three months ended March 31, 2019.

Intellectual Property Licenses

The Company has acquired exclusive rights to develop patented compounds and related know-how for beloranib under two licensing agreements with two third parties in the course of its research and development activities. The licensing rights obligate the Company to make payments to the licensors for license fees, milestones, license maintenance fees and royalties. The Company is also responsible for patent prosecution costs.

As of March 31, 2019, the Company is obligated to make additional milestone payments of up to $12.3 million upon reaching certain pre-commercialization milestones, such as clinical trials and government approvals (including the FDA, approval of a New Drug application (“NDA”), and up to $12.5 million upon reaching certain product commercialization milestones related to the development of beloranib. Under one of the license agreements, the Company is also obligated to pay up to $1.3 million with respect to each subsequent licensed product, if any, that is a new chemical entity. In addition, the Company will owe single-digit royalties on sales of commercial products developed using these licensed technologies, if any.

There were no milestones achieved during the three months ended March 31, 2019 and 2018 and the development related to this technology is no longer active. The Company is also obligated to pay to the licensors a percentage of fees received if and when the Company sublicenses the technology. As of March 31, 2019, the Company has not yet developed a commercial product using the licensed technologies and it has not entered into any sublicense agreements for the technologies.

Indemnification Agreements

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners, and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its management team and its board of directors that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. To date, the Company has not incurred any material costs as a result of such indemnifications. The Company does not believe that the outcome of any claims under indemnification arrangements will have a material effect on its financial position, results of operations or cash flows, and it has not accrued any liabilities related to such obligations in its condensed consolidated financial statements as of March 31, 2019.

Legal Proceedings

The Company accrues a liability for legal contingencies when it believes that it is both probable that a liability has been incurred and that the Company can reasonably estimate the amount of the loss. The Company reviews these accruals and adjusts them to reflect ongoing negotiations, settlements, rulings, advice of legal counsel and other relevant information. To the extent new information is obtained and the views on the probable outcomes of claims, suits, assessments, investigations or legal proceedings change, changes in the Company's accrued liabilities would be recorded in the period in which such determination is made. In addition, in accordance with the relevant authoritative guidance, for any matters in which the likelihood of material loss is at least reasonably possible, the Company will provide disclosure of the possible loss or range of loss. If a reasonable estimate cannot be made, however, the Company will provide disclosure to that effect. The Company expenses legal costs as they are incurred.

The Company may periodically become subject to other legal proceedings and claims arising in connection with ongoing business activities, including claims or disputes related to patents that have been issued or that are pending in the field of research on which the Company is focused. The Company is not aware of any material claims as of March 31, 2019.

8. Retirement Plan

Effective January 1, 2018, the Company adopted a 401(k) plan for its employees. Under the terms of the plan, the Company contributes 3% of an employee's annual base salary, up to a maximum of the annual Internal Revenue Service compensation limits, for all full-time employees.

During the three months ended March 31, 2019 and 2018, the Company recognized $0.1 million of expense related to its contributions to the 401(k) plan.

9. Australia Research and Development Tax Incentive

The Company's wholly owned subsidiary, Zafgen Australia Pty Limited, which conducts core research and development activities on behalf of the Company, is eligible to receive a 43.5% refundable tax incentive for qualified research and development activities. For the three months ended March 31, 2019 and 2018, $0.1 million and $0.6 million, respectively, were recorded as a reduction to research and development expenses in the condensed consolidated statements of operations. These amounts represented 43.5% of the Company's qualified research and development spending in Australia. The refund is denominated in Australian dollars and, therefore, the related receivable is re-measured into U.S. dollars as of each reporting date. For the three months ended March 31, 2019 and 2018, the Company recorded in its condensed consolidated statements of operations unrealized foreign currency exchange gains of less than $0.1 million, related to this tax incentive receivable. As of March 31, 2019 and December 31, 2018, the Company's tax incentive receivable from the Australian government was $1.6 million and $1.5 million, respectively.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q, or Quarterly Report, and the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2018 included in our Annual Report on Form 10-K for the year ended December 31, 2018, or Annual Report. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the "Risk Factors" section of this Quarterly Report and in our Annual Report, our actual results could differ materially from the results described, in or implied, by these forward-looking statements.

Our actual results and timing of certain events may differ materially from the results discussed, projected, anticipated, or indicated in any forward-looking statements. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from the forward-looking statements contained in this Quarterly Report. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Quarterly Report, they may not be predictive of results or developments in future periods.

The following information and any forward-looking statements should be considered in light of factors discussed elsewhere in this Quarterly Report, including those risks identified under the "Risk Factors" section and in our Annual Report.

We caution readers not to place undue reliance on any forward-looking statements made by us, which speak only as of the date they are made. We disclaim any obligation, except as specifically required by law and the rules of the SEC, to publicly update or revise any such statements to reflect any change in our expectations or in events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

Overview

We are a clinical-stage biopharmaceutical company leveraging our proprietary methionine aminopeptidase 2, or MetAP2, biology platform to develop novel therapies for patients affected by complex metabolic diseases. We have pioneered the study of MetAP2 inhibitors in both common and rare metabolic disorders and we are currently advancing programs for type 2 diabetes, Prader-Willi syndrome, or PWS, and liver diseases.

Our lead product candidate is ZGN-1061, a novel fumagillin-class MetAP2 inhibitor administered by subcutaneous injection, which is currently being profiled for its utility in the treatment of type 2 diabetes. Type 2 diabetes is a prevalent, chronic, progressive, multifactorial disease that leads to increased microvascular and macrovascular disease, and as such, increases risk of death from cardiovascular disease, stroke, and kidney failure. Type 2 diabetes is also a leading cause of lower-limb amputation and blindness. Existing treatments, while effective in reducing blood glucose levels, fail to reduce progression of the disease, which is driven by loss of function of insulin-producing beta cells and by loss of sensitivity to insulin action. It is estimated that approximately one-third of patients with type 2 diabetes progress to needing insulin (recently estimated to be a $20.0 billion market based on annual sales). New therapies are needed to improve glycemic control and reduce comorbidities of type 2 diabetes.

We conducted a Phase 2 clinical trial for ZGN-1061 in Australia and New Zealand, which was designed to evaluate safety, tolerability, and glucose-lowering efficacy in patients with type 2 diabetes otherwise poorly controlled with non-insulin agents. The clinical trial met all of its primary objectives at the 1.8 mg dose, which included glycemic control, or change in A1C, and safety and tolerability. The 12-week data demonstrated that treatment with the 1.8 mg dose of ZGN-1061 produced substantially more improvement in A1C than a placebo dose. Progressive and notable reduction in body weight also occurred in patients treated with the highest dose tested (1.8 mg) versus placebo. The data showed a favorable tolerability profile for ZGN-1061, with no treatment-related serious adverse events and no cardiovascular, or CV, safety signals observed. Adverse events were primarily mild or moderate in severity, with no noted trends by dose or type of adverse event reported. We expect to report full results of the Phase 2 clinical trial at an upcoming medical meeting in 2019.

In November 2018, we received a letter from the U.S. Food and Drug Administration, or FDA, placing a full clinical hold on the investigational new drug application, or IND, for the first U.S. clinical trial of ZGN-1061. The FDA cited the possibility of CV safety risk based on our prior compound and outlined multiple potential paths for moving forward, including nonclinical or clinical options, to address these concerns in the ongoing development of ZGN-1061. As we are continuing to work through our regulatory process

with respect to ZGN-1061, we will provide an update regarding the status of ZGN-1061 at an appropriate time. The ex-U.S. Phase 1 and Phase 2 clinical trials of ZGN-1061 have been completed with no CV safety signals.

We have also initiated development of a second MetAP2 development candidate, ZGN-1258, which is administered by subcutaneous injection. We initiated IND enabling nonclinical activities in the first quarter of 2018, in preparation for filing an IND with the FDA. However, in March 2019, we announced our decision to suspend plans to file an IND for ZGN-1258 in order to evaluate an unexpected finding in muscle tissue in four- and six-month long-term rodent toxicology studies. Nonclinical data showed degeneration in rat muscle tissue to different degrees in both vehicle and dose arms of the studies. The effects were absent from other animal species in long term models, and importantly, this finding is specific to ZGN-1258 and is not related to effects seen with ZGN-1061 or our prior compound. We are taking the necessary steps to assess the unexpected effects we observed. We continue to have a commitment to patients with PWS as well as their families and we will continue to evaluate ZGN-1258, as well as explore other potential options within our portfolio of MetAP2 inhibitors, to address the devastating hyperphagia experienced by those with PWS.

PWS is a rare and complex genetic disorder characterized by physiologic, cognitive and behavioral symptoms including hyperphagia, uncontrollable hunger and its related behaviors, and obesity. Published population studies estimate that the prevalence of PWS in the United States and in the European Union, or EU, ranges from 1 in 8,000 to 1 in 50,000. The physiological drive to eat in patients with PWS is so powerful that they will go to great lengths to eat large quantities of food, even if it is spoiled, indigestible or unpalatable to others. Unsupervised patients will often eat to the point that it causes serious physical harm or death. As a result, caregivers are often forced to place locks and alarms on refrigerators and pantries that contain food. Despite attempts to control the access to food, the typical adult patient with PWS is morbidly obese and, based on evaluation of published survival data, has an average life expectancy of 32 years of age. Unfortunately, neither dietary intervention nor currently available pharmaceutical therapies bring meaningful benefits to patients with PWS and, as a result, they experience severe and life-threatening consequences of their condition. Furthermore, existing surgical techniques such as bariatric surgery are contraindicated in PWS, as patients with PWS often overeat to a point whereby they can rupture their stomachs, which is frequently a cause of death in this patient population.

We have launched a co-sponsored four-year natural history study to advance understanding of the medical history of and medical events in people with PWS. PATH for PWS, is our natural history study conducted in collaboration with the Foundation for Prader-Willi Research, or FPWR, is independent of any specific development program with enrollment exceeding our 500-participant goal as of May 2019. The study is a non-interventional, observational study to evaluate occurrences of serious medical events in PWS, intended to inform development and clinical trial design for potential new treatments for PWS. The new ZGN-1258 findings do not impact the conduct of this study or our support of PATH for PWS.

Both ZGN-1061 and ZGN-1258 were discovered by our researchers as part of a multi-year campaign to identify highly potent and effective novel compounds with nonclinical safety profiles supportive of continued development. One core element of focus for optimization was to reduce or eliminate the potential for pro-thrombotic effects, a limiting factor that led to termination of development of our first-generation compound. To date, both new compounds have similar intrinsic potency against the MetAP2 enzyme and display appropriate activity in animal models of type 2 diabetes, obesity and PWS. As noted above, we have observed degeneration in muscle tissue in rodent toxicology studies of ZGN-1258. These effects were absent from other animal species in long term models and this finding has not been observed in ZGN-1061 or any of our other MetAP2 inhibitors and appears to be specific to ZGN-1258.

In 2017, we also initiated development of a highly optimized MetAP2 development candidate, ZGN-1345, which is administered orally and targets the liver. During the fourth quarter of 2018, we announced that ZGN-1345 was formally advanced to development candidate stage as a differentiated asset within our pipeline. Nonclinical models have shown positive preliminary results in multiple liver disease indications. Further nonclinical studies are ongoing.

Since our inception in November 2005, we have devoted substantially all of our resources to developing ZGN-1061, ZGN-1258, ZGN-1345, beloranib, ZGN-839 and additional MetAP2 inhibitors, building our intellectual property portfolio, developing manufacturing capabilities, business planning, raising capital, and providing general and administrative support for such operations. From our inception through our initial public offering, or IPO, in June 2014, we received gross proceeds of $104.0 million from sales of redeemable convertible preferred stock and, to a lesser extent, through the issuances of convertible promissory notes. In June 2014, we completed our IPO with net proceeds of $102.7 million after deducting underwriting discounts and commissions paid by us. In January 2015, we completed a follow-on offering of our common stock, with net proceeds of $130.0 million after deducting underwriting discounts and commissions paid by us. On July 2, 2018, we completed a public offering of our common stock, which resulted in the sale of 9,200,000 shares at a price of $7.50 per share, resulting in net proceeds of approximately $64.6 million after deducting underwriting discounts and commissions, as well as offering costs paid by us.

We have never generated any revenue and have incurred net losses in each year since our inception. We have an accumulated deficit of $364.1 million as of March 31, 2019. Our net loss was $13.1 million for the three months ended March 31, 2019 and $61.4 million for the year ended December 31, 2018. These losses have resulted principally from costs incurred in connection with in-licensing of technology, research and development activities and general and administrative costs associated with our operations. We expect to incur significant expenses and operating losses for the foreseeable future.

We expect to continue to incur expenses in connection with our ongoing activities, if and as we:

- resolve the FDA-imposed full clinical hold on ZGN-1061;
- advance the development of ZGN-1061 through Phase 2 clinical trials;
- advance the ZGN-1258 program in nonclinical and clinical development (if further evaluation warrants development) following an unexpected finding in muscle tissue in rodent toxicology studies;
- advance the development of ZGN-1345 through nonclinical development and into clinical trials;
- seek to identify and advance development of additional product candidates into clinical development and indications for our product candidates;
- seek to obtain regulatory approvals for our product candidates;
- add operational, financial and management information systems;
- add personnel, including personnel to support our product development and future commercialization; and
- maintain, leverage and expand our intellectual property portfolio.

As a result, we will need additional financing to support our continuing operations. Until such time that we can generate significant revenue from product sales, if ever, we expect to finance our operations through a combination of public equity, private equity, debt financings, or other sources, which may include collaborations with third parties. Arrangements with collaborators or others may require us to relinquish rights to certain of our technologies or product candidates. In addition, we may never successfully complete development of any of our product candidates, obtain adequate patent protection for our technology, obtain necessary regulatory approval for our product candidates or achieve commercial viability for any approved product candidates. Adequate additional financing may not be available to us on acceptable terms, or at all. Our failure to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy. We will need to generate significant revenue to achieve profitability, and we may never do so.

We expect that our existing cash, cash equivalents and marketable securities as of March 31, 2019 will enable us to fund our operating expenses, capital expenditure requirements and minimum liquidity requirements associated with our debt facility for a period of at least one year from the issuance date of this Quarterly Report. See “—Liquidity and Capital Resources.”

Financial Operations Overview

Revenue

We have not generated any revenue from product sales since our inception, and do not expect to generate any revenue from the sale of products in the near future. If our development efforts result in clinical success and regulatory approval or collaboration agreements with third parties for our product candidates, we may generate revenue from those product candidates or collaborations.

Operating Expenses

The majority of our operating expenses since inception have consisted primarily of research and development activities, and general and administrative costs.

Research and Development Expenses

Research and development expenses, which consist primarily of costs associated with our product research and development efforts, are expensed as incurred. Research and development expenses consist primarily of:

- personnel costs, including salaries, related benefits and stock-based compensation for employees engaged in scientific research and development functions;
- third-party contract costs relating to research, formulation, manufacturing, nonclinical studies and clinical trial activities;

- external costs of outside consultants;
- payments made under our third-party licensing agreements;
- sponsored research agreements;
- laboratory consumables; and
- allocated facility-related costs.

We are currently primarily focused on developing ZGN-1061, ZGN-1258 (if further evaluation warrants development), ZGN-1345 and other early research activities. We typically use our employee, consultant and infrastructure resources across our research and development programs. We track outsourced development costs by product candidate or development program, but we do not allocate personnel costs, external consultant costs, payments made under our licensing agreements or other internal costs to specific development programs or product candidates unless the payments are specifically identifiable to a development program or product candidate. We record our research and development expenses net of any research and development tax incentives we are entitled to receive from government authorities.

Research and development activities are central to our business. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect that our research and development expenses will increase in the foreseeable future as we pursue clinical development of our product candidates.

We cannot determine with certainty the duration and completion costs of the current or future clinical trials of our product candidates or if, when, or to what extent we will generate revenue from the commercialization and sale of any of our product candidates that obtain regulatory approval. We may never succeed in achieving regulatory approval for any of our product candidates. The duration, costs, and timing of clinical trials and development of our product candidates will depend on a variety of factors, including:

- the scope, rate of progress, and expense of clinical trials and other research and development activities;
- clinical trial results;
- uncertainties in clinical trial enrollment rate or design;
- significant and changing government regulation;
- the timing and receipt of any regulatory approvals; and
- the FDA's or other regulatory authority's influence on clinical trial design.

A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the FDA, or another regulatory authority were to require us to conduct clinical trials beyond those that we currently anticipate will be required for the completion of clinical development of a product candidate, or if we experience significant delays in enrollment in any of our clinical trials, we could be required to expend significant additional financial resources and time on the completion of clinical development.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel costs, consisting of salaries, related benefits and stock-based compensation, of our executive, finance, business and corporate development and other administrative functions. General and administrative expenses also include travel expenses, allocated facility-related costs not otherwise included in research and development expenses, insurance expenses, and professional fees for auditing, tax and legal services, including legal expenses to pursue patent protection of our intellectual property. We expect that general and administrative expenses will remain relatively consistent during 2019 as compared to 2018.

Other Income (Expense)

Interest income. Interest income consists of interest earned on our cash equivalents and marketable securities. Our interest income has not been significant due to low interest earned on invested balances. Our interest income increased following the July 2, 2018 public offering of our common stock and we anticipate that it will subsequently decrease as we continue to incur operating losses.

Interest expense. Interest expense during the three months ended March 31, 2019 and 2018 relates to the loan and security agreement with Silicon Valley Bank, or the Term Loan, of $20.0 million, which closed on December 29, 2017. It bears a variable interest at an annual rate of 1.25% above the prime rate, as well as a final payment equal to 8.0% of the Term Loan, which is being recorded as interest expense over the term through the maturity date using the effective-interest method.

Foreign currency gains (losses), net. Foreign currency transaction gains (losses), net consists of the realized and unrealized gains and losses from foreign currency-denominated cash balances, vendor payables and tax-related receivables from the Australian government. We currently do not engage in hedging activities related to our foreign currency-denominated receivables and payables; as such, we cannot predict the impact of future foreign currency transaction gains and losses on our operating results. See "—Quantitative and Qualitative Disclosures about Market Risk."

Income Taxes

Since our inception in 2005, we have not recorded any U.S. federal or state income tax benefits for the net losses we have incurred in each year or our earned tax credits, due to our uncertainty of realizing a benefit from those items. As of December 31, 2018, we had net operating loss carryforwards for federal and state income tax purposes of $55.7 million and $48.0 million, respectively, which begin to expire in 2026 and 2030, respectively. As of December 31, 2018, we had net operating loss carryforwards that were generated after December 31, 2017, of $9.5 million that do not expire. As of December 31, 2018, we also had available tax credit carryforwards for federal and state income tax purposes of $16.6 million and $3.4 million, respectively, which begin to expire in 2026 and 2022, respectively.

Results of Operations

Comparison of three months ended March 31, 2019 and 2018

The following table summarizes our results of operations for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,		
	2019	2018	Increase (Decrease)
	(in thousands)		
Statement of Operations Data:			
Revenue	$ —	$ —	$ —
Operating expenses:			
Research and development	9,631	12,433	(2,802)
General and administrative	3,646	3,269	377
Total operating expenses	13,277	15,702	(2,425)
Loss from operations	(13,277)	(15,702)	2,425
Other income (expense):			
Interest income	642	267	375
Interest expense	(500)	(458)	(42)
Foreign currency transaction gains (losses), net	23	(63)	86
Total other income (expense), net	165	(254)	419
Net loss	$ (13,112)	$ (15,956)	$ 2,844

Research and development expenses

	Three Months Ended March 31,		
	2019	2018	Increase (Decrease)
	(in thousands)		
Direct research and development expenses by program:			
ZGN-1061:			
Nonclinical and manufacturing	$ 1,300	$ 1,539	$ (239)
Clinical trials	647	2,513	(1,866)
Subtotal	1,947	4,052	(2,105)
ZGN-1258	1,280	1,623	(343)
ZGN-1345	418	—	418
Discovery and screening	1,345	1,854	(509)
Subtotal	4,990	7,529	(2,539)
Unallocated expenses:			
Personnel related	2,486	2,367	119
Non-cash stock-based compensation	959	1,572	(613)
Consultants	691	484	207
Other	505	481	24
Subtotal	4,641	4,904	(263)
Total research and development expenses	$ 9,631	$ 12,433	$ (2,802)

Research and development expenses for the three months ended March 31, 2019 decreased $2.8 million compared to the three months ended March 31, 2018. The decrease was primarily due to decreased costs of $2.1 million associated with our ZGN-1061 program, a decrease of $0.3 million related to our ZGN-1258 program, a decrease of $0.5 million associated with discovery and screening as well as a decrease in our unallocated expenses of $0.3 million, partially offset by an increase of $0.4 million associated with our ZGN-1345 program.

Costs associated with our ZGN-1061 program decreased to $1.9 million for the three months ended March 31, 2019 compared to $4.1 million for the same period of 2018, or $2.1 million, primarily due to a decrease in clinical trial costs of $1.9 million. The majority of the expenses during the three months ended March 31, 2018 were for the Phase 2 clinical trial of ZGN-1061 in Australia and New Zealand, while the expenses during the three months ended March 31, 2019 are for the closeout costs of the additional 1.8 mg dose of the Phase 2 clinical trial that we reported top line results in January 2019.

Costs associated with our ZGN-1258 program decreased to $1.3 million for the three months ended March 31, 2019 compared to $1.6 million for the same period of 2018, or $0.3 million, primarily due to the suspension of our plans to file an IND for ZGN-1258 in order to evaluate ZGN-1258 following an unexpected finding in muscle tissue in rodent toxicology studies.

Unallocated expenses decreased to $4.6 million for the three months ended March 31, 2019 compared to $4.9 million for the same period of 2018 primarily due to a decrease of $0.6 million in non-cash stock-based compensation. Non-cash stock-based compensation has decreased for the three months ended March 31, 2019 primarily due to the vesting of stock options granted prior to 2018.

Costs associated with our ZGN-1345 program are new as we announced the advancement of this program in the fourth quarter of 2018. Nonclinical models have shown positive preliminary results in multiple liver disease indications. Further nonclinical studies are ongoing. As a result of the timing of the advancement of ZGN-1345 our discovery and screening costs have decreased period over period. Based on our experience in MetAP2 inhibitor development, we are now exploring new chemical approaches to identify new molecules.

General and administrative expenses

	Three Months Ended March 31,		
	2019	2018	Increase (Decrease)
	(in thousands)		
Personnel related	$ 927	$ 642	$ 285
Non-cash stock-based compensation	1,116	895	221
Professional fees	1,097	1,248	(151)
Other	506	484	22
Total general and administrative expenses	$ 3,646	$ 3,269	$ 377

General and administrative expenses for the three months ended March 31, 2019 increased $0.4 million compared to the three months ended March 31, 2018. The increase was due to an increase in personnel related costs of $0.3 million and non-cash stock-based compensation of $0.2 million. Personnel related costs and non-cash stock-based compensation increased as a result of new hires during 2018. These increases were partially offset by decreases in professional fees of $0.2 million, primarily due to legal fees incurred in the three months ended March 31, 2018 associated with patent filing costs and recruiting costs for new hires.

Other income (expense), net

Interest expense. Interest expense for the three months ended March 31, 2019 and 2018 was $0.5 million. The interest expense for the three months ended March 31, 2019 and 2018 is primarily due to the Term Loan of $20.0 million, which closed on December 29, 2017. The Term Loan has a variable annual interest rate of 1.25% above the prime rate, as well as a final payment equal to 8.0% of the Term Loan, which is recorded as interest expense over the term of the loan through the maturity date using the effective-interest method.

Interest income. Interest income of $0.6 million and $0.3 million for the three months ended March 31, 2019 and 2018, respectively, was related to interest earned on our marketable securities balances.

Foreign currency transaction gains (losses), net. We had foreign currency transaction gains of less than $0.1 million and losses of $0.1 million for the three months ended March 31, 2019 and 2018, respectively. Foreign currency transaction gains and losses consisted of the realized and unrealized gains and losses from foreign currency-denominated cash balances, vendor payables and tax-related receivables from the Australian government, generally reflecting the fluctuation of the Australian dollar relative to the U.S. dollar.

Liquidity and Capital Resources

As of March 31, 2019, we had cash, cash equivalents and marketable securities totaling $104.7 million and outstanding debt of $20.8 million. We invest our cash in money market funds, commercial paper, corporate bonds and U.S. government securities, with the primary objectives to preserve principal, provide liquidity and maximize income without significantly increasing risk.

Since our inception in November 2005, we have not generated any revenue and have incurred recurring net losses. As of March 31, 2019, we had an accumulated deficit of $364.1 million. Prior to our IPO in June 2014, we funded our operations primarily through sales of redeemable convertible preferred stock and, to a lesser extent, through the issuances of convertible promissory notes and a loan security agreement. From our inception through our IPO in June 2014, we received gross proceeds of $104.0 million from such transactions. In June 2014, we completed our IPO with net proceeds of $102.7 million after deducting underwriting discounts and commissions paid by us. We also incurred offering costs of $2.5 million related to the IPO. In January 2015, we completed a follow-on offering of our common stock, which resulted in the sale of 3,942,200 shares at a price of $35.00 per share. We received net proceeds from the follow-on offering of $130.0 million based upon the price of $35.00 per share and after deducting underwriting discounts and commissions paid by us. We also incurred offering costs of $0.5 million related to the follow-on offering. On July 2, 2018, we completed a public offering of our common stock, which resulted in the sale of 9,200,000 shares at a price of $7.50 per share, resulting in net proceeds of approximately $64.6 million after deducting underwriting discounts and commissions, as well as offering costs paid by us.

On December 29, 2017, we entered into the Term Loan, which provided for borrowings of $20.0 million. On December 29, 2017, we received proceeds of $20.0 million from the issuance of a promissory note. The promissory note issued under the Term Loan is collateralized by substantially all of our personal property, other than our intellectual property.

Upon entering into this Term Loan, we became obligated to make monthly, interest-only payments until March 29, 2019 and, thereafter, to pay 33 consecutive, equal monthly installments of principal and interest from April 1, 2019 through December 1, 2021. The outstanding Term Loan bears a variable interest at an annual rate of 1.25% above the prime rate, which was 5.5% as of March 31, 2019. In addition, a final payment equal to 8.0% of the Term Loan is due upon the earlier of the maturity date, acceleration of the Term Loan or prepayment of all or part of the Term Loan. We accrue the final payment amount of $1.6 million, to outstanding debt by charges to interest expense using the effective-interest method from the date of issuance through the maturity date.

Additionally, we, as the borrower, are required to maintain a minimum unrestricted cash, cash equivalents and marketable securities balance at Silicon Valley Bank of no less than 105% of the total outstanding principal balance of the Term Loan, which as of March 31, 2019 and December 31, 2018 was $21.0 million.

Further, as of 45 days after the Term Loan was entered in, we met the obligation to maintain a balance of unrestricted cash, cash equivalents and marketable securities at Silicon Valley Bank in an amount not less than the greater of (i) $55.0 million and (ii) sixty-five percent (65%) of all of our cash, cash equivalents and marketable securities. If we do not meet this requirement it will not be considered an event of default provided we immediately secure 87.5% of the principal balance in a restricted cash account.

There are negative covenants restricting our activities, including limitations on dispositions, mergers or acquisitions, encumbering or granting a security interest in our intellectual property, incurring indebtedness or liens, paying dividends, making certain investments, permit the aggregate value of cash maintained by our Australian subsidiary not to exceed $4.0 million and certain other business transactions.

The Term Loan also includes events of default, the occurrence and continuation of any of which provides the lenders the right to exercise remedies against us and the collateral securing the amounts due under the Term Loan, including cash in the amount of the outstanding balance. These events of default include, among other things, failure to pay any amounts due under the Term Loan, insolvency, the occurrence of a material adverse event, the occurrence of any default under certain other indebtedness and a final judgment against us in an amount greater than $0.3 million.

The following table summarizes our sources and uses of cash for each of the periods presented below:

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Cash used in operating activities	$ (12,471)	$ (13,265)
Cash provided by investing activities	807	17,958
Cash provided by financing activities	95	261
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (11,569)	$ 4,954

Net cash used in operating activities

During the three months ended March 31, 2019, operating activities used $12.5 million of cash, resulting from our net loss of $13.1 million and changes in our operating assets and liabilities of $1.2 million, partially offset by non-cash charges of $1.8 million. Our net loss was primarily attributed to research and development activities related to our ZGN-1061 program, our ZGN-1258 program, our ZGN-1345 program, discovery and screening and our general and administrative expenses. Net cash used in changes in our operating assets and liabilities during the three months ended March 31, 2019, consisted primarily of a $0.4 million decrease in accounts payable and a $1.1 million decrease in accrued expenses and other, partially offset by a $0.5 decrease in prepaids and other current assets. Our net non-cash charges during the three months ended March 31, 2019, consisted primarily of stock-based compensation expense of $2.1 million.

During the three months ended March 31, 2018, operating activities used $13.3 million of cash, resulting from our net loss of $16.0 million, partially offset by non-cash charges of $2.5 million and changes in our operating assets and liabilities of $0.2 million. Our net loss was primarily attributed to research and development activities related to our ZGN-1061 program, our ZGN-1258 program, discovery and screening and our general and administrative expenses. Our net non-cash charges during the three months ended March 31, 2018, consisted primarily of stock-based compensation expense of $2.5 million. Net cash used in changes in our operating assets and liabilities during the three months ended March 31, 2018, consisted primarily of a $0.8 million increase in accounts payable and a decrease in prepaids and other current assets of $0.5 million, partially offset by a $0.6 million increase in tax incentive receivable and a $0.5 million decrease in accrued expenses and other.

Net cash provided by investing activities

During the three months ended March 31, 2019, investing activities provided $0.8 million of cash resulting from the proceeds from sales and maturities of marketable securities of $34.3 million, offset by the purchases of marketable securities of $33.5 million.

During the three months ended March 31, 2018, investing activities provided $18.0 million of cash resulting from proceeds from sales and maturities of marketable securities of $30.8 million, offset by the use of cash for purchases of marketable securities of $12.9 million.

Net cash provided by financing activities

During the three months ended March 31, 2019, net cash provided by financing activities of $0.1 million was the result of the exercise of common stock options and common stock purchased under our 2014 Employee Stock Purchase Plan.

During the three months ended March 31, 2018, financing activities used $0.3 million was the result of the exercise of common stock options and common stock purchased under our 2014 Employee Stock Purchase Plan.

Operating Capital Requirements and Liquidity

ZGN-1061 is currently in Phase 2 clinical development and ZGN-1258 and ZGN-1345 are in nonclinical development, therefore we expect to continue to incur significant expenses and operating losses for the foreseeable future. We anticipate that we will continue to incur expenses, if and as we:

- resolve the FDA-imposed full clinical hold on ZGN-1061;
- advance the development of ZGN-1061 through Phase 2 clinical trials;
- advance the ZGN-1258 program in nonclinical and clinical development (if further evaluation warrants development) following an unexpected finding in muscle tissue in rodent toxicology studies;
- advance the development of ZGN-1345 through nonclinical development and into clinical trials;
- seek to identify and advance development of additional product candidates into clinical development and indications for our product candidates;
- seek to obtain regulatory approvals for our product candidates;
- add operational, financial and management information systems;
- add personnel, including personnel to support our product development and future commercialization; and
- maintain, leverage and expand our intellectual property portfolio.

We expect that our existing cash, cash equivalents and marketable securities as of March 31, 2019, will enable us to fund our operating expenses and capital expenditure requirements for a period of at least one year from the issuance date of this Quarterly Report. We have based this estimate on assumptions that may prove to be wrong, and we may use our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with the development ZGN-1061, ZGN-1258 and ZGN-1345 and because the extent to which we may enter into collaborations with third parties for the development of these product candidates is unknown, we are unable to estimate the amounts of increased capital outlays and operating expenses associated with completing the research and development of our product candidates. Our future capital requirements for ZGN-1061, ZGN-1258 and ZGN-1345 will depend on many factors, including:

- the costs, timing and outcome of regulatory review;
- the costs of future research and development activities, including clinical trials;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;
- the extent to which we acquire or in-license other products, product candidates, or technologies; and
- our ability to establish any future collaboration arrangements on favorable terms, if at all.

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements. To the extent that we

raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends and may require the issuance of warrants, which could potentially dilute their ownership interest. If we raise additional funds through collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market our product candidates that we would otherwise prefer to develop and market ourselves.

Since our inception in 2005, we have not recorded any U.S. federal or state income tax benefits for the net losses we have incurred in each year or our earned tax credits, due to our uncertainty of realizing a benefit from those items. As of December 31, 2018, we had net operating loss carryforwards for federal and state income tax purposes of $55.7 million and $48.0 million, respectively, which begin to expire in 2026 and 2030, respectively. As of December 31, 2018, we had net operating loss carryforwards that were generated after December 31, 2017, of $9.5 million that do not expire. As of December 31, 2018, we also had available tax credit carryforwards for federal and state income tax purposes of $16.6 million and $3.4 million, respectively, which begin to expire in 2026 and 2022, respectively We have not completed a study to assess whether an ownership change, generally defined as a greater than 50% change (by value) in the equity ownership of our corporate entity over a three-year period, has occurred or whether there have been multiple ownership changes since our inception, due to the significant costs and complexities associated with such studies. Accordingly, our ability to utilize our tax carryforwards may be limited. Additionally, U.S. tax laws limit the time during which these carryforwards may be utilized against future taxes. As a result, we may not be able to take full advantage of these carryforwards for federal and state tax purposes.

Contractual Obligations and Commitments

During the three months ended March 31, 2019, there have been no material changes to our contractual obligations and commitments outside the ordinary course of business from those described under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations and Commitments” in our Annual Report for the year ended December 31, 2018, except as noted below:

- On February 12, 2019, we entered into a lease with Shigo Center Plaza Owners, LLC, for approximately 17,705 square feet of office space for a new headquarters located at 3 Center Plaza, Boston, Massachusetts. The lease has a term of 124 months with an option to extend the lease for 60 additional months. Under the lease agreement, we will pay monthly rent beginning four months after an agreed upon commencement date with total lease payments over the initial term of $10.7 million.

Off-Balance Sheet Arrangements

During the periods presented we did not have and we currently do not have, any off-balance sheet arrangements, as defined under SEC rules, such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheets.

Application of Critical Accounting Policies

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United Sated, or GAAP. The preparation of our financial statements and related disclosures requires us to make estimates, assumptions and judgments that affect the reported amount of assets, liabilities, revenue, costs and expenses, and related disclosures. We believe that of our critical accounting policies which are described under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Significant Judgments and Estimates” in our Annual Report, the following accounting policies involve the most judgment and complexity:

- accrued research and development costs; and
- stock-based compensation.

Accordingly, we believe the policies set forth above are critical to fully understanding and evaluating our financial condition and results of operations. If actual results or events differ materially from the estimates, judgments and assumptions used by us in applying these policies, our reported financial condition and results of operations could be materially affected. There have been no material changes to our critical accounting policies since December 31, 2018.

Recently Issued Accounting Pronouncements

Please read Note 2 to our condensed consolidated financial statements included in Part I Item 1 of this Quarterly Report for a description of recent accounting pronouncements applicable to our business.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Fluctuation Risk

Our cash, cash equivalents, and marketable securities as of March 31, 2019 consisted of cash, corporate bonds, commercial paper, U.S. government securities and money market accounts. The primary objectives of our investment activities are to preserve principal, provide liquidity and maximize income without significantly increasing risk. Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of U.S. interest rates. If market interest rates were to increase immediately and uniformly by 50 basis points, or one-half of a percentage point, from levels as of March 31, 2019, the net fair value of our interest-sensitive financial instruments would have resulted in a hypothetical decline of $0.1 million.

Foreign Currency Exchange Risk

Foreign currency transaction exposure results primarily from transactions with our contract research organizations, or CROs, and other providers related to our clinical trials that are denominated in currencies other than the functional currency of the legal entity in which the transaction is recorded by us, primarily the Australian dollar. Any transaction gains or losses resulting from currency fluctuations is recorded on a separate line in our condensed consolidated statement of operations. Net foreign currency transaction gains of less than $0.1 million and losses of $0.1 million were recorded for the three months ended March 31, 2019 and 2018, respectively.

Currently, our largest foreign currency exposures are those with respect to the Australian dollar. Relative to foreign currency exposures existing as of March 31, 2019, a 10% unfavorable movement in foreign currency exchange rates would expose us to an increased net loss. For the three months ended March 31, 2019, we estimated that a 10% unfavorable movement in foreign currency exchange rates would have increased our net loss by $0.1 million. This amount is based on a sensitivity analysis performed on our financial position as of March 31, 2019. We have experienced and will continue to experience fluctuations in our net loss as a result of revaluing our assets and liabilities that are not denominated in the functional currency of the entity that recorded the asset or liability. At this time, we do not hedge our foreign currency risk.

Item 4. Management’s Evaluation of our Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) that are designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Based on this evaluation, our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. In designing and evaluating our disclosure controls and procedures, our 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 cost-benefit relationship of possible controls and procedures. Our principal executive officer and principal financial officer have concluded based upon the evaluation described above that, as of March 31, 2019, our disclosure controls and procedures were effective at the reasonable assurance level.

We continue to review and document our disclosure controls and procedures, including our internal controls and procedures for financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our business in accordance with the Exchange Act.

Changes in Internal Control Over Financial Reporting

During the three months ended March 31, 2019, there have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(d) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We implemented internal controls to ensure management properly assessed the impact of the new lease accounting standards on our condensed consolidated financial statements to facilitate adoption of the new leasing standards effective January 1, 2019. There were no significant changes to our internal control over financial reporting due to the adoption of the new standards.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently party to any material litigation or other material legal proceedings.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below, as well as the other information in this Quarterly Report on Form 10-Q, or Quarterly Report, and in our other public filings before making an investment decision. Our business, prospects, financial condition, or operating results could be harmed by any of these risks, as well as other risks not currently known to us or that we currently consider immaterial. If any such risks or uncertainties actually occur, our business, financial condition or operating results could differ materially from the plans, projections and other forward-looking statements included in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Quarterly Report and in our other public filings. The trading price of our common stock could decline due to any of these risks, and as a result, you may lose all or part of your investment.

Risks Related to Product Development, Regulatory Approval and Commercialization

We currently depend primarily on the success of one product candidate, ZGN-1061, which has completed a Phase 1 and a Phase 2 clinical trial, but has been placed on a full clinical hold by the FDA. We cannot be certain that we will be able to obtain regulatory approval for ZGN-1061, or successfully commercialize ZGN-1061 if approved.

We currently have only one product candidate in clinical development, ZGN-1061, which has completed a Phase 1 clinical trial in the Netherlands and a Phase 2 clinical trial in Australia and New Zealand, and our business currently depends primarily on its successful clinical development, regulatory approval and commercialization. We currently have no drug products for sale and may never be able to develop marketable drug products. In order to conduct clinical trials in the United States we need our Investigational New Drug, or IND, application to go into effect with the U.S. Food and Drug Administration, or FDA. Because our business is primarily dependent upon this one product candidate, any setback in our pursuit of regulatory approval for ZGN-1061 would have a material adverse effect on our business and prospects. The clinical trials of our product candidates are, and the manufacturing and marketing of our product candidates will be, subject to extensive and rigorous review and regulation by numerous government authorities in the United States and in other countries where we intend to test and, if approved, market any product candidate. Before obtaining regulatory approvals for the commercial sale of any product candidate, we must demonstrate through nonclinical testing and clinical trials that the product candidate is safe and effective for use in each target indication. This process can take many years and will likely include post-marketing studies, or PMS, post-marketing requirements, or PMRs, and surveillance such as Risk Evaluation and Mitigation Strategies, or REMS, which will require the expenditure of substantial resources beyond the proceeds we currently have on hand.

Furthermore, we are not permitted to market ZGN-1061 in the United States until we receive approval of a New Drug Application, or NDA, from the FDA, or in any foreign countries until we receive the requisite marketing approval from such countries. Development of diabetes drugs requires at least 2,500 subjects randomized to active doses of the product with 1,300 to 1,500 subjects exposed for a year and 300 to 500 subjects exposed for 18 months in order to estimate the safety of the drug in an NDA. In addition, it is anticipated that the FDA may require that their guidance for assessment of cardiovascular, or CV, risk with diabetes products be followed which may require testing of 5,000 to 10,000 subjects. Meeting the requirements of the FDA or certain European regulatory authorities may require that we conduct additional pivotal clinical trials. Accordingly, obtaining approval of an NDA or Marketing Authorization Application, or MAA, is a complex, lengthy, expensive and uncertain process.

The FDA and certain European regulatory authorities may delay, limit or deny the conduct of clinical trials or market approval of ZGN-1061 for many reasons, including, among others:

- the FDA has placed a full clinical hold on the IND for the first U.S. clinical trial of ZGN-1061, citing the possibility of CV safety risk based on our prior compound, and although we are assessing potential paths toward resolution, the full clinical hold raises a number of risks, including but not limited to: we may be required to complete other unexpected work in order to resolve the hold and begin clinical trials in the United States, which can result in development delays; the hold may negatively affect our ability to pursue clinical trials outside of the United States; the hold may make it more difficult to raise capital or to find a commercial partner to execute future clinical trials; we may not be able to resolve the full clinical hold at all; or, even if we are able to resolve the clinical hold, the FDA may place the IND application on partial hold for ZGN-1061 which could limit the type, condition, and future conduct of clinical trials for ZGN-1061, or in the future could impose another clinical hold;
- we may not be able to demonstrate that ZGN-1061 is safe and effective to the satisfaction of the FDA and the European Medicines Agency, or EMA;

- the results of our clinical trials may not meet the level of statistical or clinical significance required by the FDA and EMA for marketing approval;
- the FDA and EMA may disagree with the number, design, size, duration, conduct or implementation of our clinical trials;
- the FDA and EMA may require that we conduct additional clinical trials or nonclinical studies;
- the FDA and EMA may not approve the formulation, labeling or specifications of ZGN-1061;
- the contract research organizations, or CROs, that we retain to conduct our clinical trials may take actions outside of our control that materially adversely impact our clinical trials;
- the FDA and EMA may find the data from nonclinical studies and clinical trials insufficient to demonstrate that ZGN-1061's clinical and other benefits outweigh its safety risks;
- the FDA and EMA may disagree with our interpretation of data from our nonclinical studies and clinical trials;
- the FDA and EMA may not accept data generated at our clinical trial sites;
- if and when our NDA is submitted and is determined to require an FDA advisory committee assessment, or the advisory committee may recommend against approval of our application or may recommend that the FDA require, as a condition of approval, additional nonclinical studies or clinical trials, limitations on approved labeling or distribution and use restrictions;
- the FDA could require development of a REMS as a condition of approval or post-approval, or may not agree with our proposed REMS, or may impose additional requirements that limit the promotion, advertising, distribution, or sales of ZGN-1061;
- the FDA and EMA may find deficiencies with or not approve the manufacturing processes or facilities of third-party manufacturers with which we contract; or
- the FDA and EMA may change their approval policies or adopt new regulations.

Any of these factors, many of which are beyond our control, could jeopardize our ability to obtain and/or maintain regulatory approval for and successfully market ZGN-1061. Of the large number of drugs in development in the United States, only a small percentage will successfully complete the FDA regulatory approval process and be commercialized. Accordingly, even if we are able to obtain the requisite financing to continue to fund our development and clinical trials, we cannot assure you that ZGN-1061, ZGN-1258 or any other of our product candidates will be successfully developed or commercialized.

We cannot be certain that we will be able to successfully complete clinical trials for our product candidates, obtain regulatory approval for our product candidates or successfully commercialize our product candidates, if approved.

We currently have only one product candidate in clinical development, ZGN-1061, which has completed a Phase 1 clinical trial in the Netherlands and a Phase 2 clinical trial in Australia and New Zealand, and our business currently depends primarily on its successful clinical development, regulatory approval and commercialization. At the beginning of 2018 we announced a new product candidate, ZGN-1258, which is in nonclinical development. We expect to initially develop ZGN-1258 as a treatment for Prader-Willi syndrome, or PWS. In March 2019, we announced our decision to suspend plans to file an IND for ZGN-1258 in order to evaluate ZGN-1258 following an unexpected finding in muscle tissue in rodent toxicology studies. In the fourth quarter of 2018, we announced a new product candidate, ZGN-1345, which is in nonclinical development. Before our product candidates can be marketed, our IND application or other comparable regulatory approvals must go into effect permitting the conduct of clinical trials, and we must then successfully complete human testing. The FDA and other comparable foreign regulatory agencies must approve our NDA or comparable regulatory submissions. Even after successful completion of clinical testing, there is a risk that the FDA or other regulatory agencies may request further information from us, disagree with our findings or otherwise undertake a lengthy review of our submission. Even if the FDA approves our NDA, we may be unable to successfully commercialize our product candidates.

It is possible that the FDA or other regulatory agencies will not approve any application that we may submit. It is possible that our product candidates may not obtain appropriate regulatory approvals necessary for us to commence clinical trials for our product candidates. Any delay or failure in obtaining required approvals could have a material adverse effect on our business. This process can take many years and will likely require the expenditure of substantial resources beyond the proceeds we currently have on hand.

Favorable results from nonclinical studies and clinical trials to date are not necessarily predictive of the results of additional nonclinical studies or later-stage clinical trials of ZGN-1061. Given the thrombosis findings in humans treated with beloranib, development costs for ZGN-1061 may be higher and we may be unable to successfully develop, obtain regulatory approval for and commercialize ZGN-1061.

Favorable results from our nonclinical studies of ZGN-1061, our Phase 1 clinical trial and analysis of our Phase 2 clinical trial of ZGN-1061 to date, may not necessarily be predictive of the results from ongoing and later-stage clinical trials. Toxicology studies in multiple species have demonstrated appreciable margins for embryofetal toxicity, testicular toxicity, pro-thrombotic effects and other previously observed issues for MetAP2 inhibitors such as hematological and neuronal toxicities with a small therapeutic margin and no margin for embryofetal toxicity. Further, we have observed in clinical trials that ZGN-1061 resulted in rapid drug absorption and clearance in line with criteria established in advance for the molecule and has a favorable tolerability profile with no safety signals identified, including no evidence of pro-thrombotic effects. Data from the analysis of the Phase 2 clinical trial to date of ZGN-1061 demonstrated a favorable glycated hemoglobin A1C, or A1C, effect at the two highest doses tested (0.9 mg and 1.8 mg) and accompanying weight loss at the highest dose. However, we can provide no assurance that the results of our nonclinical and clinical studies to date of ZGN-1061 will be replicated in ongoing or later-stage clinical trials of ZGN-1061 or other nonclinical studies.

Many companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in clinical trials after achieving positive results in nonclinical and early-stage clinical development. In particular, we have suffered significant setbacks in later-stage clinical trials of our former lead product candidate, beloranib, after achieving positive results in nonclinical and clinical development, and we cannot be certain that we will not face similar setbacks in our development of ZGN-1061, or our other programs. The setbacks in later-stage clinical development have been caused by, among other things, nonclinical findings made while clinical trials were underway or safety or efficacy observations made in clinical trials, including previously unreported or understood adverse events. Moreover, nonclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that believed their product candidates performed satisfactorily in nonclinical studies and clinical trials nonetheless failed to obtain FDA and/or EMA approval. If we fail to produce positive results in our later-stage clinical trials of ZGN-1061, the development timeline and regulatory approval and commercialization prospects for our lead product candidate, and, correspondingly, our business and financial prospects, would be materially adversely affected.

Our product candidates may cause undesirable side effects that could delay or prevent their regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following marketing approval, if any.

Undesirable side effects caused by our product candidates could cause us or regulatory authorities such as the FDA to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or other regulatory authorities. For example, common adverse events observed in patients treated with our first-generation MetAP2 inhibitor, beloranib, versus placebo included diarrhea, injection site bruising, dizziness, decreased appetite, anxiety and sleep disturbances (insomnia principally manifested as delayed onset of sleep and abnormal dreams), among others. In addition, an imbalance in the number of thrombotic events observed in patients treated with beloranib as compared to patients on placebo in our clinical trials was observed. We may see similar adverse events with ZGN-1061 or our other product candidates as we saw with beloranib, and therefore, we are studying these parameters in nonclinical and clinical development of ZGN-1061 and ZGN-1345 and our further evaluation of ZGN-1258. Data from the Phase 2 clinical trial of ZGN-1061 indicated that ZGN-1061 was generally safe and well-tolerated, with primarily mild to moderate adverse events, or AEs. The most frequent treatment emergent AEs with ZGN-1061 in our Phase 2 clinical trial were injection site bruising, upper respiratory tract infection, and diarrhea; each of these categories of events occurred with relatively similar incidences to placebo. There were no treatment-related serious adverse events and no CV safety signals were observed. In addition, data from the Phase 2 clinical trial of ZGN-1061 demonstrated a beneficial decrease in A1C in the 0.9 mg and 1.8 mg dose groups and accompanying weight loss in the 1.8 mg dose group through the 12-week assessment period, and it is unknown whether this effect would continue beyond 12 weeks.

Further, if ZGN-1061, ZGN-1258 (if further evaluation warrants continued development) or ZGN-1345 receive marketing approval and we or others identify undesirable side effects caused by the product (or any other similar product) after the approval, a number of potentially significant negative consequences could result, including:

- regulatory authorities may request that we withdraw the product from the market or may limit their approval of the product through labeling or other means;
- regulatory authorities may require the addition of labeling statements, such as a “black box” warning or a contraindication or a precaution;
- we may be required to change the way the product is distributed or administered, conduct additional clinical trials or change the labeling of the product;
- we may decide to remove the product from the marketplace;

- we could be sued and held liable for injury caused to individuals exposed to or taking our product candidates; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the affected product candidate and could substantially increase the costs of commercializing our product candidates and significantly impact our ability to successfully commercialize our product candidates and generate revenues.

Failures or delays in the commencement or completion of our planned clinical trials of ZGN-1061, ZGN-1258 or ZGN-1345 could result in increased costs to us and could delay, prevent or limit our ability to generate revenue and continue our business.

ZGN-1061 has completed a Phase 1 clinical trial conducted in the Netherlands and a Phase 2 clinical trial conducted in Australia and New Zealand and will require substantial further clinical development before we can submit an NDA to the FDA or an MAA to the EMA for its marketing approval. ZGN-1258 and ZGN-1345 are still in nonclinical development, and additional nonclinical work must be completed prior to filing the IND application for each with the FDA and to commence into clinical trials. In March 2019, we announced our decision to suspend plans to file an IND for ZGN-1258 in order to evaluate ZGN-1258 following an unexpected finding in muscle tissue in rodent toxicology studies.

Despite the guidance we may receive from the FDA, the EMA, or other applicable regulatory authorities including in Australia and New Zealand, any of these regulatory authorities can change their positions on the acceptability of our clinical trial designs or the clinical endpoints selected, which may require us to complete additional clinical trials or impose stricter approval conditions than we currently expect. Successful completion of such clinical trials is a prerequisite to submitting an NDA to the FDA and an MAA to the EMA and, consequently, the ultimate approval and commercial marketing of ZGN-1061, ZGN-1258 or ZGN-1345. We do not know whether any clinical trials for ZGN-1061, ZGN-1258 or ZGN-1345 will begin or be completed on schedule, if at all, as the commencement and completion of clinical trials can be delayed or prevented for a number of reasons, including, among others:

- the FDA, EMA or other governing bodies in Europe or Australia and New Zealand may deny permission to begin or continue clinical trials, including for certain indications, we want to conduct;
- delays in regulatory filings or receiving regulatory authorizations of IND applications, or clinical trial authorization applications, or CTAs, that may be required;
- unfavorable results from our nonclinical studies, thus the FDA, the EMA or the applicable regulatory authorities in Australia or New Zealand, may require additional nonclinical studies;
- delays in reaching or failing to reach agreement on acceptable terms with prospective CROs and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- inadequate quantity or quality of a product candidate or other materials necessary to conduct clinical trials, for example delays in the manufacturing of sufficient supply of finished drug product;
- difficulties obtaining Institutional Review Board, or IRB, and/or ethics committee approval to conduct a clinical trial at a prospective site or sites in the United States, the European Union, or EU, Australia or New Zealand;
- challenges in recruiting and enrolling patients to participate in clinical trials, including the size and nature of the patient population, the proximity of patients to clinical trial sites, eligibility criteria for the clinical trial, the nature of the clinical trial protocol, the availability of approved effective treatments for the relevant disease and competition from other clinical trial programs for similar indications;
- difficulties in retaining or recruiting clinical investigators and/or patients in our ongoing or future clinical trials;
- difficulties retaining patients who have enrolled in a clinical trial but may be prone to withdraw due to rigors of the clinical trial, lack of efficacy, side effects, screening and monitoring measures, personal issues or loss of interest;
- severe or unexpected drug-related side effects experienced by patients in a clinical trial, including side effects previously identified in our previous clinical trials for beloranib;
- the FDA, the EMA, or the applicable regulatory authorities in Australia and New Zealand may disagree with our clinical trial designs, our interpretation of data from clinical trials, or may change the requirements for approval even after it has reviewed and commented on the design for our clinical trials; and
- reports from nonclinical or clinical testing of other therapies that raise safety or efficacy concerns.

Clinical trials may also be delayed or terminated as a result of ambiguous or negative interim results. In addition, a clinical trial may be suspended or terminated by us, the FDA, other regulatory authorities, the IRBs or ethics committees, at the sites where the IRBs or ethics committees are overseeing a clinical trial, a data monitoring committee, or DMC, overseeing the clinical trial at issue or other regulatory authorities due to a number of factors, including, among others:

- failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols;
- inspection of the clinical trial operations or trial sites by the FDA, the EMA, or the applicable regulatory authorities in Australia and New Zealand that reveals deficiencies or violations that require us to undertake corrective action, including the imposition of a partial clinical hold or a full clinical hold;
- unforeseen safety issues, including any that could be identified in our nonclinical studies, adverse side effects or lack of effectiveness;
- changes in government regulations or administrative actions;
- problems with clinical supply materials; and
- lack of adequate funding to continue the clinical trial.

Changes in regulatory requirements, FDA guidance or guidance from EMA, Australia or New Zealand or unanticipated events during our clinical trials of ZGN-1061 or our other product candidates, may occur, which may result in changes to clinical trial protocols or additional clinical trial requirements, which could result in increased costs to us and could delay our development timeline.

Changes in regulatory requirements, FDA guidance or guidance from EMA or unanticipated events during our clinical trials may force us to adjust our clinical program. The FDA, the EMA, or the applicable regulatory authorities in Australia and New Zealand may impose additional clinical trial and/or nonclinical study requirements. For instance, the FDA issued draft guidance on developing products for weight management in February 2007 and issued draft guidance on developing products for the treatment of diabetes in February 2008 but these guidance documents may be revised at any time. In December 2008, FDA established guidance on evaluating CV risk of new therapies for the treatment of type 2 diabetes. Amendments to our clinical trial protocols would require resubmission to the FDA, the EMA, or the applicable regulatory authorities in Australia and New Zealand as well as IRBs and ethics committees for review and approval, which may adversely impact the cost, timing or successful completion of a clinical trial. If we experience delays completing, or if we terminate, any of our clinical trials, or if we are required to conduct additional clinical trials and/or nonclinical studies, the commercial prospects for ZGN-1061 or our other product candidates may be harmed and our ability to generate product revenue will be delayed.

We rely, and expect that we will continue to rely, on third parties to conduct any future clinical trials for ZGN-1061 or our other product candidates. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to develop and obtain regulatory approval for or commercialize ZGN-1061 or our other product candidates, and our business could be substantially harmed.

We enter into agreements with third-party CROs to provide monitors for and to manage data for our ongoing clinical trials. We rely heavily on these parties for execution of clinical trials for ZGN-1061 and will continue to rely on these parties for clinical trials for our other product candidates, if any, but we only control certain aspects of their activities. As a result, we have less direct control over the conduct, timing and completion of these clinical trials and the management of data developed through the clinical trials than would be the case if we were relying entirely upon our own staff. Communicating with outside parties can also be challenging, potentially leading to mistakes as well as difficulties in coordinating activities. Outside parties may:

- have staffing difficulties;
- fail to comply with contractual obligations;
- experience regulatory compliance issues;
- undergo changes in priorities or become financially distressed; or
- form relationships with other entities, some of which may be our competitors.

These factors may materially adversely affect the willingness or ability of third parties to conduct our clinical trials and may subject us to unexpected cost increases that are beyond our control. Nevertheless, we are responsible for ensuring that each of our clinical trials is conducted in accordance with the applicable protocol, legal and regulatory requirements and scientific standards, and our reliance on CROs does not relieve us of our regulatory responsibilities. We and our CROs are required to comply with requirements for Good Clinical Practice, or GCPs, which are legal requirements enforced by the FDA, the Competent Authorities of

the Member States of the European Economic Area and comparable foreign regulatory authorities for any products in clinical development. The FDA enforces these GCP regulations through periodic inspections of clinical trial sponsors, principal investigators and clinical trial sites, IRBs, and other vendors that may be involved in the clinical development of new products. If we or our investigators or CROs fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the FDA or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that, upon inspection, the FDA will determine that any of our clinical trials comply with GCPs. In addition, our clinical trials must be conducted with products produced under current Good Manufacturing Practices, or cGMPs' regulations, to assure the identity, strength, quality, and purity of our drug product candidates being used in the clinical trials, as well as the to-be-marketed formulation and product. Our failure or the failure of our CROs and/or contract manufacturing organizations, or CMOs, to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process and could also subject us to enforcement action, up to and including, civil and criminal penalties.

Although we design our clinical trials, investigators and CROs conduct all of the clinical trials. As a result, many important aspects of our drug development programs are outside of our direct control. In addition, the investigators or CROs may not perform all of their obligations under arrangements with us or in compliance with regulatory requirements, but we remain responsible and are subject to enforcement action that may include civil penalties up to and including criminal prosecution for any violations of FDA laws and regulations during the conduct of our clinical trials. If the investigators or CROs do not perform clinical trials in a satisfactory manner, breach their obligations to us, or fail to comply with regulatory requirements, the development and commercialization of ZGN-1061 or our other product candidates may be delayed or our development program materially and irreversibly harmed. We cannot control the amount and timing of resources these investigators or CROs devote to our program, ZGN-1061, or will devote to or our other product candidates. If we are unable to rely on clinical data collected by our investigators or CROs, we could be required to repeat, extend the duration of, or increase the size of our clinical trials and this could significantly delay commercialization and require significantly greater expenditures.

If any of our relationships with these third-party investigators or CROs terminate, we may not be able to enter into arrangements with alternative investigators or CROs in a timely manner, or at all. If investigators or CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols, regulatory requirements or for other reasons, any such clinical trials may be extended, delayed or terminated, and we may not be able to obtain regulatory approval for or successfully commercialize ZGN-1061 or our other product candidates. As a result, our financial results and the commercial prospects for ZGN-1061 or our other product candidates in the subject indications would be harmed, our costs could increase and our ability to generate revenue could be delayed.

The number of patients suffering from PWS is small and has not been established with precision. If the actual number of patients with this condition is smaller than we estimate or if any approval that we obtain is based on a narrower definition of this patient population, our revenue and ability to achieve profitability for any product candidates targeting PWS will be adversely affected, possibly materially.

There is no current comprehensive patient registry or other method of establishing with precision the actual number of patients with PWS in any geography. Published population studies estimate that the prevalence of PWS in the United States and in the EU, ranges from 1 in 8,000 to 1 in 50,000. If the actual number of patients with PWS is lower than we believe or if any approval that we obtain is based on a narrower definition of these patient populations, then the potential market for any product candidates targeting PWS for these indications will be smaller than we anticipate. If our IND goes into effect, our inability to enroll a sufficient number of patients for our clinical trials could result in significant delays or may require us to abandon one or more clinical trials altogether. Enrollment delays in our clinical trials may result in increased development costs for any product candidates targeting PWS, delay or halt the development of and approval processes for our product candidates and jeopardize our ability to achieve our clinical development timeline and goals, including the dates by which we will commence, complete and receive results from clinical trials. Enrollment delays in our clinical trials may also jeopardize our ability to commence sales of and generate revenues from our product candidates, which could cause the value of our company to decline and limit our ability to obtain additional financing, if needed.

We rely completely on third-party suppliers to manufacture our clinical drug supplies for ZGN-1061 and our other product candidates, and to the extent we elect to commercialize ZGN-1061 or our other product candidates on our own, we intend to rely on third parties to produce commercial supplies of such products, and nonclinical, clinical and commercial supplies of any future product candidate.

We do not currently have, nor do we currently plan to acquire, the infrastructure or capability to internally manufacture our clinical drug supply of ZGN-1061 or any of our other product candidates, for use in the conduct of our nonclinical studies and clinical trials, and we lack the internal resources and the capability to manufacture any product candidates on a clinical or commercial scale. The CMOs used to manufacture the active drug substance and final drug product must be approved by our quality assurance unit and inspected by the FDA and other comparable foreign regulatory agencies.

We rely on our CMOs to comply with cGMPs for manufacture of starting materials, active drug substance and finished drug products. If our CMOs cannot successfully manufacture material that conforms to our specifications and the regulatory requirements of the FDA or applicable foreign regulatory agencies, the CMOs will not be able to secure and/or maintain regulatory approval for their manufacturing facilities or regulatory agencies may find deficiencies with their facilities and refuse to approve our marketing applications. While we manage our quality expectations through an audit program for our vendors and suppliers, we have no direct control over our CMOs' ability to maintain adequate quality control, quality assurance and qualified personnel. Furthermore, our CMOs are engaged with third party vendors to supply and/or manufacture starting materials or components for them, which exposes our CMOs to regulatory risks for the production of such materials and components. As a result, failure to satisfy the regulatory requirements for the production of those materials and components may affect supply. If the FDA or an applicable foreign regulatory agency finds deficiencies with or does not approve these facilities for the manufacture of our product candidates or if it withdraws its approval in the future, we may need to find alternative manufacturing facilities, which would adversely impact our ability to develop, obtain regulatory approval for or market our product candidates.

We rely completely on third-party suppliers to manufacture our nonclinical and clinical drug supplies for ZGN-1061 and our nonclinical drug supplies and future clinical drug supplies for our other product candidates. Currently each batch of ZGN-1061, ZGN-1258 and ZGN-1345 is individually contracted under a work order, which is governed by a quality and service agreement. There is sufficient supply of ZGN-1258 drug substance to support any clinical trials of ZGN-1258 through Phase 2 should our evaluations warrant further development of ZGN-1258. At later stages of development, the drug substance manufacturing process may be further optimized to support advanced clinical development and commercialization. A new formulation with longer shelf life has been developed and manufactured to support clinical development for ZGN-1061.

Even if we receive marketing approval for a product candidate in the United States, we may never receive regulatory approval to market such product candidate outside of the United States.

We may pursue marketing approval for certain of our product candidates in the United States, the EU and in other countries worldwide. In order to market any product outside of the United States, we must establish and comply with the numerous and varying safety, efficacy and other regulatory requirements of other countries, including potential additional clinical trials and/or nonclinical studies. Approval procedures vary among countries and can involve additional product candidate testing and additional administrative review periods. The time required to obtain approvals in other countries might differ from that required to obtain FDA approval. The marketing approval processes in other countries may implicate all of the risks detailed above regarding FDA approval in the United States as well as other risks. In particular, in many countries outside of the United States, products must receive pricing and reimbursement approval before the product can be commercialized. Obtaining this approval can result in substantial delays in bringing products to market in such countries. In addition, on March 20, 2017, the United Kingdom government started the process to leave the EU, or Brexit. The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to EU markets either during a transitional period or more permanently. Brexit could lead to legal uncertainty and potentially divergent national laws and regulation as the United Kingdom determines which EU laws to replace or replicate. Marketing approval in one country does not necessarily ensure marketing approval in another, but a failure or delay in obtaining marketing approval in one country may have a negative effect on the regulatory process or commercial activities in others. Failure to obtain marketing approval in other countries or any delay or other setback in obtaining such approval would impair our ability to market a product candidate in such foreign markets. Any such impairment would reduce the size of our potential market, which could have a material adverse impact on our business, results of operations and prospects.

Even if we receive marketing approval for a product candidate, it may not achieve broad market acceptance, which would limit the revenue that we generate from its sales.

The commercial success of a product candidate, if developed and approved for marketing by the FDA or EMA or other applicable regulatory authorities, will depend upon the awareness and acceptance of our product candidates among the medical community, including physicians, patients, advocacy groups and healthcare payors. Market acceptance of a product candidate, if approved, will depend on a number of factors, including, among others:

- the relative convenience and ease of subcutaneous injections as the necessary method of administration of most of our product candidates;
- the prevalence and severity of any adverse side effects associated with a product candidate;
- limitations or warnings contained in the labeling approved for a product candidate by the FDA, EMA, or other regulatory authorities, such as a "black box" warning;
- availability of alternative treatments, including a number of competitive type 2 diabetes therapies already approved or expected to be commercially launched in the near future and/or future availability of newly approved treatments currently in development for PWS;

- the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;
- the strength of marketing and distribution support and timing of market introduction of competitive products;
- publicity concerning our products or competing products and treatments;
- pricing;
- the effectiveness of our sales and marketing strategies;
- our ability to increase awareness of a product candidate through marketing efforts;
- our ability to obtain sufficient third-party coverage or reimbursement;
- the willingness of patients to pay out-of-pocket in the absence of third-party coverage; and
- the likelihood that the FDA may require development of a REMS, as a condition of approval or post-approval or may not agree with our proposed REMS or may impose additional requirements that limit the promotion, advertising, distribution or sales of our product candidates.

If a product candidate is approved but does not achieve an adequate level of acceptance by patients, advocacy groups, physicians and payors, we may not generate sufficient revenue from a product candidate to become or remain profitable. Before granting reimbursement approval, healthcare payors may require us to demonstrate that, in addition to treating type 2 diabetes in patients, a product candidate also provides incremental health benefits to patients. Our efforts to educate the medical community and third-party payors about the benefits of a product candidate may require significant resources and may never be successful.

If we are unable to establish sales and marketing capabilities or enter into agreements with third parties to market and sell a product candidate, we may not be able to generate any revenue.

We do not currently have an established infrastructure for the sales, marketing and distribution of pharmaceutical products. In order to market a product candidate, if approved by the FDA or any other regulatory body, we must build our sales, marketing, managerial and other non-technical capabilities or make arrangements with third parties to perform these services. If we are unable to establish adequate sales, marketing and distribution capabilities, whether independently or with third parties, or if we are unable to do so on commercially reasonable terms, our business, results of operations, financial condition and prospects will be materially adversely affected.

Even if we receive marketing approval for a product candidate, we may still face future development and regulatory difficulties.

Even if we receive marketing approval for a product candidate, regulatory authorities may still impose significant restrictions on our product candidates' indicated uses or marketing or impose ongoing requirements for potentially costly post-approval studies. A product candidate will also be subject to ongoing FDA and EMA requirements governing the labeling, packaging, storage and promotion of the product and recordkeeping and submission of safety and other post-market information. The FDA has significant post-market authority, including, for example, the authority to require labeling changes based on new safety information and to require post-market studies or clinical trials to evaluate serious safety risks related to the use of a drug. The FDA also has the authority to require, as part of an NDA or post-approval, the submission of a REMS. Any REMS required by the FDA may lead to increased costs to assure compliance with new post-approval regulatory requirements and potential requirements or restrictions on the sale of approved products, all of which could lead to lower sales volume and revenue. Additionally, the FDA may require a PMS and/or PMRs, that could represent and result in additional restrictions and/or limitations for the product.

Manufacturers of drug products and their facilities are subject to continual review and periodic inspections by the FDA and other regulatory authorities for compliance with cGMPs and other regulations. If we or a regulatory agency discover problems with a product candidate, such as adverse events of unanticipated severity or frequency, or problems with the facility where a product candidate is manufactured, a regulatory agency may impose restrictions on a product candidate, the manufacturer or us, including requiring withdrawal of a product candidate from the market or suspension of manufacturing. If we or the manufacturing facilities for a product candidate fail to comply with applicable regulatory requirements, a regulatory agency may, among other things:

- issue warning letters or untitled letters;
- seek an injunction or impose civil or criminal penalties or monetary fines;
- suspend or withdraw marketing approval;
- suspend any ongoing clinical trials;
- refuse to approve pending applications or supplements to applications submitted by us;
- suspend or impose restrictions on operations, including costly new manufacturing requirements; or
- seize or detain products, refuse to permit the import or export of products, or request that we initiate a product recall.

Competing technologies could emerge, including devices and surgical procedures, adversely affecting our opportunity to generate revenue from the sale of ZGN-1061 or our other product candidates.

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. We have competitors in a number of jurisdictions, many of which have substantially greater name recognition, commercial infrastructures and financial, technical and personnel resources than we have. Established competitors may invest heavily to quickly discover and develop novel compounds that could make ZGN-1061 or our other product candidates obsolete or uneconomical. Any new product that competes with an approved product may need to demonstrate compelling advantages in efficacy, convenience, tolerability and safety to be commercially successful. Other competitive factors, including generic competition, could force us to lower prices or could result in reduced sales. In addition, new products developed by others could emerge as competitors to ZGN-1061 or our other product candidates. If we are not able to compete effectively against our current and future competitors, our business will not grow and our financial condition and operations will suffer.

Our future growth depends, in part, on our ability to penetrate foreign markets, where we would be subject to additional regulatory burdens and other risks and uncertainties.

Our future profitability will depend, in part, on our ability to commercialize a product candidate in foreign markets for which we may rely on collaborations with third parties. If we commercialize a product candidate in foreign markets, we would be subject to additional risks and uncertainties, including:

- our customers' ability to obtain reimbursement for a product candidate in foreign markets;
- our inability to directly control commercial activities because we are relying on third parties;
- the burden of complying with complex and changing foreign regulatory, tax, accounting and legal requirements;
- different medical practices and customs in foreign countries affecting acceptance in the marketplace;
- import or export licensing requirements;
- longer accounts receivable collection times;
- longer lead times for shipping;
- language barriers for technical training;
- reduced protection of intellectual property rights in some foreign countries;
- foreign currency exchange rate fluctuations; and
- the interpretation of contractual provisions governed by foreign laws in the event of a contract dispute.

Foreign sales of a product candidate could also be adversely affected by the imposition of governmental controls, political and economic instability, trade restrictions and changes in tariffs.

We are subject to healthcare laws and regulations, and health information privacy and security laws, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

Healthcare providers, physicians and others will play a primary role in the recommendation and prescription of ZGN-1061 or our other product candidates, if approved. Our future arrangements with third-party payors will expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute ZGN-1061 or our other product candidates, if we obtain marketing approval. In addition, we may be subject to patient privacy regulation by both the federal government and the states in which we conduct our business. Restrictions under applicable federal and state healthcare laws and regulations include the following:

- the federal Anti-Kickback Statute prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or paying remuneration, directly or indirectly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made under federal healthcare programs such as Medicare and Medicaid;
- the federal false claims laws impose criminal and civil penalties, including those from civil whistleblower or qui tam actions pursuant to the federal False Claims Act, against individuals or entities for knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false or fraudulent or making a false statement to avoid, decrease, or conceal an obligation to pay money to the federal government;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, imposes criminal and civil liability for executing a scheme to defraud any healthcare benefit program and also imposes obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;
- the federal false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of or payment for healthcare benefits, items or services;
- the federal transparency requirements, sometimes referred to as the "Sunshine Act," under the Patient Protection and Affordable Care Act, require manufacturers of drugs, devices, biologics, and medical supplies to report to the Department of Health and Human Services information related to physician payments and other transfers of value and physician ownership and investment interests;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, and their respective implementing regulations, which impose requirements on certain covered healthcare providers, health plans, and healthcare clearinghouses as well as their respective business associates that perform services for them that involve the use, or disclosure of, individually identifiable health information, relating to the privacy, security and transmission of individually identifiable health information;
- federal consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers; and
- analogous state laws and regulations, such as state anti-kickback and false claims laws and transparency laws, may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers, and some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government in addition to requiring drug manufacturers to report information related to payments to physicians and other healthcare providers or marketing expenditures and drug pricing.

Ensuring that our future business arrangements with third parties comply with applicable healthcare laws and regulations could be costly. It is possible that governmental authorities will conclude that our business practices do not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations, including anticipated activities to be conducted by our sales team, were found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines and exclusion from government funded healthcare programs, such as Medicare and Medicaid, any of which could substantially disrupt our operations. If any of the physicians or other providers or entities with whom we expect to do business is found not to be in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

In addition, regulators globally are also imposing greater monetary fines for privacy violations. For example, in 2016, the EU adopted a new regulation governing data practices and privacy called the General Data Protection Regulation, or GDPR, which became effective on May 25, 2018. The GDPR applies to any company established in the EU as well as to those outside the EU if they collect and use personal data in connection with the offering of goods or services to individuals in the EU or the monitoring of their

behavior. The GDPR enhances data protection obligations for processors and controllers of personal data, including, for example, expanded disclosures about how personal information is to be used, limitations on retention of information, mandatory data breach notification requirements and onerous new obligations on service providers. Non-compliance with the GDPR may result in monetary penalties of up to €20 million or 4% of worldwide revenue, whichever is higher. The GDPR and other changes in laws or regulations associated with the enhanced protection of certain types of personal data, such as healthcare data or other sensitive information, could greatly increase our cost of providing our products and services or even prevent us from offering certain services in jurisdictions that we operate.

The FDA and other regulatory agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses. If we are found to have improperly promoted off-label uses, we may become subject to significant liability.

The FDA and other regulatory agencies strictly regulate the promotional claims that may be made about prescription products, such as ZGN-1061 or our other product candidates, if approved. If we receive marketing approval for ZGN-1061, or our other product candidates, physicians may prescribe our product candidates to their patients in a manner that is inconsistent with the approved label. If we are found to have promoted such off-label uses, we may become subject to significant liability. The federal government has levied large civil and criminal fines against companies for alleged improper promotion and has enjoined several companies from engaging in off-label promotion and required that they enter into corporate integrity agreements with the Office of Inspector General of the Department of Health and Human Services, or OIG. The FDA has also requested that companies enter into consent decrees or permanent injunctions under which specified promotional conduct is changed or curtailed. If we cannot successfully manage the promotion of ZGN-1061 or our other product candidates, if approved, we could become subject to significant liability, which would materially adversely affect our business and financial condition.

Even if approved, reimbursement policies could limit our ability to sell product candidates that we elect to sell on our own.

If approved by regulatory authorities, market acceptance and sales of product candidates that we elect to sell on our own will depend on reimbursement policies and may be affected by healthcare reform measures. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which medications they will pay for and establish reimbursement levels for those medications. Cost containment is a primary concern in the U.S. healthcare industry and elsewhere. Government authorities and these third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. We cannot be sure that reimbursement will be available for product candidates that we elect to sell on our own and, if reimbursement is available, the level of such reimbursement. Reimbursement may impact the demand for, or the price of, product candidates that we elect to sell on our own. If reimbursement is not available or is available only at limited levels, we may not be able to successfully commercialize product candidates that we elect to sell on our own.

In some foreign countries, particularly in Canada and European countries, the pricing of prescription pharmaceuticals is subject to strict governmental control. In these countries, pricing negotiations with governmental authorities can take six to twelve months or longer after the receipt of regulatory approval and product launch. To obtain favorable reimbursement for the indications sought or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost-effectiveness of product candidates that we elect to sell on our own with other available therapies. If reimbursement for product candidates that we elect to sell on our own is unavailable in any country in which we seek reimbursement, if it is limited in scope or amount, if it is conditioned upon our completion of additional clinical trials, or if pricing is set at unsatisfactory levels, our operating results could be materially adversely affected.

Recently enacted and future legislation may increase the difficulty and cost for us to obtain regulatory approval of and commercialize our drug candidates and affect the prices we may obtain.

The Affordable Care Act, or the ACA, has a significant impact on the healthcare industry. The ACA is a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for the healthcare and health insurance industries, impose new taxes and fees on the health industry and impose additional health policy reforms. The current presidential administration has indicated that enacting changes to the ACA is a legislative priority and has alternatively discussed repealing and replacing the ACA. While Congress has not passed repeal legislation to date, the 2017 Tax Reform Act includes a provision repealing the individual mandate, effective January 1, 2019. Further, on January 20, 2017, President Trump signed an Executive Order directing federal agencies with authorities and responsibilities under the ACA to waive, defer, grant exemptions from, or delay the implementation of any provision of the ACA that would impose a fiscal burden on states or a cost, fee, tax, penalty or regulatory burden on individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices. On October 13, 2017, President Trump signed an Executive Order terminating the cost-sharing subsidies that reimburse insurers under the ACA. In addition, the Centers for Medicare and Medicaid Services, or CMS, has proposed regulations that would give states greater flexibility in setting benchmarks for insurers in the individual and small group marketplaces, which may have the effect of relaxing the essential health benefits required under the ACA for plans sold through these marketplaces. Congress will likely consider other legislation to replace elements of the ACA. We do not

know at this time what implications these changes and other, proposed changes, if enacted, would have on the ACA's current requirements or on our future business. Changes to the ACA or other existing health care regulations could significantly impact our business and the pharmaceutical industry.

We may seek to obtain orphan drug designation for certain of our product candidates, and we may be unsuccessful.

As part of our business strategy, we may seek to obtain orphan drug designation for certain of our product candidates in the United States and the EU. We may be unsuccessful in obtaining orphan drug designation, and if we do, we may not receive orphan drug exclusivity for these products. In the United States, the company that first obtains FDA approval for a designated orphan drug for the specified rare disease or condition receives orphan drug marketing exclusivity for that drug for a period of seven years. This orphan drug exclusivity prevents the FDA from approving another application, including a full NDA to market the same drug for the same orphan indication, except in very limited circumstances, including when the FDA concludes that the later drug is safer, more effective or makes a major contribution to patient care. For purposes of small molecule drugs, the FDA defines "same drug" as a drug that contains the same active chemical entity and is intended for the same use as the drug in question. A designated orphan drug may not receive orphan drug exclusivity if it is approved for a use that is broader than the indication for which it received orphan designation. Orphan drug exclusive marketing rights in the United States may be lost if the FDA later determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantity of the drug to meet the needs of patients with the rare disease or condition.

Our development programs for our product candidates, which are primarily related to ZGN-1061, ZGN-1258 and ZGN-1345, may require substantial financial resources and may ultimately be unsuccessful.

Our lead product candidate ZGN-1061 has completed a Phase 1 clinical trial and is currently in Phase 2 clinical development, and there are a number of FDA and certain European regulatory requirements that we must satisfy before we can commence late-stage clinical trials of ZGN-1061. Satisfaction of these requirements will entail substantial time, effort and financial resources. We may never satisfy these requirements. ZGN-1258 is currently being evaluated following our March 2019 announcement to suspend plans to file an IND for ZGN-1258 based on an unexpected finding in muscle tissue in rodent toxicology studies and ZGN-1345 is still in nonclinical development. We believe that our cash, cash equivalents and marketable securities will be sufficient to fund operations for a period of at least one year from the issuance date of this Quarterly Report, but we will need to raise more funds to continue development and commercialization of ZGN-1061, ZGN-1258 (if further evaluations warrant its continued development and potential commercialization), ZGN-1345 and our other product candidates, which may not be easily available. Furthermore, any time, effort and financial resources we expend on our other early-stage development programs may adversely affect our ability to continue development and commercialization of ZGN-1061, ZGN-1258 (if further evaluations warrant its continued development and potential commercialization) and ZGN-1345, and we may never commence clinical trials of such development programs despite expending significant resources in pursuit of their development. If we do commence clinical trials of our other potential product candidates, such product candidates may never be approved by the FDA or other regulatory authorities.

Risks Related to Our Intellectual Property Rights

If we are unable to adequately protect our proprietary technology or maintain issued patents which are sufficient to protect ZGN-1061, ZGN-1258, ZGN-1345 or future product candidates, others could compete against us more directly, which would have a material adverse impact on our business, results of operations, financial condition and prospects.

Our commercial success will depend in part on our success in obtaining and maintaining issued patents and other intellectual property rights in the United States and elsewhere and protecting our proprietary technology. If we do not adequately protect our intellectual property and proprietary technology, competitors may be able to use our technologies and erode or negate any competitive advantage we may have, which could harm our business and ability to achieve profitability.

As of May 1, 2019, we own two issued U.S. patents, two pending U.S. patent applications and related pending foreign counterpart patent applications, as well as one pending Patent Cooperation Treaty, or PCT patent application, and three pending U.S. provisional patent applications that relate to ZGN-1061.

As of May 1, 2019, we own one issued U.S. patent, two pending U.S. patent applications, and one pending provisional patent application and related worldwide patent application, that relate to ZGN-1258.

As of May 1, 2019, we own two pending U.S. patent applications, and related worldwide patent applications, and two pending PCT patent applications that relate to ZGN-1345.

As of May 1, 2019, we own twenty-two issued U.S. patents, and three pending U.S. patent applications with pending foreign counterpart applications and three pending U.S. provisional patent applications, all of which relate to our internal efforts to discover novel MetAP2 inhibitors.

We cannot provide any assurances that any of our pending patent applications that mature into issued patents will include claims with a scope sufficient to protect ZGN-1061, ZGN-1258, ZGN-1345, and our other product candidates. Other parties have developed technologies that may be related or competitive to our approach and may have filed or may file patent applications and may have received or may receive patents that may overlap or conflict with our patent applications, either by claiming the same methods or formulations or by claiming subject matter that could dominate our patent position. The patent positions of biotechnology and pharmaceutical companies, including our patent position, involve complex legal and factual questions, and, therefore, the issuance, scope, validity and enforceability of any patent claims that we may obtain cannot be predicted with certainty. Patents, if issued, may be challenged, deemed unenforceable, invalidated, or circumvented. U.S. patents and patent applications may also be subject to interference proceedings, ex parte reexamination, or inter partes review proceedings, supplemental examination and challenges in district court. Patents may be subjected to opposition, post-grant review, or comparable proceedings lodged in various foreign, both national and regional, patent offices. These proceedings could result in either loss of the patent or denial of the patent application or loss or reduction in the scope of one or more of the claims of the patent or patent application. In addition, such proceedings may be costly. Thus, any patents that we may own or exclusively license may not provide any protection against competitors. Furthermore, an adverse decision in an interference proceeding can result in a third party receiving the patent right sought by us, which in turn could affect our ability to develop, market or otherwise commercialize ZGN-1061, ZGN-1258, ZGN-1345, and our other product candidates.

Furthermore, though an issued patent is presumed valid and enforceable, its issuance is not conclusive as to its validity or its enforceability and it may not provide us with adequate proprietary protection or competitive advantages against competitors with similar products. Competitors may also be able to design around our patents. Other parties may develop and obtain patent protection for more effective technologies, designs or methods. The laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the United States, and we may encounter significant problems in protecting our proprietary rights in these countries. If these developments were to occur, they could have a material adverse effect on our potential future sales.

Our ability to enforce our patent rights depends on our ability to detect infringement. It is difficult to detect infringers who do not advertise the components that are used in their products. Moreover, it may be difficult or impossible to obtain evidence of infringement in a competitor’s or potential competitor’s product. Any litigation to enforce or defend our patent rights, even if we were to prevail, could be costly and time-consuming and would divert the attention of our management and key personnel from our business operations. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded if we were to prevail may not be commercially meaningful.

In addition, proceedings to enforce or defend our patents could put our patents at risk of being invalidated, held unenforceable, or interpreted narrowly. Such proceedings could also provoke third parties to assert claims against us, including that some or all of the claims in one or more of our patents are invalid or otherwise unenforceable. If any of our patents covering ZGN-1061, ZGN-1258 or ZGN-1345, are invalidated or found unenforceable, our financial position and results of operations would be materially and adversely impacted. In addition, if a court found that valid, enforceable patents held by third parties covered ZGN-1061, ZGN-1258 or ZGN-1345, our financial position and results of operations would also be materially and adversely impacted.

The degree of future protection for our proprietary rights is uncertain, and we cannot ensure that:

- any of our patents, or any of our pending patent applications, if issued, will include claims having a scope sufficient to protect ZGN-1061, ZGN-1258, ZGN-1345 or any other products or product candidates;
- any of our pending patent applications will issue as patents;
- we will be able to successfully develop and commercialize ZGN-1061, ZGN-1258 or ZGN-1345, if approved, before our relevant patents expire;
- we were the first to make the inventions covered by each of our patents and pending patent applications;
- we were the first to file patent applications for these inventions;
- others will not develop similar or alternative technologies that do not infringe our patents;
- any of our patents will be found to ultimately be valid and enforceable;
- any patents issued to us will provide a basis for an exclusive market for our commercially viable products, will provide us with any competitive advantages or will not be challenged by third parties;
- we will develop additional proprietary technologies or product candidates that are separately patentable; or
- that our commercial activities or products will not infringe upon the patents of others.

We rely upon unpatented trade secrets, unpatented know-how and continuing technological innovation to develop and maintain our competitive position, which we seek to protect, in part, by confidentiality agreements with our employees and our collaborators and consultants. We also have agreements with our employees and selected consultants that obligate them to assign their inventions to us and have non-compete agreements with some, but not all, of our consultants. It is possible that technology relevant to our business will be independently developed by a person that is not a party to such an agreement. Furthermore, if the employees and consultants who are parties to these agreements breach or violate the terms of these agreements, we may not have adequate remedies for any such breach or violation, and we could lose our trade secrets through such breaches or violations. Further, our trade secrets could otherwise become known or be independently discovered by our competitors.

We may infringe the intellectual property rights of others, which may prevent or delay our product development efforts and stop us from commercializing or increase the costs of commercializing ZGN-1061 or our other product candidates, if approved.

Our success will depend in part on our ability to operate without infringing the intellectual property and proprietary rights of third parties. We cannot assure you that our business, products and methods do not or will not infringe the patents or other intellectual property rights of third parties.

The pharmaceutical industry is characterized by extensive litigation regarding patents and other intellectual property rights. Other parties may allege that ZGN-1061 or our other product candidates or the use of our technologies infringes patent claims or other intellectual property rights held by them or that we are employing their proprietary technology without authorization. Patent and other types of intellectual property litigation can involve complex factual and legal questions, and their outcome is uncertain. Any claim relating to intellectual property infringement that is successfully asserted against us may require us to pay substantial damages, including treble damages and attorneys' fees if we are found to be willfully infringing another party's patents, for past use of the asserted intellectual property and royalties and other consideration going forward if we are forced to take a license. In addition, if any such claim were successfully asserted against us and we could not obtain such a license, we may be forced to stop or delay developing, manufacturing, selling or otherwise commercializing ZGN-1061 or our other product candidates.

Even if we are successful in these proceedings, we may incur substantial costs and divert management time and attention in pursuing these proceedings, which could have a material adverse effect on us. If we are unable to avoid infringing the patent rights of others, we may be required to seek a license, defend an infringement action or challenge the validity of the patents in court, or redesign our products. Patent litigation is costly and time consuming. We may not have sufficient resources to bring these actions to a successful conclusion. In addition, intellectual property litigation or claims could force us to do one or more of the following:

- cease developing, selling or otherwise commercializing ZGN-1061;
- cease preparations or developing or our other product candidates;
- pay substantial damages for past use of the asserted intellectual property;

- obtain a license from the holder of the asserted intellectual property, which license may not be available on reasonable terms, if at all; and
- in the case of trademark claims, redesign or rename the trademarks or trade names of our product candidates to avoid infringing the intellectual property rights of third parties, which may not be possible and, even if possible, could be costly and time-consuming.

Any of these risks coming to fruition could have a material adverse effect on our business, results of operations, financial condition and prospects.

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

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

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

The U.S. Patent and Trademark Office, or U.S. PTO, and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent process. There are situations in which noncompliance can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case.

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

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

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

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

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

If we or one of our licensing partners initiated legal proceedings against a third party to enforce a patent covering our product candidate, the defendant could counterclaim that the patent covering our product candidate is invalid and/or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge include alleged failures to meet any of several statutory requirements, including lack of novelty, obviousness or non-enablement. Grounds for unenforceability assertions include allegations that someone connected with prosecution of the patent withheld relevant information from the U.S. PTO, or made a misleading statement, during prosecution. Third parties may also raise

similar claims before administrative bodies in the United States or abroad, even outside the context of litigation. Such mechanisms include re-examination, post grant review and equivalent proceedings in foreign jurisdictions, e.g., opposition proceedings. Such proceedings could result in revocation or amendment of our patents in such a way that they no longer cover our product candidates or competitive products. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to validity, for example, we cannot be certain that there is no invalidating prior act, of which we and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our product candidates. Such a loss of patent protection would have a material adverse impact on our business.

We do not seek to protect our intellectual property rights in all jurisdictions throughout the world and we may not be able to adequately enforce our intellectual property rights even in the jurisdictions where we seek protection.

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

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to biopharmaceuticals, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. For example, an April 2014 report from the Office of the United States Trade Representative identified a number of countries, including India and China, where challenges to the procurement and enforcement of patent rights have been reported. Several countries, including India and China, have been listed in the report every year since 1989. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, could put our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

We are dependent on licensed intellectual property for certain early-stage product candidates. If we were to lose our rights to licensed intellectual property, we may not be able to continue developing or commercializing such product candidates, if approved.

We have an exclusive license with Children's Medical Center Corporation, pursuant to which we exclusively licensed certain patent rights relating to decreasing the growth of fat tissue, on a worldwide basis. We may enter into additional licenses for third-party intellectual property that are necessary or useful to our business. Current or future licensors may also allege that we have breached our license agreement and may accordingly seek to terminate our license with them. In addition, current or future licensors may decide to terminate our license at will. If successful, this could result in our loss of the right to use the licensed intellectual property, which could materially adversely affect our ability to develop and commercialize a product candidate or product, if approved, as well as harm our competitive business position and our business prospects.

We have not yet registered trademarks for a commercial trade name for ZGN-1061 or our other product candidates and failure to secure such registrations could adversely affect our business.

We have not yet registered trademarks for a commercial trade name for ZGN-1061 or our other product candidates. Any future trademark applications may be rejected during trademark registration proceedings. Although we would be given an opportunity to respond to those rejections, we may be unable to overcome such rejections. In addition, in the U.S. PTO and in comparable agencies in many foreign jurisdictions, third parties are given an opportunity to oppose pending trademark applications and to seek to cancel registered trademarks. Opposition or cancellation proceedings may be filed against our trademarks, and our trademarks may not survive such proceedings. Moreover, any name we propose to use with our product candidates in the United States must be approved by the FDA, regardless of whether we have registered it, or applied to register it, as a trademark. The FDA typically conducts a review of proposed product names, including an evaluation of potential for confusion with other product names. If the FDA objects to any of our proposed proprietary product names, we may be required to expend significant additional resources in an effort to identify a suitable substitute name that would qualify under applicable trademark laws, not infringe the existing rights of third parties and be acceptable to the FDA.

If we do not obtain additional protection under the Hatch-Waxman Amendments and similar foreign legislation by extending the patent terms and obtaining data exclusivity for ZGN-1061, our business may be materially harmed.

Depending upon the timing, duration and specifics of development and FDA marketing approval of ZGN-1061 or our other product candidates, one or more of our U.S. patents may be eligible for limited patent term restoration under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent restoration term of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. However, we may not be granted an extension because of, for example, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents or otherwise failing to satisfy applicable requirements. Moreover, the applicable time period or the scope of patent protection afforded could be less than we request. If we are unable to obtain patent term extension or restoration or the term of any such extension is less than we request, our competitors may obtain approval of competing products following our patent expiration, and our ability to generate revenues could be materially adversely affected.

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

As is the case with other biopharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry involves both technological and legal complexity and is therefore costly, time consuming and inherently uncertain. Changes in either the patent laws or interpretation of the patent laws in the United States could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents. Patent reform legislation in the United States and other countries, including the Leahy-Smith America Invents Act, or the Leahy-Smith Act, signed into law in September 2011, could increase those uncertainties and costs. The Leahy-Smith Act includes a number of significant changes to U.S. patent law. These include provisions that affect the way patent applications are prosecuted, redefine prior art and provide more efficient and cost-effective avenues for competitors to challenge the validity of patents. For example, the Leahy-Smith Act allows third-party submission of prior art to the U.S. PTO during patent prosecution and additional procedures to attack the validity of a patent by U.S. PTO administered post-grant proceedings, including post-grant review, inter partes review, and derivation proceedings. In addition, the Leahy-Smith Act has transformed the U.S. patent system from a “first-to-invent” system to a “first-to-file” system in which, assuming that other requirements for patentability are met, the first inventor to file a patent application will be entitled to the patent on an invention regardless of whether a third party was the first to invent the claimed invention. The first-to-file provisions, however, only became effective on March 16, 2013. Accordingly, it is not yet clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could make it more difficult to obtain patent protection for our inventions and increase the uncertainties and costs surrounding the prosecution of our or our collaboration partners’ patent applications and the enforcement or defense of our or our collaboration partners’ issued patents, all of which could harm our business, results of operations, financial condition and prospects.

The U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. Additionally, there have been recent proposals for additional changes to the patent laws of the United States and other countries that, if adopted, could impact our ability to enforce our proprietary technology. Depending on future actions by the U.S. Congress, the U.S. courts, the U.S. PTO and the relevant law-making bodies in other countries, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

We may be subject to damages resulting from claims that we or our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

Our employees have been previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we are not aware of any claims currently pending against us, we may be subject to claims that these employees or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of the former employers of our employees. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management. If we fail in defending such claims, in addition to paying money claims, we may lose valuable intellectual property rights or personnel. A loss of key personnel or their work product could hamper or prevent our ability to develop and commercialize ZGN-1061 or our other product candidates, which would materially adversely affect our business, financial condition and results of operations.

General Company-Related Risks

Our future success depends on our ability to retain our executive officers, and to attract, retain and motivate qualified personnel.

Our success depends upon the principal members of our executive, medical and development teams, the loss of whose services may adversely impact the achievement of our research, development or commercialization objectives. We have entered into a

severance and change in control agreement with our executive officers and department vice president level employees, but they may terminate their employment with us at any time. We also do not have any key-man life insurance on any of our executive officers or employees.

With any change in leadership, there is also a risk to retention of employees, as well as the potential for disruption to business operations, initiatives, plans and strategies.

We also rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our development and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us and may not be subject to our standard non-compete agreements. Recruiting and retaining qualified scientific personnel and sales and marketing personnel will also be critical to our success. We may not be able to attract and retain these personnel on acceptable terms given the workforce reduction and competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific personnel from universities and research institutions. Failure to succeed in clinical trials may make it more challenging to recruit and retain qualified scientific personnel.

Our employees may engage in misconduct or other improper activities, including violating applicable regulatory standards and requirements or engaging in insider trading, which could significantly harm our business.

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to comply with the regulations of the FDA and applicable non-U.S. regulators, provide accurate information to the FDA and applicable non-U.S. regulators, comply with healthcare fraud and abuse laws and regulations in the United States and abroad, report financial information or data accurately or disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee misconduct could also involve the improper use of, including trading on, information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. We have adopted an insider trading policy and a code of conduct, but it is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may be ineffective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

We face potential product liability exposure, and, if claims are brought against us, we may incur substantial liability.

The use of ZGN-1061 and our other product candidates in clinical trials, if any, and the sale of ZGN-1061 and our other product candidates, if developed and approved, exposes us to the risk of product liability claims. Product liability claims might be brought against us by patients, healthcare providers or others selling or otherwise coming into contact with ZGN-1061 or our other product candidates. For example, we may be sued if any product we develop allegedly causes injury or death or is found to be otherwise unsuitable during product testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, including as a result of interactions with alcohol or other drugs, negligence, strict liability and a breach of warranties. Claims could also be asserted under state consumer protection acts. If we become subject to product liability claims and cannot successfully defend ourselves against them, we could incur substantial liabilities. In addition, regardless of merit or eventual outcome, product liability claims may result in, among other things:

- withdrawal of patients from our clinical trials;
- substantial monetary awards to patients or other claimants;
- decreased demand for ZGN-1061 or our other product candidates following marketing approval, if obtained;
- damage to our reputation and exposure to adverse publicity;
- increased FDA warnings on product labels;
- litigation costs;
- distraction of management’s attention from our primary business;
- loss of revenue; and
- the inability to successfully commercialize ZGN-1061 or our other product candidates, if approved.

We maintain product liability insurance coverage for our clinical trials with a $10.0 million annual aggregate coverage limit. Nevertheless, our insurance coverage may be insufficient to reimburse us for any expenses or losses we may suffer. Moreover, in the future, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses, including if insurance coverage becomes increasingly expensive. If and when we obtain marketing approval for ZGN-1061 or our other product candidates, we intend to expand our insurance coverage to include the sale of commercial products; however, we may not be able to obtain this product liability insurance on commercially reasonable terms. Large judgments have been awarded in class action lawsuits based on drugs that had unanticipated side effects. The cost of any product liability litigation or other proceedings, even if resolved in our favor, could be substantial, particularly in light of the size of our business and financial resources. A product liability claim or series of claims brought against us could cause our stock price to decline and, if we are unsuccessful in defending such a claim or claims and the resulting judgments exceed our insurance coverage, our financial condition, business and prospects could be materially adversely affected.

We must maintain effective internal control over financial reporting, and if we are unable to do so, the accuracy and timeliness of our financial reporting may be adversely affected, which could have a material adverse effect on our business and stock price.

We currently are an "emerging growth company," as defined in the Jumpstart our Business Startups Act of 2012, or the JOBS Act, and we have taken advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act.

We must maintain effective internal control over financial reporting in order to accurately and timely report our results of operations and financial condition. In addition, as a public company, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, requires, among other things, that we assess the effectiveness of our disclosure controls and procedures quarterly and the effectiveness of our internal control over financial reporting at the end of each fiscal year.

The rules governing the standards that must be met for our management to assess our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act are complex and require significant documentation, testing and possible remediation. These stringent standards require that our audit committee be advised and regularly updated on management's review of internal control over financial reporting. Our management may not be able to effectively and timely implement controls and procedures that adequately respond to the increased regulatory compliance and reporting requirements that are applicable to us as a public company. If we fail to staff our accounting, finance and information technology functions adequately or maintain internal control over financial reporting adequate to meet the demands that will be placed upon us as a public company, including the requirements of the Sarbanes-Oxley Act, our business and reputation may be harmed and our stock price may decline. Furthermore, investor perceptions of us may be adversely affected, which could cause a decline in the market price of our common stock.

Comprehensive tax reform legislation could adversely affect our business and financial condition.

On December 22, 2017, President Trump signed into law the "Tax Cuts and Jobs Act," or the TCJA, that significantly reforms the Internal Revenue Code of 1986, as amended, or the Code. The TCJA, among other things, contains significant changes to corporate taxation, including reduction of the corporate tax rate, limitation of the tax deduction for interest expense, limitation of the deduction for net operating losses and elimination of net operating loss carrybacks and modifying or repealing many business deductions and credits (including reducing the business tax credit for certain clinical testing expenses incurred in the testing of certain drugs for rare diseases or conditions generally referred to as "orphan drugs"). Our net deferred tax assets and liabilities were revalued at the newly enacted U.S. corporate rate.

Our ability to use our net operating loss carryforwards and certain tax credit carryforwards may be subject to limitation.

Since our inception in 2005, we have not recorded any U.S. federal or state income tax benefits for the net losses we have incurred in each year or our earned tax credits, due to our uncertainty of realizing a benefit from those items. As of December 31, 2018, we had net operating loss carryforwards for federal and state income tax purposes of $55.7 million and $48.0 million, respectively, which begin to expire in 2026 and 2030, respectively. As of December 31, 2018, we also had available tax credit carryforwards for federal and state income tax purposes of $16.6 million and $3.4 million, respectively, which begin to expire in 2026 and 2022, respectively. Under Section 382 of the Code, changes in our ownership may limit the amount of our net operating loss carryforwards and tax credit carryforwards that could be utilized annually to offset our future taxable income, if any. This limitation would generally apply in the event of a cumulative change in ownership of our company of more than 50% within a three-year period. Any such limitation may significantly reduce our ability to utilize our net operating loss carryforwards and tax credit carryforwards before they expire. Our follow-on public offering, initial public offering, or IPO, private placements and other transactions that have occurred since our inception, may trigger such an ownership change pursuant to Section 382. Any such limitation, whether as the result of our follow-on public offering, IPO, prior private placements, sales of our common stock by our existing stockholders or additional sales of our common stock by us, could have a material adverse effect on our results of operations in future years. We have

not completed a study to assess whether an ownership change for purposes of Section 382 has occurred, or whether there have been multiple ownership changes since our inception, due to the significant costs and complexities associated with such study. The reduction of the corporate tax rate under TCJA may cause a reduction in the economic benefit of our net operating loss carryforwards and other deferred tax assets available to us. Under the TCJA, net operating losses generated after December 31, 2017 will not be subject to expiration. As of December 31, 2018, we had net operating loss carryforwards that were generated after December 31, 2017, of $9.5 million that do not expire.

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

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

Our internal computer systems, or those of our third-party CROs or other contractors or consultants, may fail or suffer security breaches, which could result in a material disruption of our ZGN-1061, ZGN-1258, ZGN-1345 or other product candidate development programs.

Despite the implementation of security measures, our internal computer systems and those of our third-party CROs and other contractors and consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. While we have not experienced any such system failure or accident, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our programs. For example, the loss of clinical trial data for ZGN-1061 could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach results in a loss of or damage to our data or applications or other data or applications relating to our technology or product candidates, or inappropriate disclosure of confidential or proprietary information, we could incur liabilities and the further development of ZGN-1061 or our other product candidates could be delayed.

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

The success of our business depends primarily upon our ability to identify, develop and commercialize products based on our MetAP2 platform. Although our product candidates are in the nonclinical and clinical development stage, our research programs may fail to identify other potential product candidates for clinical development for a number of reasons. Our research methodology may be unsuccessful in identifying potential product candidates or our potential product candidates may be shown to have harmful side effects or may have other characteristics that may make the products unmarketable or unlikely to receive marketing approval.

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

We may seek to establish collaborations and, if we are not able to establish them on commercially reasonable terms, we may have to alter our development and commercialization plans or expand our internal efforts and growth.

Our drug development programs and the potential commercialization of our product candidates will require substantial additional cash to fund expenses. For some of our product candidates, such as ZGN-1061, we may decide to collaborate with pharmaceutical and biotechnology companies for the development and potential commercialization of those product candidates in some or all markets.

We face significant competition in seeking appropriate collaborators. Whether we reach a definitive agreement for a collaboration for ZGN-1061 or our other product candidates will depend, among other things, upon our assessment of the collaborator’s resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator’s evaluation of a number of factors, and whether we are able to resolve the clinical hold on ZGN-1061. Those factors may include the design or results of clinical trials, the likelihood of approval by the FDA or similar regulatory authorities outside the United States, the potential market for the applicable product candidate, the costs and complexities of manufacturing and delivering such product candidate to patients, the potential of competing products, the existence of uncertainty with respect to our ownership of technology, which can exist if there is a challenge to such ownership without regard to the merits of the challenge and industry and market conditions generally. The collaborator may also consider alternative product candidates or technologies for similar indications that

may be available to collaborate on and whether such collaboration could be more attractive than the one with us for our product candidate. The terms of any collaboration or other arrangements that we may establish may not be favorable to us.

We may also be restricted under existing license agreements from entering into future agreements on certain terms with potential collaborators. Collaborations are complex and time-consuming to negotiate and document. In addition, there have been a significant number of recent business combinations among large pharmaceutical companies that have resulted in a reduced number of potential future collaborators.

We may not be able to negotiate collaborations on a timely basis, on acceptable terms, or at all. If we are unable or unwilling to do so, we may have to curtail the development of ZGN-1061 or our other product candidates for which we are seeking to collaborate, reduce or delay its development program or one or more of our other development programs, delay potential commercialization in some or all markets or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense, including potentially increasing our infrastructure and investment outside the United States. If we elect to increase our expenditures to fund development or commercialization activities on our own, we will need to obtain additional capital, which may not be available to us on acceptable terms or at all. If we do not have sufficient funds, we may not be able to further develop our product candidates or bring them to market and generate product revenue. In addition, such efforts may require diversion of a disproportionate amount of our attention away from other day-to-day activities and require devotion of a substantial amount of our time to managing these expansion activities.

In addition, any future collaborations that we enter into for ZGN-1061 or our other product candidates may not be successful. The success of our collaboration arrangements will depend heavily on the efforts and activities of our collaborators. Collaborators generally have significant discretion in determining the efforts and resources that they will apply to these collaborations. Disagreements between parties to a collaboration arrangement regarding clinical development and commercialization matters can lead to delays in the development process or commercializing the applicable product candidate and, in some cases, termination of the collaboration arrangement. These disagreements can be difficult to resolve if neither of the parties has final decision-making authority. Collaborations with pharmaceutical or biotechnology companies and other third parties often are terminated or allowed to expire by the other party. Any such termination or expiration would adversely affect us financially and could harm our business reputation.

We may acquire businesses or products, or form strategic alliances, in the future, and we may not realize the benefits of such acquisitions or alliances.

We may acquire additional businesses or products, form strategic alliances or create joint ventures with third parties that we believe will complement or augment our existing business. If we acquire businesses with promising markets or technologies, we may not be able to realize the benefit of such transactions if we are unable to successfully integrate such businesses with our existing operations and company culture. We may encounter numerous difficulties in developing, manufacturing and marketing any new products resulting from a strategic alliance or acquisition that delay or prevent us from realizing their expected benefits or enhancing our business. We cannot assure you that, following any such transaction, we will achieve the expected synergies to justify the transaction.

Risks Related to Our Financial Position and Need for Capital

We have not generated any revenue from product sales. We have incurred significant operating losses since our inception and anticipate that we will incur continued losses for the foreseeable future.

Biopharmaceutical product development is a highly speculative undertaking and involves a substantial degree of risk. Our operations to date have been limited primarily to organizing and staffing our company and conducting research and development activities for ZGN-1061, ZGN-1258, ZGN-1345, beloranib, ZGN-839 and additional MetAP2 inhibitors. We have never generated any revenue from product sales. We have not obtained regulatory approvals for any of our product candidates.

Since our inception and until July 2016, we focused substantially all of our efforts and financial resources on developing beloranib, which was in Phase 3 clinical development for our lead indication of the treatment of hyperphagia and obesity in patients with PWS and Phase 2 clinical development for the treatment of obesity in patients with hypothalamic injury-associated obesity, or HIAO. In December 2015, the FDA put the beloranib IND application on full clinical hold. Due to the uncertainties, costs and risks associated with the development of beloranib, in July 2016, we suspended further development of beloranib and directed our efforts and financial resources to developing ZGN-1061. In October 2016, we suspended our development of ZGN-839 in order to focus all of our resources to developing ZGN-1061 and the discovery and development of novel and highly differentiated MetAP2 inhibitors. In early 2018, we announced that we are returning to the rare metabolic disease space with a second highly optimized MetAP2 development candidate, ZGN-1258, targeting an initial indication of PWS. In March 2019, we suspended our plans to file an IND for ZGN-1258 in order to evaluate ZGN-1258 following an unexpected finding in muscle tissue in rodent toxicology studies.

We have funded our operations to date through proceeds from sales of redeemable convertible preferred stock, convertible debt and proceeds from our IPO and follow-on public offerings, and have incurred losses in each year since our inception. In July 2018, we sold 9,200,000 shares of our common stock at a price of $7.50 per share. Our net losses were $13.1 million for the three months ended March 31, 2019 and $61.4 million for the year ended December 31, 2018. As of March 31, 2019, we had an accumulated deficit of $364.1 million. Substantially all of our operating losses resulted from costs incurred in connection with our development programs for ZGN-1061, ZGN-1258, ZGN-1345, beloranib, ZGN-839, early research activities, licensing milestone fees and from general and administrative costs associated with our operations. We expect to incur increasing levels of operating losses over the next several years and for the foreseeable future. Our prior losses, combined with expected future losses, have had and will continue to have an adverse effect on our stockholders' equity and working capital. We expect our research and development expenses will increase over time in connection with our expected clinical development of ZGN-1061, ZGN-1258 (if our further evaluation of ZGN-1258 warrants continued development), and of any other product candidates we may choose to pursue, including ZGN-1345. In addition, if and when we obtain marketing approval for ZGN-1061, ZGN-1258 (if our further evaluation of ZGN-1258 warrants continued development and potential commercialization) or ZGN-1345 we will incur significant sales, marketing and outsourced manufacturing expenses. We will continue to incur additional costs associated with operating as a public company. As a result, we expect to continue to incur significant operating losses that would increase over time for the foreseeable future. Because of the numerous risks and uncertainties associated with developing pharmaceutical products, we are unable to predict the extent of any future losses or when we will become profitable, if at all. Even if we do become profitable, we may not be able to sustain or increase our profitability on a quarterly or annual basis.

Our ability to become profitable depends upon our ability to generate revenue. To date, we have not generated any revenue from any of our product candidates, and we do not know when, or if, we will generate any revenue. We do not expect to generate significant revenue unless and until we obtain marketing approval of, and begin to sell, our product candidates. Our ability to generate revenue depends on a number of factors, including, but not limited to, our ability to:

- initiate and successfully complete clinical trials that meet their clinical endpoints;
- successfully submit IND applications that go into effect with the FDA to initiate clinical trials for ZGN-1061, ZGN-1258 (if our further evaluation warrants continued development of ZGN-1258) and ZGN-1345;
- initiate and successfully complete all safety studies required to obtain U.S. and foreign marketing approval for ZGN-1061 in the indications we are pursuing;
- commercialize our product candidates, if developed and approved, by developing a sales force or entering into collaborations with third parties; and
- achieve market acceptance of our product candidates in the medical community and with third-party payors.

Absent our entering into a collaboration or partnership agreement, we expect to incur significant sales and marketing costs when we prepare to commercialize our product candidates. Even if we initiate and successfully complete our clinical trials of our product candidates, and our product candidates are approved for commercial sale, and despite expending these costs, our product candidates may not be commercially successful drugs. We may not achieve profitability soon after generating product sales, if ever. If we are unable to generate sufficient product revenue, we will not become profitable and may be unable to continue operations without continued funding.

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

Developing small molecule products is expensive, and we expect our research and development expenses to increase substantially in connection with our ongoing activities, particularly as we advance ZGN-1061 into later stage clinical trials and as we continue our preparations for receiving permission for our INDs to go into effect for ZGN-1061, ZGN-1258 (if our further evaluation of ZGN-1258 warrants continued preparations) and ZGN-1345 with the FDA and advance ZGN-1258 (if our further evaluation of ZGN-1258 warrants advancement) and ZGN-1345 into the clinical trial stage. Depending on the status of regulatory approval or, if approved, commercialization of ZGN-1061, ZGN-1258 (if our further evaluation of ZGN-1258 warrants continued development and potential commercialization), ZGN-1345 or any of our other product candidates, as well as the progress we make in selling ZGN-1061, ZGN-1258, ZGN-1345 or any of our other product candidates, we will require additional capital to fund operating needs thereafter. We may also need to raise additional funds sooner if we choose to pursue additional indications and/or geographies for ZGN-1061, ZGN-1258, ZGN-1345, or our other product candidates or otherwise expand more rapidly than we presently anticipate.

As of March 31, 2019, our cash, cash equivalents and marketable securities were $104.7 million. We expect that our cash, cash equivalents and marketable securities will be sufficient to fund our current operations for a period of at least one year from the issuance date of this Quarterly Report. However, our operating plan may change as a result of many factors currently unknown to us, and we may need to seek additional funds sooner than planned, through public or private equity or debt financings, government or other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances and licensing

arrangements or a combination of these approaches. In any event, we will require additional capital to obtain regulatory approval for, and to commercialize, our product candidates. Raising funds in the current economic environment may present additional challenges. Even if we believe we have sufficient funds for our current or future operating plans, we may seek additional capital if market conditions are favorable or if we have specific strategic considerations.

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

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

Raising additional capital may cause dilution to our existing stockholders, restrict our operations or require us to relinquish rights.

We may seek additional capital through a combination of private and public equity offerings, debt financings, collaborations and strategic and licensing arrangements. On July 2, 2018, we completed a public offering of our common stock, which resulted in the sale of 9,200,000 shares at a price of $7.50 per share, resulting in net proceeds of approximately $64.6 million after deducting underwriting discounts and commissions, as well as offering costs. On November 9, 2018, we entered into a sales agreement, or the Sales Agreement, with Cowen and Company, LLC, or Cowen, to sell shares of our common stock, with aggregate gross sales proceeds of up to $50.0 million, from time to time, through an at-the-market equity offering program under which Cowen will act as its sales agent. Through March 31, 2019 we have not sold any shares under the Sales Agreement. To the extent that we raise additional capital through the sale of common stock or securities convertible or exchangeable into common stock, a stockholder’s ownership interest in our company will be diluted. In addition, the terms of any such securities may include liquidation or other preferences that materially adversely affect the rights of our stockholders. Debt financing, if available, would increase our fixed payment obligations and may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through collaboration, strategic partnerships and licensing arrangements with third parties, we may have to relinquish valuable rights to ZGN-1061 or our other product candidates, our intellectual property, future revenue streams or grant licenses on terms that are not favorable to us.

Risks Related to Our Common Stock

We expect that our stock price will continue to fluctuate significantly.

The market price of shares of our common stock, similar to the market price of shares of common stock of other biopharmaceutical companies, is subject to wide fluctuations. From January 1, 2019 to March 31, 2019 the daily closing price of our common stock on the NASDAQ Global Market ranged from a high of $5.30 to a low of $2.63 and will continue to be subject to wide fluctuations in response to many risk factors listed in this section, and others beyond our control, including:

- plans for, progress of, or results from nonclinical studies and clinical trials of ZGN-1061 and/or our other product candidates;
- the failure of the FDA to permit an IND to go into effect for ZGN-1061 or our other product candidates;
- the failure of the FDA or the EMA to approve ZGN-1061 or our other product candidates;
- our ability to establish an adequate safety margin and profile for ZGN-1061 or our other product candidates, including risk of serious thromboembolic events;
- announcements of new products, technologies, commercial relationships, acquisitions or other events by us or our competitors;
- the success or failure of other type 2 diabetes or PWS therapies;

- regulatory or legal developments in the United States and other countries;
- failure of ZGN-1061, or our other product candidates, if successfully developed and approved, to achieve commercial success;
- our ability to continue to evaluate ZGN-1258 following an unexpected finding in rodent toxicology studies;
- fluctuations in stock market prices and trading volumes of similar companies;
- general market conditions and overall fluctuations in U.S. equity markets;
- variations in our quarterly operating results;
- changes in our financial guidance or securities analysts' estimates of our financial performance;
- changes in accounting principles;
- our ability to raise additional capital and the terms on which we can raise it;
- sales of large blocks of our common stock, including sales by our executive officers, directors and significant stockholders;
- additions or departures of key personnel;
- discussion of us or our stock price by the press and by online investor communities; and
- other risks and uncertainties described in these risk factors.

These and other market and industry factors may cause the market price and demand for our common stock to fluctuate substantially, regardless of our actual operating performance, which may limit or prevent investors from readily selling their shares of common stock and may otherwise negatively affect the liquidity of our common stock. In addition, the stock market in general, and NASDAQ listed and biopharmaceutical companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. In the past, when the market price of a stock has been volatile, holders of that stock have instituted securities class action litigation against the company that issued the stock.

Our executive officers, directors, and principal stockholders exercise significant control over our company.

As of May 1, 2019, the existing holdings of our executive officers, directors, principal stockholders and their affiliates, including investment funds affiliated with Armistice Capital, LLC, Atlas Ventures, entities affiliated with Fidelity Investment, entities affiliated with BlackRock, Inc. and Great Point Partners, LLC, represent beneficial ownership, in the aggregate, of approximately 42.7% of our common stock. As a result, these stockholders, if they act together, are able to influence our management and affairs and control the outcome of matters submitted to our stockholders for approval, including the election of directors and any sale, merger, consolidation, or sale of all or substantially all of our assets. The concentration of voting power among these stockholders may have an adverse effect on the price of our common stock. In addition, this concentration of ownership might adversely affect the market price of our common stock by:

- delaying, deferring or preventing a change of control of us;
- impeding a merger, consolidation, takeover or other business combination involving us; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

Future sales of our common stock may cause our stock price to decline.

Sales of a substantial number of shares of our common stock in the public market or the perception that these sales might occur could significantly reduce the market price of our common stock and impair our ability to raise adequate capital through the sale of additional equity securities.

We may be at an increased risk of securities class action litigation.

Historically, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because biotechnology and pharmaceutical companies, including us, have experienced significant stock price volatility in the past.

We are an "emerging growth company" and a "smaller reporting company" and have availed ourselves of reduced disclosure requirements applicable to emerging growth companies and smaller reporting companies, which could make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we have taken advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act, for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we are electing not to take advantage of such extended transition period, and as a result we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to not take advantage of the extended transition period for complying with new or revised accounting standards is irrevocable. We cannot predict if investors will find our common stock less attractive because we may rely on any of the exemptions available under the JOBS Act. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. We may take advantage of these reporting exemptions until we are no longer an emerging growth company. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenue of $1.07 billion or more; (ii) December 31, 2019; (iii) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years; and (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

We are also a smaller reporting company, and we will remain a smaller reporting company as long as our voting and non-voting common shares held by non-affiliates is less than $250 million measured on the last business day of our second fiscal quarter, or our annual revenues are less than $100 million during the most recently completed fiscal year and our voting and non-voting common shares held by non-affiliates is less than $700 million measured on the last business day of our second fiscal quarter. Similar to emerging growth companies, smaller reporting companies are able to provide simplified executive compensation disclosure and have certain other reduced disclosure obligations, including, among other things, being required to provide only two years of audited financial statements and not being required to provide selected financial data, supplemental financial information or risk factors.

We may choose to take advantage of some, but not all, of the available exemptions for emerging growth companies and smaller reporting companies. We cannot predict whether investors will find our common stock less attractive if we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our shares price may be more volatile.

We have never paid dividends on our common stock and we do not anticipate paying any dividends in the foreseeable future. Consequently, any gains from an investment in our common stock will likely depend on whether the price of our common stock increases.

We have not paid dividends on any of our common stock to date and we currently intend to retain all of our future earnings, if any, to fund the development and growth of our business. As a result, capital appreciation, if any, of our common stock will be the sole source of gains for our common stockholders for the foreseeable future. Consequently, in the foreseeable future, our common stockholders will likely only experience a gain from their investment in our common stock if the price of our common stock increases.

If equity research analysts do not continue to publish research or reports about our business or if they issue unfavorable commentary or downgrade our common stock, the price of our common stock could decline.

The trading market for our common stock relies in part on the research and reports that equity research analysts publish about us and our business. We do not control these analysts. The price of our common stock could decline if one or more equity analysts downgrade our common stock or if analysts issue other unfavorable commentary or cease publishing reports about us or our business.

Anti-takeover provisions contained in our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

Our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law contain provisions which could have the effect of rendering more difficult, delaying or preventing an acquisition deemed undesirable by our board of directors. Our corporate governance documents include provisions:

- creating a classified board of directors whose members serve staggered three-year terms;

- authorizing “blank check” preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend, and other rights superior to our common stock;
- limiting the liability of, and providing indemnification to, our directors and officers;
- limiting the ability of our stockholders to call and bring business before special meetings;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors;
- controlling the procedures for the conduct and scheduling of board of directors and stockholder meetings; and
- providing our board of directors with the express power to postpone previously scheduled annual meetings and to cancel previously scheduled special meetings.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation law, which prevents some stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of substantially all of our outstanding common stock.

Any provision of our amended and restated certificate of incorporation, amended and restated bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

Item 6. Exhibits

The exhibits filed as part of this Quarterly Report are set forth on the Exhibit Index, which is incorporated herein by reference.

EXHIBIT INDEX

Exhibit No.	Description
10.1*	Employment Offer Letter Agreement by and between the Registrant and Priya Singhal, M.D., M.P.H., effective as of March 4, 2019.
10.2*	Severance and Change in Control Agreement by and between the Registrant and Priya Singhal, M.D., M.P.H., effective as of March 4, 2019.
10.3*	Non-Qualified Stock Option Agreement Inducement Award by and between the Registrant and Priya Singhal, M.D., M.P.H. granted on April 2, 2019.
10.4*+	Commercial Lease by and between the Registrant and Shigo Center Plaza Owner, LLC dated as of February 12, 2019.
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Link Document.

* Filed herewith.
** Furnished herewith.
\+ Certain confidential portions (indicated by brackets and asterisks) have been omitted from this exhibit.

SIGNATURES

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

ZAFGEN, INC.

Date: May 9, 2019

By: /s/ Jeffrey Hatfield
Jeffrey Hatfield
Chief Executive Officer
(Principal Executive Officer)

Date: May 9, 2019

By: /s/ Patricia L. Allen
Patricia L. Allen
Chief Financial Officer
(Principal Financial and Accounting Officer)

175 Portland Street, 4th Floor
Boston, MA 02114

February 26, 2019

Priya Singhal, MD
175 Portland St., 4th Floor
Boston, MA 02114

Re: Employment Offer

Dear Priya:

On behalf of Zafgen, Inc., a Delaware corporation (the "Company"), I am pleased to offer employment to you. The purpose of this letter is to outline the terms for your employment.

Position: Your initial position with the Company will be Head of Research and Development, reporting to Zafgen's CEO, Jeffrey Hatfield. This is a full-time role and it is understood and agreed that you will not engage in any other employment, consulting or other business activities (whether full-time or part-time) after the Start Date without prior written consent from the CEO.

Work Location: You will be based at the Company's headquarters at 175 Portland Street, Boston, Massachusetts. You agree to travel as reasonably necessary to accomplish your job duties.

Start Date: Your first day of employment will be by March 4, 2019, unless another date is agreed to by you and the Company. The actual first day of your employment shall be referred to in this document as the "Start Date."

Salary: Effective on the Start Date, the Company will pay you a base salary at the annual rate of $435,000.00 (a semi-monthly rate of $18,125.00) (the "Base Salary") payable in accordance with the Company's standard payroll schedule and subject to applicable deductions and withholdings. Your Base Salary shall be subject to periodic review and adjustment at the discretion of the Company. Your base salary in effect at any given time shall be referred to herein as the "Base Salary."

Annual Bonus: You will be eligible to receive an annual performance bonus (the "Bonus"). The Company will target the bonus at 40% of your Base Salary (the "Target Bonus"), and will be pro-rated based on your Start Date for the first year. The actual Bonus is discretionary and will be subject to the assessment of your performance, as well as business conditions at the Company as determined by the Board or the Compensation Committee. To earn any part of the Bonus you must be employed by the Company on the date that the Bonus is paid.

Benefits: As a regular, full time employee you will be eligible to participate in or receive benefits under the Company's employee benefits plans in effect from time to time, subject to the terms of such plans. These plans may be amended or terminated with or without prior notice. Currently, the employee programs include health, life, disability and dental insurance. Details of these benefits

programs, including mandatory employee contributions, will be made available to you when you start. The Company currently has a Flexible Vacation/PTO Policy. Other provisions of the Company's vacation and PTO policy are set forth in the policy itself.

Stock Options: Subject to approval by the Board, you will be granted an option (the "Option") to purchase 375,000 shares of the Company's common stock. The exercise price for the Option shall be equal to the fair market value of the Company's common stock on the date of grant, which will be the closing price of the Company's stock on the date approved by the Board of Directors. The Option will be governed by the Company's stock option plan and associated stock option agreement (the "Equity Documents") including with respect to vesting and exercise rights. The Option will vest over four years at the rate of 25% after twelve months of your Start Date and the remaining shares shall vest in equal monthly installments for a period of 36 months thereafter, until four years after your Start Date, when the Option will be fully vested.

At-will Employment; Accrued Obligations: Your employment is "at will," and you are not being offered employment for a definite period of time or pursuant to an employment contract, and either you or the Company may terminate the employment relationship at any time and for any reason, with or without cause or prior notice and without additional compensation to you. You will be eligible to receive a Severance and Change in Control Agreement (the "Severance Agreement"), as an employee at the Executive level. Your eligibility under the Severance Agreement is subject to the terms and conditions thereof.

Severance: In the event the Date of Termination is as a result of a Terminating Event as defined in the Severance Agreement (the "Severance Agreement"), in addition to the Accrued Payments, you shall be entitled to severance pay and benefits subject to and in accordance with the Severance Agreement. The Severance Agreement is incorporated by reference herein.

Confidential Information and Restricted Activities: As a material condition of your employment, you agree to enter into the Company's Employee Confidentiality, Assignment and Noncompetition Agreement. A copy of that Agreement is enclosed and the terms are incorporated by reference into this offer letter.

Taxes: All forms of compensation referred to in this Agreement are subject to reduction to reflect applicable withholding and payroll taxes and other deductions required by law. You hereby acknowledge that the Company does not have a duty to design its compensation policies in a manner that minimizes your tax liabilities, and you will not make any claim against the Company or its Board related to tax liabilities arising from your compensation.

Interpretation and Enforcement: This Agreement, including the Severance Agreement and the Equity Documents, constitutes the complete agreement between you and the Company, contains all the terms of your employment with the Company and supersedes any prior agreements, representations or understandings (whether written, oral or implied) between you and the Company. The terms of this Agreement and the resolution of any disputes as to the meaning, effect, performance or validity of this Agreement or arising out of, related to, or in any way connected with this Agreement, your employment with the Company or any other relationship between you and the Company (the "Disputes") will be governed by the laws of the Commonwealth of Massachusetts, excluding laws relating to conflicts or choice of law. You and the Company submit to the exclusive personal jurisdiction of the federal and state courts located in the Commonwealth of Massachusetts in connection with any Disputes or any claim related to any Disputes.

Assignment: Neither you nor the Company may make any assignment of this Agreement or any interest in it, by operation of law or otherwise, without the prior written consent of the other, provided however, that the Company may assign its rights and obligations under this Agreement (including the

Severance Agreement) without your consent to any affiliate or to any person or entity with whom the Company shall hereafter effect a reorganization, consolidate with, or merge into or to whom it transfers all or substantially all of its properties or assets. This Agreement shall inure to the benefit of and be binding upon you and the Company, and each of your and its respective successors, executors, administrators, heirs and permitted assigns.

Miscellaneous: This Agreement may not be modified or amended, and no breach shall be deemed to be waived, unless agreed to in writing by you and the CEO. The headings and captions in this Agreement are for convenience only and in no way define or describe the scope or content of any provision of this Agreement. The words "include," "includes" and "including" when used herein shall be deemed in each case to be followed by the words "without limitation." This Agreement may be executed in two or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instruments.

Other Terms: By signing this Agreement, you represent to the Company that you have no contractual commitments or other legal obligations that would or may prohibit you from performing your duties for the Company. Specifically, you represent that you are not bound by any employment contract, restrictive covenant or other restriction preventing you from entering into employment with or carrying out your responsibilities for the Company, or which is in any way inconsistent with the terms of this letter. As with any employee, you must submit satisfactory proof of your identity and your legal authorization to work in the United States.

We are excited about you becoming a Zafgen's employee. If you have any questions about this offer, please do not hesitate to contact me. Otherwise, please confirm your acceptance of this offer of employment by signing below and returning an unmodified copy to me no later than February 27, 2019.

Very truly yours,

/s/ Jeffrey Hatfield

Jeffrey Hatfield, CEO

ACKNOWLEDGED AND AGREED:

/s/ Priya Singhal
Priya Singhal, MD

Exhibit 10.2

SEVERANCE AND CHANGE IN CONTROL AGREEMENT

This Severance and Change in Control Agreement (this "Agreement") is made as of March 4, 2019 by and between Zafgen, Inc., a Delaware corporation (the "Company"), and Priya Singhal, MD, (the "Employee").

1.Purpose. The Company considers it essential to the best interests of its stockholders to promote and preserve the continuous employment of key management personnel. The Board of Directors of the Company (the "Board") recognizes that, as is the case with many corporations, the possibility of a Change in Control (as defined in Section 2 hereof) exists and that such possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of key management personnel to the detriment of the Company and its stockholders. Therefore, the Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's key management, including the Employee, to their assigned duties without distraction, including in the face of potentially disturbing circumstances arising from the possibility of a Change in Control. Nothing in this Agreement shall be construed to affect the at-will nature of the employment relationship, the Employee shall not have any right to be retained in the employ of the Company.

2.Change in Control. A "Change in Control" shall be deemed to have occurred upon the occurrence of any one of the following events: (a) the sale or exclusive out-license (even as to the Company) of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person or entity, (b) a merger, reorganization or consolidation pursuant to which the holders of the Company's outstanding voting power and outstanding stock immediately prior to such transaction do not own a majority of the outstanding voting power or fair market value of the stock or other equity interests of the resulting or successor entity (or its ultimate parent, if applicable) immediately upon completion of such transaction, (c) the sale of all of the stock of the Company to an unrelated person, entity or group thereof acting in concert, or (d) any other transaction in which the owners of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the Company or any successor entity immediately upon completion of the transaction other than as a result of the acquisition of securities directly from the Company. Notwithstanding any other provision of this Agreement, "Change in Control" shall be interpreted, administered and applied in a manner consistent and in compliance with a "change in control event" as set forth in Treasury Regulation Section 1.409A-3(i)(5) ("Change in Control Event").

3.Terminating Event.

A "Terminating Event" shall mean any of the events provided in this Section 3:

(a) Termination by the Company. Termination by the Company of the employment of the Employee with the Company for any reason other than for Cause, death or

Disability. For purposes of this Agreement, "Cause" shall mean, as determined by the Company in good faith:

(i) the commission by the Employee of any felony, any crime involving the Company, or any crime involving fraud or dishonesty;

(ii) any unauthorized use or disclosure of the Company's proprietary information by the Employee;

(iii) any intentional misconduct or gross negligence on the Employee's part which has a materially adverse effect on the Company's business or reputation; or

(iv) the Employee's repeated and willful failure to perform the duties, functions and responsibilities of the Employee's position after a written warning from the Company.

A Terminating Event shall not be deemed to have occurred pursuant to this Section 3(a) solely as a result of the Employee being an employee of any direct or indirect successor to the business or assets of the Company, rather than continuing as an employee of the Company following a Change in Control. For purposes hereof, the Employee will be considered "Disabled" if, as a result of the Employee's incapacity due to physical or mental illness, the Employee shall have been absent from his duties to the Company on a full-time basis for 180 calendar days in the aggregate in any 12-month period.

(b) Termination by the Employee for Good Reason. Termination by the Employee of the Employee's employment with the Company for Good Reason. For purposes of this Agreement, "Good Reason" shall mean that the Employee has complied with the "Good Reason Process" (hereinafter defined) following, the occurrence of any of the following events:

(i) a material diminution in the Employee's title, responsibilities, authority or duties;

(ii) a material diminution in the Employee's base salary except for across-the-board salary reductions based on the Company's financial performance similarly affecting all or substantially all senior management employees of the Company;

(iii) a breach by the Company of the material terms of this Agreement or any other written agreement between the Company and the Employee; or

(iv) a 50 mile or greater change in the geographic location at which the Employee is required to provide services to the Company, not including business travel and short-term assignments.

"Good Reason Process" shall mean that (i) the Employee reasonably determines in good faith that a "Good Reason" condition has occurred; (ii) the Employee notifies the Company in writing of the first occurrence of the Good Reason condition within 60 days of the first occurrence of such condition; (iii) the Employee cooperates in good faith with the Company's efforts, for a period not less than 30 days following such notice (the "Cure Period"), to remedy

the condition; (iv) notwithstanding such efforts, the Good Reason condition continues to exist; and (v) the Employee terminates his employment within 60 days after the end of the Cure Period. If the Company cures the Good Reason condition during the Cure Period, Good Reason shall be deemed not to have occurred.

4. **Change in Control Payment**. In the event a Terminating Event occurs on or within the 12 months immediately after a Change in Control (such 12-month period, the "Change in Control Period"), subject to the Employee signing a separation agreement containing, among other provisions, a 12-month post-employment noncompetition restriction and a general release of claims in favor of the Company and related persons and entities (but other than claims or future claims (i) for the payments to be made, benefits to be provided and equity awards to be accelerated to or with regard to the Employee pursuant to this Agreement, (ii) for indemnification at law, pursuant to the Company's certificate of incorporation and/or by-laws, any other written agreement between the Company and the Employee, and any governing document concerning a group benefit plan provided by or sponsored by the Company and in which the Employee is a participant, administrator or fiduciary, (iii) as the holder of securities of the Company, or (iv) for insurance coverage or costs of defense available to the Employee under any policy maintained by the Company), confidentiality, return of property and non-disparagement, in a form and manner reasonably satisfactory to the Company (the "Separation Agreement and Release") and the Separation Agreement and Release becoming irrevocable, all within 60 days after the Date of Termination, the following shall occur:

(a) the Company shall pay to the Employee an amount equal to 12 months of the Employee's annual base salary in effect immediately prior to the Terminating Event (or the Employee's annual base salary in effect immediately prior to the Change in Control, if higher);

(b) if the Employee was participating in the Company's group health plan immediately prior to the Date of Termination and elects COBRA health continuation, then the Company shall pay to the Employee a monthly cash payment for 12 months, in an amount equal to the monthly employer contribution that the Company would have made to provide health insurance to the Employee (and his eligible dependents) if the Employee had remained employed by the Company;

(c) notwithstanding anything to the contrary in any applicable option agreement or stock-based award agreement, all stock options and other stock-based awards with time-based vesting held by the Employee shall immediately accelerate and become fully exercisable or nonforfeitable as of the Employee's Date of Termination; and

(d) the amounts payable under this Section 4 shall be paid out in a lump sum commencing within 60 days after the Date of Termination; provided, however, that if the 60-day period begins in one calendar year and ends in a second calendar year, the amounts shall be paid in the second calendar year by the last day of such 60-day period.

5. **Severance Outside the Change in Control Period**. In the event a Terminating Event occurs at any time other than during the Change in Control Period, subject to the Employee signing the Separation Agreement and Release and the Separation Agreement and

Release becoming irrevocable, all within 60 days after the Date of Termination, the following shall occur:

(a) the Company shall pay to the Employee an amount equal to 9 months of the Employee's annual base salary in effect immediately prior to the Terminating Event;

(b) if the Employee was participating in the Company's group health plan immediately prior to the Date of Termination and elects COBRA health continuation, then the Company shall pay to the Employee a monthly cash payment for 9 months in an amount equal to the monthly employer contribution that the Company would have made to provide health insurance to the Employee (and his eligible dependents) if the Employee had remained employed by the Company; and

(c) the amounts payable under this Section 5 shall be paid out in substantially equal installments in accordance with the Company's payroll practice over 12 months commencing within 60 days after the Date of Termination; provided, however, that if the 60-day period begins in one calendar year and ends in a second calendar year, the severance shall begin to be paid in the second calendar year by the last day of such 60-day period; provided, further, that the initial payment shall include a catch-up payment to cover amounts retroactive to the day immediately following the Date of Termination.

6. **Severance Reduced by Garden Leave Pay**. Notwithstanding anything to the contrary hereunder, any severance hereunder payable or received in any calendar year shall be reduced by the amount of Garden Leave Pay paid to the Employee in the same such calendar year under the Employee's Employee Confidentiality, Assignment and Noncompetition Agreement with the Company (the "Restrictive Covenant Agreement"), if applicable, *provided* that in no event shall the amount of severance payable hereunder be less than $500, which amount shall in such event serve as sufficient consideration for all purposes hereunder.

7. **Additional Limitation**.

(a) Anything in this Agreement to the contrary notwithstanding, in the event that the amount of any compensation, payment or distribution by the Company to or for the benefit of the Employee, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, calculated in a manner consistent with Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") and the applicable regulations thereunder (the "Compensatory Payments"), would be subject to the excise tax imposed by Section 4999 of the Code, (or any successor provision), then the Compensatory Payments shall be reduced so that the sum of all of the Compensatory Payments shall be $1.00 less than the amount at which the Employee becomes subject to the excise tax imposed by Section 4999 of the Code (or any successor provision); provided that such reduction shall only occur if it would result in the Employee receiving a higher After Tax Amount (as defined below) than the Employee would receive if the Compensatory Payments were not subject to such reduction. In such event, the Compensatory Payments shall be reduced in the following order, in each case, in reverse chronological order beginning with the Compensatory Payments that are to be paid the furthest in time from consummation of the transaction that is subject to Section 280G of the Code: (i) cash payments not subject to Section 409A of the Code; (ii) cash payments subject to

Section 409A of the Code; (iii) equity-based payments and acceleration; and (iv) non-cash forms of benefits; provided that in the case of all the foregoing Compensatory Payments all amounts or payments that are not subject to calculation under Treas. Reg. §1.280G-1, Q&A-24(b) or (c) shall be reduced before any amounts that are subject to calculation under Treas. Reg. §1.280G-1, Q&A-24(b) or (c).

(b) For purposes of this Section 7, the "After Tax Amount" means the amount of the Compensatory Payments less all federal, state, and local income, excise and employment taxes imposed on the Employee as a result of the Employee's receipt of the Compensatory Payments. For purposes of determining the After Tax Amount, the Employee shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation applicable to individuals for the calendar year in which the determination is to be made, and state and local income taxes at the highest marginal rates of individual taxation in each applicable state and locality, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

(c) The determination as to whether a reduction in the Compensatory Payments shall be made pursuant to Section 7(a) shall be made by an accounting firm selected by the Company (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and the Employee within 15 business days of the Date of Termination, if applicable, or at such earlier time as is reasonably requested by the Company or the Employee. Any determination by the Accounting Firm shall be binding upon the Company and the Employee.

8.Section 409A.

(a) Anything in this Agreement to the contrary notwithstanding, if at the time of the Employee's "separation from service" within the meaning of Section 409A of the Code, the Company determines that the Employee is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, then to the extent any payment or benefit that the Employee becomes entitled to under this Agreement or otherwise on account of the Employee's separation from service would be considered deferred compensation subject to the 20 percent additional tax imposed pursuant to Section 409A(a) of the Code as a result of the application of Section 409A(a)(2)(B)(i) of the Code, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (A) six months and one day after the Employee's separation from service, or (B) the Employee's death.

(b) The parties intend that this Agreement will be administered in accordance with Section 409A of the Code. To the extent that any provision of this Agreement is ambiguous as to its compliance with Section 409A of the Code, the provision shall be read in such a manner so as not to be part of this Agreement or in compliance with Section 409A of the Code so that all payments hereunder are either exempt or comply with Section 409A of the Code. The parties agree that this Agreement may be amended, as reasonably requested by either party, and as may be necessary to fully comply with Section 409A of the Code and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either party. Each payment pursuant to this Agreement or the Restrictive Covenant Agreement

is intended to constitute a separate payment for purposes of applying Section 409A, any exemptions thereto and Treasury Regulation Section 1.409A-2(b)(2).

(c) All in-kind benefits provided and expenses eligible for reimbursement under this Agreement shall be provided by the Company or incurred by the Employee during the time periods set forth in this Agreement. All reimbursements shall be paid as soon as administratively practicable, but in no event shall any reimbursement be paid after the last day of the taxable year following the taxable year in which the expense was incurred. The amount of in-kind benefits provided or reimbursable expenses incurred in one taxable year shall not affect the in-kind benefits to be provided or the expenses eligible for reimbursement in any other taxable year. Such right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(d) To the extent that any payment or benefit described in this Agreement constitutes "non-qualified deferred compensation" under Section 409A of the Code, and to the extent that such payment or benefit is payable upon the Employee's termination of employment, then such payments or benefits shall be payable only upon the Employee's "separation from service." The determination of whether and when a separation from service has occurred shall be made in accordance with the presumptions set forth in Treasury Regulation Section 1.409A-1(h).

(e) The Company makes no representation or warranty and shall have no liability to the Employee or any other person if any provisions of this Agreement are determined to constitute deferred compensation subject to Section 409A of the Code but do not satisfy an exemption from, or the conditions of, such Section.

9.Term. This Agreement shall take effect on the date first set forth above and shall terminate upon the earlier of (a) the termination of the Employee's employment with the Company for any reason other than the occurrence of a Terminating Event, or (b) the date all amounts have been paid to the Employee upon a Terminating Event pursuant to Section 4 or Section 5 hereof, as applicable.

10.Withholding. All payments made by the Company to the Employee under this Agreement shall be net of any tax or other amounts required to be withheld by the Company under applicable law.

11.Notice and Date of Termination.

(a) Notice of Termination. After a Change in Control and during the term of this Agreement, any purported termination of the Employee's employment (other than by reason of death) shall be communicated by written Notice of Termination from one party hereto to the other party hereto in accordance with this Section 11. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon.

(b) Date of Termination. "Date of Termination" shall mean: (i) if the Employee's employment is terminated by his death, the date of his death; (ii) if the Employee's employment is terminated on account of Employee's Disability or by the Company for Cause,

the date on which Notice of Termination is given; (iii) if the Employee's employment is terminated by the Company without Cause the date on which a Notice of Termination is given; (iv) if the Employee's employment is terminated by the Employee without Good Reason, 30 days after the date on which a Notice of Termination is given, and (v) if the Employee's employment is terminated by the Employee with Good Reason, the date on which a Notice of Termination is given after the end of the Cure Period. Notwithstanding the foregoing, in the event that the Employee gives a Notice of Termination to the Company, the Company may unilaterally accelerate the Date of Termination and such acceleration shall not result in a termination by the Company for purposes of this Agreement.

12. **No Mitigation**. The Company agrees that, if the Employee's employment by the Company is terminated during the term of this Agreement, the Employee is not required to seek other employment or to attempt in any way to reduce any amounts payable to the Employee by the Company pursuant to Section 4 or Section 5 hereof. Further, the amount of any payment provided for in this Agreement shall not be reduced by any compensation earned by the Employee as the result of employment by another employer.

13. **Consent to Jurisdiction**. The parties hereby consent to the jurisdiction of the Superior Court of the Commonwealth of Massachusetts and the United States District Court for the District of Massachusetts. Accordingly, with respect to any such court action, the Employee (a) submits to the personal jurisdiction of such courts; (b) consents to service of process; and (c) waives any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction or service of process.

14.Integration. This Agreement constitutes the entire agreement between the parties with respect to severance pay, benefits and accelerated vesting (except to the extent any equity agreement specifically provides for terms more favorable to the Employee) in connection with any termination of employment and supersedes in all respects all prior agreements between the parties concerning such subject matter, including without limitation any provisions of any offer letter or employment agreement relating to severance pay or benefits in connection with the ending of Employee's employment relationship with the Company. In the interest of clarity, any (i) agreement relating to confidentiality, noncompetition, non-solicitation or assignment of inventions or (ii) equity acceleration more favorable to the Employee, shall not be affected by the Agreement.

15.Successor to the Employee. This Agreement shall inure to the benefit of and be enforceable by the Employee's personal representatives, executors, administrators, heirs, distributees, devisees and legatees. In the event of the Employee's death after a Terminating Event but prior to the completion by the Company of all payments due him under this Agreement, the Company shall continue such payments to the Employee's beneficiary designated in writing to the Company prior to his death (or to his estate, if the Employee fails to make such designation).

16.Enforceability. If any portion or provision of this Agreement (including, without limitation, any portion or provision of any Section of this Agreement) shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as

to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

17.Waiver. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Agreement, or the waiver by any party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

18.Notices. Any notices, requests, demands and other communications provided for by this Agreement shall be sufficient if in writing and delivered in person or sent by a nationally recognized overnight currier service of by registered or certified mail, postage prepaid, return receipt requested, to the Employee at the last address the Employee has filed in writing with the Company, or to the Company at its main office, attention of the Board.

19.Amendment. This Agreement may be amended or modified only by a written instrument signed by the Employee and by a duly authorized representative of the Company.

20.Effect on Other Plans and Agreements. An election by the Employee to resign for Good Reason under the provisions of this Agreement shall not be deemed a voluntary termination of employment by the Employee for the purpose of interpreting the provisions of any of the Company's benefit plans, programs or policies. Nothing in this Agreement shall be construed to limit the rights of the Employee under the Company's benefit plans, programs or policies except as otherwise provided in Section 7 hereof, and except that the Employee shall have no rights to any severance benefits under any Company severance pay plan, offer letter or otherwise. In the event that the Employee is party to an agreement with the Company providing for payments or benefits under such agreement and this Agreement, the terms of this Agreement (subject to the equity provisions in Section 14 above) shall govern and Employee may receive payment under this Agreement only and not both. Further, Section 4 and Section 5 of this Agreement are mutually exclusive and in no event shall Employee be entitled to payments or benefits pursuant to Section 4 and Section 5 of this Agreement.

21.Governing Law. This is a Massachusetts contract and shall be construed under and be governed in all respects by the laws of the Commonwealth of Massachusetts, without giving effect to the conflict of laws principles of such Commonwealth. With respect to any disputes concerning federal law, such disputes shall be determined in accordance with the law as it would be interpreted and applied by the United States Court of Appeals for the First Circuit.

22.Successor to Company. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and agree to perform this Agreement to the same extent that the Company would be required to perform it if no succession had taken place. Failure of the Company to obtain an assumption of this Agreement at or prior to the effectiveness of any succession shall be a material breach of this Agreement.

23. **Gender Neutral**. Wherever used herein, a pronoun in the masculine gender shall be considered as including the feminine gender unless the context clearly indicates otherwise.

24. **Counterparts**. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be taken to be an original; but such counterparts shall together constitute one and the same document.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement effective on the date and year first above written.

ZAFGEN, INC.

By: /s/ Patricia Allen
Name: Patricia Allen
Title: Chief Financial Officer

EMPLOYEE:

/s/ Priya Singhal
Priya Singhal, MD

Exhibit 10.3

NON-QUALIFIED STOCK OPTION AGREEMENT

INDUCEMENT AWARD

Name of Optionee: Priya Singhal

No. of Option Shares: 375,000

Option Exercise Price per Share: $2.89

Grant Date: April 2, 2019

Expiration Date: March 3, 2029

Vesting Start Date: March 2, 2019

Zafgen, Inc. (the "Company") hereby grants to the Optionee named above an option (the "Stock Option") to purchase on or prior to the Expiration Date specified above all or part of the number of shares of Common Stock, par value $0.001 per share (the "Stock") of the Company specified above at the Option Exercise Price per Share specified above subject to the terms and conditions set forth herein. This Stock Option has been granted as an inducement pursuant to an exception under Rule 5635(c)(4) of the Marketplace Rules of the Nasdaq Stock Market, Inc, is not issued under the Zafgen, Inc. 2014 Stock Option and Incentive Plan as amended through the date hereof (the "Plan") and does not reduce the share reserve under the Plan. However, for purposes of interpreting the applicable provisions of this Stock Option, the terms and conditions of the Plan (other than those applicable to the share reserve) shall govern and apply to this Stock Option as if this Stock Option had actually been issued under the Plan. This Stock Option is not intended to be an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended. Capitalized terms used, but not defined herein, shall have the meanings given to such terms in the Plan

1. Exercisability Schedule. No portion of this Stock Option may be exercised until such portion shall have become exercisable as set forth in Schedule A. Except as set forth on Schedule A attached hereto, and subject to the discretion of the Administrator (as defined in Section 1 of the Plan) to accelerate the exercisability schedule hereunder, this Stock Option shall be exercisable with respect to the number of Option Shares and on the dates indicated on Schedule A so long as Optionee remains an employee of the Company or earned Subsidiary on such dates.

Once exercisable, this Stock Option shall continue to be exercisable at any time or times prior to the close of business on the Expiration Date, subject to the provisions hereof and of the Plan.

2. Manner of Exercise.

(a) The Optionee may exercise this Stock Option only in the following manner: from time to time on or prior to the Expiration Date of this Stock Option, the Optionee may give written notice to the Administrator of his or her election to purchase some or all of the Option Shares purchasable at the time of such notice. This notice shall specify the number of Option Shares to be purchased.

Payment of the purchase price for the Option Shares may be made by one or more of the following methods: (i) in cash, by certified or bank check or other instrument acceptable to the Administrator; (ii) through the delivery (or attestation to the ownership) of shares of Stock that have been purchased by the Optionee on the open market or that are beneficially owned by the Optionee and are not then subject to any restrictions under any Company plan and that otherwise satisfy any holding periods as may be required by the Administrator; (iii) by the Optionee delivering to the Company a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company to pay the option purchase price, provided that in the event the Optionee chooses to pay the option purchase price as so provided, the Optionee and the broker shall comply with such procedures and enter into such agreements of indemnity and other agreements as the Administrator shall prescribe as a condition of such payment procedure; (iv) by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; or (v) a combination of (i), (ii), (iii) and (iv) above. Payment instruments will be received subject to collection.

The transfer to the Optionee on the records of the Company or of the transfer agent of the Option Shares will be contingent upon (i) the Company's receipt from the Optionee of the full purchase price for the Option Shares, as set forth above, (ii) the fulfillment of any other requirements contained herein or in the Plan or in any other agreement or provision of laws, and (iii) the receipt by the Company of any agreement, statement or other evidence that the Company may require to satisfy itself that the issuance of Stock to be purchased pursuant to the exercise of Stock Options under the Plan and any subsequent resale of the shares of Stock will be in compliance with applicable laws and regulations. In the event the Optionee chooses to pay the purchase price by previously owned shares of Stock through the attestation method, the number of shares of common stock transferred to the Optionee upon the exercise of the Stock Option shall be net of the shares attested to.

(b) The shares of Stock purchased upon exercise of this Stock Option shall be transferred to the Optionee on the records of the Company or of the transfer agent upon compliance to the satisfaction of the Administrator with all requirements under applicable laws or regulations in connection with such transfer and with the requirements hereof and of the Plan. The determination of the Administrator as to such compliance shall be final and binding on the Optionee. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Stock subject to this Stock Option unless and until this Stock Option shall have been exercised pursuant to the terms hereof, the Company or the transfer agent shall have transferred the shares to the Optionee, and the Optionee's name shall have been

entered as the stockholder of record on the books of the Company. Thereupon, the Optionee shall have full voting, dividend and other ownership rights with respect to such shares of Stock.

(c) The minimum number of shares with respect to which this Stock Option may be exercised at any one time shall be 100 shares, unless the number of shares with respect to which this Stock Option is being exercised is the total number of shares subject to exercise under this Stock Option at the time.

(d) Notwithstanding any other provision hereof or of the Plan, no portion of this Stock Option shall be exercisable after the Expiration Date hereof.

3. Termination of Employment. If the Optionee's employment by the Company or a Subsidiary (as defined in the Plan) is terminated, the period within which to exercise the Stock Option may be subject to earlier termination as set forth below.

(a) Termination Due to Death. If the Optionee's employment terminates by reason of the Optionee's death, any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of death, may thereafter be exercised by the Optionee's legal representative or legatee for a period of 12 months from the date of death or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of death shall terminate immediately and be of no further force or effect.

(b) Termination Due to Disability. If the Optionee's employment terminates by reason of the Optionee's disability (as determined by the Administrator), any portion of this Stock Option outstanding on such date, to the extent exercisable on the date of such disability, may thereafter be exercised by the Optionee for a period of 12 months from the date of disability or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of disability shall terminate immediately and be of no further force or effect.

(c) Termination for Cause. If the Optionee's employment terminates for Cause, any portion of this Stock Option outstanding on such date shall terminate immediately and be of no further force and effect. For purposes hereof, "Cause" shall mean, unless otherwise provided in an employment agreement between the Company and the Optionee, a determination by the Administrator that the Optionee shall be dismissed as a result of (i) the Optionee's dishonest statements or acts with respect to the Company or any affiliate of the Company, or any of the Company's current or prospective customers, suppliers vendors or other third parties with which such entity does business; (ii) the Optionee's commission of (A) a felony or (B) any misdemeanor involving moral turpitude, deceit, dishonesty or fraud; (iii) the Optionee's failure to perform his assigned duties and responsibilities to the reasonable satisfaction of the Company which failure continues, in the reasonable judgment of the Company, after written notice given to the Optionee by the Company; (iv) the Optionee's gross negligence, willful misconduct or insubordination with respect to the Company or any affiliate of the Company; or (v) the Optionee's material violation of any provision of any agreement(s) between the Optionee and the Company relating to noncompetition, nondisclosure and/or assignment of inventions.

(d) Other Termination. If the Optionee's employment terminates for any reason other than the Optionee's death or the Optionee's disability or Cause, and unless

otherwise determined by the Administrator, any portion of this Stock Option outstanding on such date may be exercised, to the extent exercisable on the date of termination, for a period of three months from the date of termination or until the Expiration Date, if earlier. Any portion of this Stock Option that is not exercisable on the date of termination shall terminate immediately and be of no further force or effect.

The Administrator's determination of the reason for termination of the Optionee's employment shall be conclusive and binding on the Optionee and his or her representatives or legatees.

4. Incorporation of the Plan. As set forth above, this Stock Option is not granted pursuant to the Plan. Instead, this Stock Option is granted as an inducement grant pursuant to Rule 5635(c)(4) of the NASDAQ Stock Market Rules. However, for purposes of interpreting the provisions of this Stock Option, the terms and conditions of the Plan (other than those applicable to the share reserve, but including the powers of the Administrator set forth in Section 2(b) of the Plan) shall govern and apply to this Stock Option as if this Stock Option had actually been issued under the Plan.

5. Transferability. This Agreement is personal to the Optionee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution. This Stock Option is exercisable, during the Optionee's lifetime, only by the Optionee, and thereafter, only by the Optionee's legal representative or legatee.

6. Tax Withholding. The Optionee shall, not later than the date as of which the exercise of this Stock Option becomes a taxable event for Federal income tax purposes, pay to the Company or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. The Company shall have the authority to cause the minimum required tax withholding obligation to be satisfied, in whole or in part, by withholding from shares of Stock to be issued to the Optionee a number of shares of Stock with an aggregate Fair Market Value that would satisfy the minimum withholding amount due.

7. No Obligation to Continue Employment. Neither the Company nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Optionee in employment and neither the Plan nor this Agreement shall interfere in any way with the right of the Company or any Subsidiary to terminate the employment of the Optionee at any time.

8. Integration. This Agreement constitutes the entire agreement between the parties with respect to this Stock Option and supersedes all prior agreements and discussions between the parties concerning such subject matter.

9.Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company, its subsidiaries and affiliates and certain agents thereof (together, the "Relevant Companies") may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or

desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Optionee (i) authorizes the Company to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Optionee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Optionee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

10. Notices. Notices hereunder shall be mailed or delivered to the Company at its principal place of business and shall be mailed or delivered to the Optionee at the address on file with the Company or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

ZAFGEN, INC.

By: /s/ Jeffrey Hatfield
Name: Jeffrey Hatfield
Title: Chief Executive Officer

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Company's instructions to the Optionee (including through an online acceptance process) is acceptable.

Dated: April 2, 2019 /s/ Priya Singhal
Priya Singhal

Schedule A

Vesting Terms

- Twenty-five percent of the Stock Option will vest on March 4, 2020 and the remaining seventy-five percent of the Stock Option will vest in equal monthly installments over the next thirty-six months.

Exhibit 10.4

Certain information identified by bracketed asterisks ([***]) has been omitted from this exhibit because it (i) is not material and (ii) would be competitively harmful to the company if publicly disclosed.

OFFICE
LEASE AGREEMENT

Between

SHIGO CENTER PLAZA OWNER, LLC,
a Delaware limited liability company,

as Landlord
and
ZAFGEN INC.,
a Delaware corporation,

as Tenant

with respect to

1-3 CENTER PLAZA, BOSTON, MASSACHUSETTS

THIS OFFICE LEASE AGREEMENT (this "Lease") is entered into by and between Landlord and Tenant as of the Effective Date. The parties to this Lease hereby agree as follows:

1. BASIC DATA.

As further supplemented in the balance of this Lease and the Exhibits attached hereto, this Basic Data sets forth the basic terms of this Lease and, where appropriate, constitutes definitions of certain terms used in this Lease. This Basic Data is incorporated into and made a part of this Lease. If any conflict exists between any Basic Data and other provisions of this Lease, then this Basic Data shall control.

Effective Date:	February 12, 2019
Landlord:	SHIGO CENTER PLAZA OWNER, LLC, a Delaware limited liability company
Tenant:	ZAFGEN, INC., a Delaware corporation
Building:	The building commonly known and numbered as 1-3 Center Plaza, Boston, Massachusetts, which is comprised of three (3) interconnected buildings known, individually, as "CP1" (also known as 3 Center Plaza), "CP2" (also known as 2 Center Plaza), and "CP3" (also known as 1 Center Plaza), substantially as shown on the rendering attached hereto as Exhibit A-1.
Land:	The parcel of land on which the Building is located, as further described in the legal description attached hereto as Exhibit A-2.
Property:	Collectively, the Building and the Land.
Premises:	The portion of the sixth (6th) floor of CP3, substantially as shown on the plan of premises attached hereto as Exhibit B. The Premises have been measured according to ANSI/BOMA Z65.3-2010 standards and shall not be re-measured during the Term, as it may be extended.
Premises Rentable Area:	Agreed to be 17,705 rentable square feet.
CP1 Rentable Area:	Agreed to be 247,894 rentable square feet.
CP2 Rentable Area:	Agreed to be 248,793 rentable square feet.
CP3 Rentable Area:	Agreed to be 244,551 rentable square feet.

Building Rentable Area:	Agreed to be 741,238 rentable square feet, which is the sum of the CP1 Rentable Area, the CP2 Rentable Area, and the CP3 Rentable Area.
Permitted Use:	General office use and no other use or purpose.
Term:	Except as otherwise provided in the work letter attached hereto as Exhibit C, the period commencing on the date upon which Landlord delivers possession of the Premises to Tenant free and clear of all occupants with Landlord's Work (i.e., Landlord's TI Work and Landlord's Base Building Work) Substantially Complete (as such terms are defined in Exhibit C) (such date, the "Commencement Date") and expiring on the day immediately preceding the one hundred twenty-fourth (124th) month anniversary of the Commencement Date, except that if the Commencement Date does not occur on the first day of a calendar month, then the Term shall expire on the last day of the calendar month in which such anniversary falls, unless terminated or extended as provided for herein. Notwithstanding the foregoing, Tenant acknowledges and agrees that if Tenant's personnel shall occupy all or any part of the Premises for the conduct of Tenant's business prior to the Commencement Date, such date of occupancy shall, for all purposes of this Lease, be the Commencement Date.
Expiration Date:	The last day of the Term.
Rent Commencement Date:	The date which is four (4) months after the Commencement Date.
Base Rent:	Base Rent shall be the following amounts for the following periods of time:

Rental Period	Annual Base Rent	Monthly Base Rent
Commencement Date – the day immediately preceding the Rent Commencement Date	$0.00	$0.00
Lease Year 1	$991,480.00	$82,623.33
Lease Year 2	$1,009,185.00	$84,098.75
Lease Year 3	$1,026,890.00	$85,574.17
Lease Year 4	$1,044,595.00	$87,049.58
Lease Year 5	$1,062,300.00	$88,525.00
Lease Year 6	$1,080,005.00	$90,000.42
Lease Year 7	$1,097,710.00	$91,475.83
Lease Year 8	$1,115,415.00	$92,951.25
Lease Year 9	$1,133,120.00	$94,426.67
Lease Year 10	$1,150,825.00	$95,902.08

Lease Year:	Any twelve (12) month period during the Term of the Lease commencing as of the Rent Commencement Date, or as of any anniversary of the Rent Commencement Date, except that if the Rent Commencement Date does not occur on the first day of a calendar month, then (i) the first Lease Year shall further include the partial calendar month in which the first anniversary of the Rent Commencement Date occurs, and (ii) the remaining Lease Years shall be the successive twelve-(12)-month periods following the end of such first Lease Year
Base Tax Year:	Fiscal Year 2020 (i.e., July 1, 2019 – June 30, 2020).
Base Expense Year:	Calendar Year 2019 (i.e., January 1, 2019 – December 31, 2019).
Tenant's Proportionate Share of CP1:	Agreed to be 0.00%, which is the percentage obtained by dividing the portion of the Premises located within CP1 by the CP1 Rentable Area.
Tenant's Proportionate Share of CP2:	Agreed to be 0.00%, which is the percentage obtained by dividing the portion of the Premises located within CP2 by the CP2 Rentable Area.
Tenant's Proportionate Share of CP3:	Agreed to be 7.24%, which is the percentage obtained by dividing the portion of the Premises located within CP3 by the CP3 Rentable Area.

	Rental PeriodAnnual Base RentMonthly Base RentCommencement Date – the day immediately preceding the Rent Commencement Date$0.00$0.00Lease Year 1$991,480.00$82,623.33Lease Year 2$1,009,185.00$84,098.75Lease Year 3$1,026,890.00$85,574.17Lease Year 4$1,044,595.00$87,049.58Lease Year 5$1,062,300.00$88,525.00Lease Year 6$1,080,005.00$90,000.42Lease Year 7$1,097,710.00$91,475.83Lease Year 8$1,115,415.00$92,951.25Lease Year 9$1,133,120.00$94,426.67Lease Year 10$1,150,825.00$95,902.08
Tenant's Proportionate Share of the Building:	Agreed to be 2.39%, which is the percentage obtained by dividing the Premises Rentable Area by the Building Rentable Area.
Letter of Credit Amount:	$1,338,940.62 subject to reduction as provided herein
Guarantor(s):	None
Broker(s):	JLL (Tenant's Broker) Newmark Knight Frank (Landlord's Broker)

Additionally, the following terms shall have the following meanings when used in this Lease: "Affiliate" means any person or entity which, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the party in question; "Building Standard" means improvements made in the manner and with the materials selected by Landlord as the standard for the Building subject to availability and Landlord's right to select alternative types, models, brands, grades, designs, manufacturers and suppliers from time to time as the standard for the Building; "Building Structure" means the Building's exterior walls, roof, elevator shafts, footings, foundations, structural portions of load-bearing walls, structural floors and subfloors, and structural columns and beams; "Building Systems" means the Building's mechanical, electrical, plumbing, heating, ventilation and air conditioning ("HVAC"), telecommunication, life safety, security and other common service systems of the Building, but shall not include the distribution portions of such systems which exclusively serve the Premises (whether located in the Premises or in other areas of the Building); "Business Days" means those days of the week which are not a Saturday, Sunday, or federal, state or local holiday; "including" means including, without limitation; "Landlord Parties" means collectively Landlord and any of Landlord's agents, employees, or contractors, and "Landlord Party" means any of the foregoing; "Laws" means all present and future statutes, laws, codes, regulations, ordinances, orders, rules, bylaws, administrative guidelines, requirements, directives and actions of any federal, state or local governmental or quasi-governmental authority, and other legal requirements of whatever kind or nature, including all Environmental Requirements (as hereinafter defined) and the Americans with Disabilities Act of 1990 (including the Americans with Disabilities Act Accessibility Guidelines for Buildings and Facilities), and any amendments, modifications or changes to any of the foregoing, and "Law" means any of the foregoing; and "Tenant Parties" means, collectively, Tenant; any assignees claiming by, through or under Tenant; any subtenants claiming by, through or under Tenant; and any of their respective agents, employees, contractors, licensees, invitees and guests, and "Tenant Party" means any of the foregoing.

2. LEASE GRANT; COMMON AREAS; RESERVATION OF RIGHTS.

2.1 Subject to the terms of this Lease, Landlord leases to Tenant, and Tenant leases from Landlord, the Premises, for the Term.

2.2 Landlord hereby grants to Tenant during the Term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas (as hereinafter defined) as they from time to time exist, subject to the rights, powers and privileges herein reserved to Landlord. The term "Common Areas" as used herein will include all areas

and facilities located outside the Premises on the Property that are provided and designated by Landlord for the general non-exclusive use and convenience of Tenant and other tenants.

2.3 Landlord reserves all rights of ownership of the Property and use of the Property outside the Premises, except that, at all times during the Term of this Lease, unless expressly provided otherwise in this Lease, Tenant shall have a reasonable means of access to the Premises. Without limiting the foregoing reservation of rights by Landlord, it is understood that, Landlord, in its sole discretion, shall have the right to change, add, relocate and eliminate facilities, structures and improvements in and to the Building and the Property (including the Common Areas); to permit the use of or lease all or part thereof for exhibitions and displays; and to sell, lease, or dedicate all or part thereof for public use. In addition, without unreasonable interference and upon reasonable prior notice, Landlord shall have the right to install, use, maintain, repair, replace and relocate for service to the Premises and other parts of the Building and the Property, pipes, ducts, conduits, wires and appurtenant fixtures, wherever located in the Premises or the Building; provided, however, that to the extent such pipes, ducts, conduits, wires and appurtenant fixtures are located within the Premises, Landlord shall (wherever reasonably possible) make all such installations, replacements and relocations above the ceiling surfaces, below the floor surfaces, or within the perimeter walls of the Premises.

3. CONDITION OF PREMISES; POSSESSION PRIOR TO COMMENCEMENT DATE.

3.1 Condition of Premises. Except as expressly set forth in the work letter attached hereto as Exhibit C, Tenant shall accept the Premises in "AS IS, WHERE IS, WITH ALL FAULTS" condition, without any obligation on the part of Landlord to prepare the Premises for Tenant's occupancy thereof except as expressly contained in this Lease and the Work Letter, and without any representations or warranties by Landlord to Tenant as to the condition of the Premises, the Building, the Property, or the suitability thereof for Tenant's use. Landlord and Tenant expressly disclaim any implied warranty that the Premises are suitable for Tenant's intended commercial purpose. Landlord shall cause the Premises to be in good order, condition and repair with all Building Systems serving the Premises to be in good working order and repair on the Commencement Date. Landlord represents that, as of the date hereof, Landlord has not received any notices from any governmental agencies that the Building or Premises are in violation of any applicable laws, the subject of which notice(s) remains uncured as of the date hereof.

3.2 Possession Prior to Commencement Date. Landlord agrees to allow Tenant access to the Premises for the purpose of installing Tenant's Systems (as hereinafter defined) fifteen (15) days prior to the Commencement Date. Such access shall be at the sole risk of Tenant and without liability to Landlord, and subject to all of the terms, covenants and conditions of this Lease (including the insurance and indemnification provisions of this Lease), except that Tenant shall not be required to pay Base Rent, or charges on account of Taxes or Operating Expenses, with respect to the period of time prior to the Commencement Date; provided, however, that if Tenant's personnel shall occupy all or any part of the Premises for the conduct of Tenant's business prior to the Commencement Date, such date of occupancy shall, for all purposes of this Lease, be the Commencement Date. Tenant shall not be responsible for elevator shutdowns during such early access period.

4. TERM; COMMENCEMENT AGREEMENT.

The Term shall be as set forth in Section 1 above. When the Commencement Date, Rent Commencement Date and Expiration Date have been determined in accordance with the provisions set forth in this Lease, then, upon request of Landlord, the parties hereto shall execute a commencement agreement ("Commencement Agreement"), substantially in the form of Exhibit F attached hereto, setting forth such dates and such Commencement Agreement shall be deemed a supplement to and part of this Lease; provided, however, that the failure of the parties to execute and deliver such Commencement Agreement shall not defer the Commencement Date or otherwise invalidate this Lease.

5. USE.

Tenant shall use and occupy the Premises only for the Permitted Use and shall comply with all Laws relating to the use, condition, access to, and occupancy of the Premises (provided that Tenant shall not be responsible for correcting any non-compliance of the Premises with any Laws existing on or prior to the Commencement Date) and shall not commit waste, overload the Building Structure or the Building Systems, or subject the Premises to use that would damage the Premises. Tenant shall not use or occupy, or permit the use or occupancy of, the Premises (or any portion thereof) (1) in any manner that, in Landlord's reasonable judgment, would adversely affect, or interfere with, any services required to be furnished by Landlord to Tenant or by Landlord to any other tenant or occupant of the Building, or with the proper and economical rendition of any such service; (2) for any use which creates extraordinary fire hazards, or results in an increased rate of insurance on the Building or its contents; (3) for governmental or quasi-governmental offices, medical or dental offices, call centers or telemarketing purposes, employment agencies or any other offices which solicit or accept "off the street" clients or customers to the Premises; or (4) in any manner that, in Landlord's reasonable judgment, would be disruptive or create any nuisance or unreasonably interfere with other tenants or occupants of the Building or with Landlord in its management of the Building. The population density within the Premises as a whole shall at no time exceed one person per 150 square feet of usable area.

6. BASE RENT AND ADDITIONAL RENT.

6.1 General Payment Provisions.

(1)Tenant shall pay Base Rent in equal monthly installments as set forth in Section 1 above in advance on the first day of each calendar month occurring during the Term. Tenant shall pay a proportionate share of such monthly installment for any fraction of a calendar month that occurs at the beginning or end of the Term of this Lease. Tenant shall pay the full amount of all Base Rent and Additional Rent due hereunder and the full amount of all such other sums of money as shall become due under this Lease, all of which hereinafter may be collectively called "Rent," without notice or demand, and without deduction, offset or abatement (except as expressly set forth herein), to Landlord at such place as Landlord shall from time to time designate by notice, in lawful money of the United States.

(2)Landlord and Tenant hereby confirm that the Base Rent is not based on Tenant's income or profit derived from the Premises.

(3) If Tenant fails to pay Base Rent or Additional Rent on the date when due, Tenant shall pay to Landlord (a) a late payment fee of five percent (5%) of the unpaid amount ("Late Payment Fee") and (b) interest at the lesser of the annual rate of ten percent (10%) or the maximum lawful rate of interest (such lesser rate, the "Default Rate") on the unpaid amount from the date when due until the date when paid. Notwithstanding the foregoing, Landlord agrees to waive the foregoing interest assessment and Late Payment Fee once per calendar year so long as Tenant cures such nonpayment within five (5) days following the date when such payment was due. All charges other than Base Rent which Tenant is required to pay in accordance with this Lease shall be deemed to be "Additional Rent" and, in the event of non-payment thereof by Tenant, Landlord shall, subject to any applicable notice and cure periods pursuant to Section 25, have all the rights and remedies as would accrue to Landlord for non-payment of Base Rent.

6.2 Payment of Taxes.

(1)For purposes of Section 6.2, the following definitions shall apply:

"Tax Year": The twelve (12) month period adopted by the City of Boston or other applicable governmental authority for the purpose of determining Taxes (currently, the fiscal year starting on July 1 and ending on June 30).

"Base Tax Year": As set forth in Section 1.

"Base Taxes": The Taxes paid or incurred during the Base Tax Year.

"Tax Increases": The excess, if any, of the Taxes paid or incurred during any Tax Year over the Taxes paid or incurred during the Base Tax Year.

"Taxes": Without limitation, (a) all taxes, assessments (special or otherwise), levies, fees and all other government levies, exactions and charges of every kind and nature, general and special, ordinary and extraordinary, foreseen and unforeseen, which are, at any time prior to or during the Term, imposed or levied upon or assessed against the Property or any portion thereof, or against any Base Rent, Additional Rent or other rent of any kind or nature payable to Landlord by anyone on account of the ownership, leasing or operation of the Property, or which arise on account of or in respect of the ownership, development, leasing, operation or use of the Property or any portion thereof; (b) all gross receipts taxes or similar taxes imposed or levied upon, assessed against or measured by any Base Rent, Additional Rent or other rent of any kind or nature or other sum payable to Landlord by anyone on account of the ownership, development, leasing, operation, or use of the Property or any portion thereof; (c) all value added, use and similar taxes at any time levied, assessed or payable on account of the ownership, development, leasing, operation, or use of the Property or any portion thereof; and (d) reasonable expenses of any proceeding for abatement of any of the foregoing items included in Taxes; but the amount of special taxes or special assessments included in Taxes shall be limited to the amount of the installment (plus any interest, other than penalty interest, payable thereon) of such special tax or special assessment required to be paid during the year in respect of which such Taxes are being determined. Landlord shall not retain any amount more than the equivalent of 100% of the Taxes for any given Tax Year. There shall be excluded from Taxes all net income, estate, succession, inheritance and transfer taxes of Landlord; provided, however, that if at any time during the Term the present system of ad valorem taxation of real property shall be changed so that a capital levy, franchise, net income, profits, sales, rental, use and occupancy, or other

new or additional tax or charge shall in whole or in part be substituted for, or added to, such ad valorem tax and levied against, or be payable by, Landlord with respect to the Property or any portion thereof, such tax or charge shall be included in the term "Taxes" for the purposes of this Section. Taxes shall further exclude the portion of taxes allocated by Landlord to the Parking Garage (as defined in Section 56).

(2)In the event that Taxes during any Tax Year shall exceed Taxes incurred with respect to the Base Tax Year, Tenant shall pay to Landlord, as Additional Rent, Tenant's Proportionate Share of Tax Increases, which shall be an amount equal to (a) Tenant's Proportionate Share multiplied by (b) the Tax Increases, such amount to be apportioned for any portion of a Tax Year in which the Commencement Date falls or the Term expires. Landlord shall endeavor to provide Tenant with a statement of projected Tax Increases prior to the commencement of any Tax Year. If Landlord fails to provide Tenant with a statement of projected Tax Increases prior to the commencement of any Tax Year, Tenant shall continue to pay Taxes in accordance with the previous statement, until Tenant receives a new statement from Landlord. From time to time during any Tax Year, Landlord may re-estimate the Tax Increases for that Tax Year and provide a copy of any re-estimate to Tenant. If and to the extent the Building is part of a larger project or development and Taxes are not separately allocated by the taxing authority among the various buildings in such project or development, Landlord shall, in accordance with its good faith business judgment, allocate to the Building for each Tax Year or portion thereof during the Term an equitable portion of such Taxes.

(3)Estimated payments by Tenant on account of Taxes shall be made on the first day of each and every calendar month during the Term of this Lease, in the fashion herein provided for the payment of Base Rent. The monthly amount to be paid to Landlord shall be sufficient to provide Landlord by the time real estate tax payments are due with a sum equal to Tenant's required payment, as reasonably estimated by Landlord from time to time, on account of Taxes for the then current Tax Year. Within a reasonable amount of time after receipt by Landlord of bills for such Taxes, Landlord shall advise Tenant of the amount thereof and the computation of Tenant's payment on account thereof. If estimated payments theretofore made by Tenant for the Tax Year covered by such bills are greater than the required payment on account thereof for such Tax Year, Landlord shall credit the amount of overpayment against subsequent obligations of Tenant on account of Taxes (or refund such overpayment if the Term of this Lease has ended and Tenant has no further obligation to Landlord). If estimated payments theretofore made by Tenant for the Tax Year covered by such bills are less than the required payment on account thereof for such Tax Year, Tenant shall pay the difference to Landlord within thirty (30) days after being so advised by Landlord, and the obligation to make such payment for any period within the Term shall survive expiration or earlier termination of the Term.

(4)If Landlord shall receive any tax refund or reimbursement of Taxes or sum in lieu thereof with respect to any Tax Year all or any portion of which falls within the Term, then out of any balance remaining thereof after deducting Landlord's expenses in obtaining such refund, Landlord shall, provided there does not then exist an Event of Default, credit an amount equal to such refund or reimbursement or sum in lieu thereof (exclusive of any interest, and apportioned if such refund is for a Tax Year a portion of which falls outside the Term) multiplied by Tenant's Proportionate Share against the monthly installments of Tax Increases next due under this Lease (or refund such amount if the Term of this Lease has ended and Tenant has no further obligation to Landlord); provided, however, that in no event shall Tenant be entitled (a)

to a credit in excess of the payments made by Tenant on account of Taxes for such Tax Year or (b) to receive any payments or abatement of Base Rent if Taxes for any Tax Year are less than Base Taxes or if Base Taxes are abated. If the Taxes comprising Base Taxes are reduced as a result of an appropriate proceeding or otherwise, the Taxes as so reduced shall for all purposes be deemed to be the Base Taxes and Landlord shall give notice to Tenant of the corrected amount of Base Taxes and the amount of any additional payments due from Tenant under Section 6.2.

(5)Tenant acknowledges and agrees that, as of the Effective Date, the City of Boston assesses Taxes for CP1, CP2, and CP3 separately. Accordingly, each time the term "Tenant's Proportionate Share" is used in this Lease with respect to Taxes, such term shall be deemed to mean Tenant's Proportionate Share of CP1, Tenant's Proportionate Share of CP2, and Tenant's Proportionate Share of CP3 as such terms are set forth in Section 1 of this Lease. Further, Tenant acknowledges and agrees that if, at a future date, the City of Boston elects to assess Taxes for CP1, CP2, and CP3 against the Building, the term "Tenant's Proportionate Share" shall be deemed to mean Tenant's Proportionate Share of the Building as such term is set forth in Section 1 of this Lease.

6.3 Payment of Operating Expenses.

(1)For purposes of Section 6.3, the following definitions shall apply

"Expense Year": The twelve (12) month period adopted by Landlord for the purpose of determining Operating Expenses (currently, the calendar year starting on January 1 and ending on December 31).

"Base Expense Year": As set forth in Section 1.

"Base Expenses": The Operating Expenses paid or incurred during the Base Expense Year; provided, however, that if less than ninety-five percent (95%) of the Building Rentable Area is occupied during the Base Expense Year, Operating Expenses shall be equitably adjusted to the amount such Operating Expenses would have been if ninety-five percent (95%) of the Building Rentable Area had been occupied during the Base Expense Year. Only those component expenses that are affected by variation in occupancy levels shall be "grossed up."

"Expense Increases": The excess, if any, of the Operating Expenses paid or incurred during any Expense Year over the Operating Expenses paid or incurred during the Base Expense Year; provided, however, that if less than ninety-five percent (95%) of the Building Rentable Area is occupied during any Expense Year, Operating Expenses shall be equitably adjusted to the amount such Operating Expenses would have been if ninety-five percent (95%) of the Building Rentable Area had been occupied during such Expense Year. Only those component expenses that are affected by variation in occupancy levels shall be "grossed up."

"Operating Expenses": All direct and indirect costs and expenses in each Expense Year paid or incurred by Landlord in connection with operating, maintaining, repairing, insuring, managing and owning the Property, including without limitation, (a) all expenses incurred by Landlord or Landlord's members and managers, and their respective members and

managers, partners, shareholders, officers, directors, agents, employees and contractors (collectively, "Landlord's Agents") which shall be directly related to employment of personnel, including amounts incurred for wages, salaries and other compensation for services, payroll, social security, unemployment and similar taxes, workmen's compensation insurance, disability benefits, pensions, hospitalization, retirement plans and group insurance, uniforms and working clothes and the cleaning thereof, and expenses imposed on Landlord or Landlord's Agents pursuant to any collective bargaining agreement for the services of employees of Landlord or Landlord's Agents in connection with the operation, repair, maintenance, cleaning, management and protection of the Property, including day and night supervisors, managers, accountants, bookkeepers, janitors, carpenters, engineers, mechanics, electricians and plumbers (and personnel engaged in supervision of any of the persons mentioned above); provided, however, that, if any such employee is also employed on other properties of Landlord, such compensation shall be suitably prorated among the Property and such other properties; (b) the cost of services, utilities, materials and supplies furnished or used in the operation, repair, maintenance, cleaning, management and protection of the Property; (c) the cost of replacements for tools and other similar equipment used in the operation, repair, maintenance, cleaning, management and protection of the Property, provided that, in the case of any such equipment used jointly on other properties of Landlord, such costs shall be suitably prorated among the Property and such other properties; (d) where the Property is managed by Landlord or an Affiliate of Landlord, management fees at reasonable rates for self-managed buildings consistent with the class of building and the services rendered, which management fees shall not exceed three percent (3%) of the Property's gross annual income, whether or not actually paid, or where managed by other than Landlord or an Affiliate of Landlord, the reasonable amounts accrued for management, together with, in either case, reasonable amounts accrued for legal and other professional fees relating to the Property, but excluding such fees and commissions paid in connection with services rendered for securing or renewing leases; (e) premiums for insurance against damage or loss to the Property from such hazards as Landlord shall reasonably determine, including insurance covering loss of rent attributable to any such hazards, and commercial general liability insurance and other insurance maintained by Landlord with respect to the Property; (f) if, during the Term of this Lease, Landlord shall make a capital expenditure, which is (i) required to comply with Law or (ii) reasonably projected to reduce overall Operating Expenses, the total cost of which is not properly includable in Operating Expenses for the Expense Year in which it was made, there shall nevertheless be included in such Operating Expenses for the Expense Year in which it was made and in Operating Expenses for each succeeding Expense Year the annual charge-off of such capital expenditure (annual charge-off shall be determined by dividing the original capital expenditure plus an interest factor, reasonably determined by Landlord, as being the interest rate then being charged for long-term mortgages by institutional lenders on like properties within the locality in which the Property is located, by the number of years of useful life of the capital expenditure, and the useful life shall be determined reasonably by Landlord in accordance with generally accepted accounting principles and practices in effect at the time of making such expenditure); (g) costs for electricity, gas, water and sewer use charges, and other utilities supplied to the Property and not paid for directly by tenants; (h) betterment assessments, provided the same are apportioned equally over the longest period permitted by Law, and to the extent, if any, not included in Taxes; and (i) amounts paid to independent contractors for services, materials and supplies furnished for the operation, repair, maintenance, cleaning, management and protection of the Property. Notwithstanding anything to the contrary contained herein, Operating Expenses shall not include: (i) any cost or expense to the extent to which Landlord is paid or reimbursed (other than as a payment for Operating Expenses), including

work or services performed for any tenant (including Tenant) at such tenant's cost, or the cost of any item for which Landlord has been paid or reimbursed by insurance, warranties, service contracts, condemnation proceeds or otherwise; (ii) the cost of any work or services performed for any other property other than the Property; (iii) marketing costs, including leasing commissions, attorneys' fees, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective tenants or other occupants of the Property; (iv) costs associated with the operation of the business of the entity which constitutes Landlord as the same are distinguished from the costs of operation of the Property; (v) Taxes; (vi) costs (including permit, license, and inspection fees) incurred in renovating, improving, decorating, painting or redecorating vacant leasable space or space for tenants; (vii) depreciation and amortization on the Building, except as expressly permitted in this Lease; (viii) overhead and profit paid to subsidiaries or Affiliates of Landlord for management or other services on or to the Property or for supplies or other materials, to the extent that the costs of the services, supplies or materials exceed the competitive costs of the services, supplies or materials were they not provided by a subsidiary or Affiliate; (ix) interest on debt or amortization payments on mortgages or deeds of trust or any other debt for borrowed money; (x) items and services which Tenant is not entitled to receive under this Lease but which a Landlord provides selectively to one or more tenants of the Property other than Tenant or for which Landlord is separately reimbursed; (xi) costs incurred, in excess of the deductible, in connection with repairs or other work needed to the Property because of fire or other casualty or cause insured against by Landlord; (xii) any costs, fines or penalties incurred because Landlord violated any applicable Laws; (xiii) costs incurred as a result of Landlord's breach of its obligations under this Lease; (xiv) any costs in connection with any failure of the Building to comply with applicable Laws which are in effect as of the Commencement Date; (xv) except as expressly provided above, any costs that under generally accepted accounting principles would be considered capital expenditures; (xvi) the cost of repairs or replacements incurred by reason of fire or other casualty to the extent Landlord actually receives proceeds of property and casualty insurance policies or would have received such proceeds had Landlord maintained any insurance required to be maintained by Landlord under this Lease; (xvii) the cost of any item for which Landlord is paid or reimbursed by warranties, service contracts, insurance proceeds or otherwise; (xviii) damage and repairs necessitated by the gross negligence or willful misconduct of Landlord Parties; (xix) wages, salaries, or other compensation paid to any executive employees above the grade of building superintendent or senior property manager; provided however, that with respect to any employee who performs services for buildings other than the Building, the wages, costs, and taxes payable or allocable to such employee shall be equitably apportioned among the buildings to which such employee renders services based upon the time which such employee spent performing services for each such building; (xx) payments of principal or interest on any mortgage or other similar encumbrance; (xxi) interest, penalties or other costs to the extent the same are solely due to Landlord's failure to make timely payment of any amounts to which such interest, penalties or other costs relate; (xxii) property management fees in excess of the limitation set forth in clause (d) above; (xxiii) costs incurred by Landlord in connection with the Parking Garage; (xxiv) legal fees, accountants' fees and other expenses incurred in connection with disputes with Tenant, tenants or other occupants, or associated with the enforcement of any leases or defense of Landlord's title to or interest in the Building or any part thereof; and (xxv) the cost of testing, remediation or removal, transportation or storage of Hazardous Matter (as defined in Section 22.5) in the Building required by Environmental Requirements (as defined in Section 22.5); provided however, that with respect to the testing, remediation or removal of (i) any material or substance located in the Building on the Execution

Date and which, as of the Execution Date, is not considered, as a matter of law, to be Hazardous Matter, but which is subsequently determined to be Hazardous Matter as a matter of law, and (ii) any material or substance located in the Building after the Execution Date and which, when placed in the Building, was not considered, as a matter of law, to be Hazardous Matter, but which is subsequently determined to be Hazardous Matter as a matter of law, the costs thereof may be included in Operating Expenses.

(2)In the event that Operating Expenses during any Expense Year shall exceed Operating Expenses incurred with respect to the Base Expense Year, Tenant shall pay to Landlord, as Additional Rent, Tenant's Proportionate Share of Expense Increases, which shall be an amount equal to (a) Tenant's Proportionate Share multiplied by (b) the Expense Increases, such amount to be apportioned for any portion of an Expense Year in which the Commencement Date falls or the Term expires. Landlord shall endeavor to provide Tenant with a statement of projected Expense Increases prior to the commencement of any Expense Year. If Landlord fails to provide Tenant with a statement of projected Expense Increases prior to the commencement of any Expense Year, Tenant shall continue to pay Operating Expenses in accordance with the previous statement, until Tenant receives a new statement from Landlord. From time to time during any Expense Year, Landlord may re-estimate the Expense Increases for that Expense Year and provide a copy of any re-estimate to Tenant. If and to the extent the Building is part of a larger project or development and Operating Expenses are not separately allocated by Landlord among the various buildings in such project or development, Landlord shall, in accordance with its good faith business judgment, allocate to the Building for each Expense Year or portion thereof during the Term an equitable portion of such Operating Expenses.

(3)Estimated payments by Tenant on account of Operating Expenses shall be made on the first day of each and every calendar month during the Term of this Lease, in the fashion herein provided for the payment of Base Rent. The monthly amount to be paid to Landlord shall be sufficient to provide Landlord by the end of each Expense Year with a sum equal to Tenant's required payment, as reasonably estimated by Landlord from time to time, on account of Operating Expenses for the then current Expense Year. Within one hundred fifty (150) days after the end of each Expense Year, Landlord shall submit to Tenant a reasonably detailed statement of Operating Expenses for such Expense Year, and Landlord shall certify to the accuracy thereof. If estimated payments theretofore made by Tenant for the Expense Year covered by such statement are greater than the required payment on account thereof for such Expense Year, Landlord shall credit the amount of overpayment against subsequent obligations of Tenant on account of Operating Expenses (or refund such overpayment if the Term of this Lease has ended and Tenant has no further obligation to Landlord). If estimated payments theretofore made by Tenant for the Expense Year covered by such statement are less than the required payment on account thereof for such Expense Year, Tenant shall pay the difference to Landlord within thirty (30) days after being so advised by Landlord, and the obligation to make such payment for any period within the Term shall survive expiration or earlier termination of the Term.

(4) Any such statement by Landlord shall be binding and conclusive upon Tenant unless within ninety (90) days after the giving by Landlord of such statement Tenant shall notify Landlord in writing that Tenant disputes the correctness of such statement, specifying the particular respects in which the statement is claimed to be incorrect. If Tenant timely sends a notice to Landlord disputing the statement received from Landlord, Tenant may,

at Tenant's sole cost and expense, undertake an audit of such of Landlord's books as are directly relevant to the Operating Expense statement for the Expense Year in question, provided and on condition that (a) there is then no uncured Event of Default under this Lease, (b) Tenant has made all payments of Expense Increases billed or invoiced by Landlord as of the date of the audit, (c) the audit is performed only by Tenant's employees, internal accounting department, a reputable independent professional lease auditor or an independent certified public accounting firm reasonably approved by Landlord and whose fee or other compensation is fixed by contract and is in no manner computed or determined based upon the results of the audit, (d) both Tenant and its examiners execute and deliver to Landlord a confidentiality agreement in form and substance reasonably acceptable to Landlord whereby such parties expressly agree to maintain the results of such audit in strict confidence, and (e) such audit is commenced and completed and the results thereof delivered to Landlord within sixty (60) days following the date Landlord makes its books available to Tenant. If Tenant fails to timely deliver a dispute notice to Landlord within such ninety (90) day period, or fails to timely complete its audit and deliver the results thereof to Landlord within such sixty (60) day period, then, in either of such events, Landlord's statement shall be binding and conclusive upon Tenant for all purposes of this Lease. If it is finally determined and agreed by the parties that Landlord has overstated Tenant's Proportionate Share of Expense Increases, Landlord shall credit the amount of such overstatement against the monthly installments of Expense Increases next due under this Lease (or refund such amount if the Term of this Lease has ended and Tenant has no further obligation to Landlord). If it is finally determined and agreed by the parties that Landlord has not overstated Tenant's Proportionate Share of Expense Increases, then Landlord may invoice Tenant for any amount by which Tenant's Expense Increases were understated, which invoice shall be payable by Tenant within thirty (30) days after receipt. Notwithstanding anything to the contrary contained herein, if it is finally determined and agreed by the parties that Landlord has overstated Tenant's Proportionate Share of Expense Increases by more than five percent (5%) in the aggregate (after netting any understated line items against any overstated line items), then Landlord shall reimburse Tenant for the reasonable costs incurred by Tenant for such audit, up to a maximum of $3,500.00 per audit.

(5)Tenant acknowledges and agrees that, as of the Effective Date, Landlord allocates Operating Expenses for CP1, CP2, and CP3 separately. Accordingly, each time the term "Tenant's Proportionate Share" is used in this Lease with respect to Operating Expenses, such term shall be deemed to mean Tenant's Proportionate Share of CP1, Tenant's Proportionate Share of CP2, and Tenant's Proportionate Share of CP3 as such terms are set forth in Section 1 of this Lease. Further, Tenant acknowledges and agrees that if, at a future date, Landlord elects to allocate Operating Expenses for CP1, CP2, and CP3 across the Building, the term "Tenant's Proportionate Share" shall be deemed to mean Tenant's Proportionate Share of the Building as such term is set forth in Section 1 of this Lease.

7. RESPONSIBILITY FOR REPAIRS AND CONDITION OF PREMISES.

7.1 Landlord Repairs. Except as expressly set forth herein, Landlord agrees to keep in good order, condition and repair the Building Structure and the Building Systems; provided, however, that Landlord shall in no event be responsible for (1) any supplemental HVAC equipment installed by Tenant, or other equipment and systems installed by Tenant, whether the same are located within or outside the Premises, (2) the repair of glass in the Premises or the doors (or related glass and finish work) leading to the Premises, or (3) the repair of any condition in the Premises or the Building caused by any act or neglect of Tenant or any Tenant Party.

Landlord shall also keep and maintain all Common Areas neat and clean and in good order, condition and repair, including maintenance of landscaped areas and treatment of snow and ice on driveways and pedestrian walkways. Landlord shall not be responsible to make any improvements or repairs to the Building or the Property other than as set forth in this Section 7.1 unless expressly provided otherwise in this Lease. If Tenant becomes aware of any condition that is Landlord's responsibility to maintain and repair, Tenant shall promptly notify Landlord of such condition. Except as may be specifically provided in Section 11.2 below, Base Rent and Additional Rent shall not abate during any such maintenance or repair nor shall the same affect the continuation or validity of this Lease.

7.2 Tenant Repairs; Compliance with Laws.

(1) Landlord shall deliver the Premises in compliance with all applicable Laws. Tenant shall keep and maintain the Premises and the improvements, fixtures and appurtenances therein or thereon (including mechanical, electrical and plumbing systems not considered part of the Building Systems or any portion of such systems that have been installed for the exclusive use and benefit of Tenant, such as supplemental HVAC equipment, hot water heaters, and Tenant's voice, data, Internet, audio-visual, security, and access systems, and the related wiring within the Building necessary for the operation thereof), neat and clean and in good order, condition and repair, excepting only those repairs for which Landlord is responsible under the terms of this Lease, reasonable wear and tear, casualty and condemnation; and Tenant shall surrender the Premises, at the end of the Term, in such condition. In connection with the foregoing maintenance obligations, Tenant shall maintain a preventive maintenance contract providing for the regular inspection and maintenance of any supplemental HVAC equipment or other mechanical systems or equipment exclusively serving the Premises. Upon Landlord's request, Tenant shall provide Landlord with copies of all maintenance and service records for such systems and equipment. Subject to the waiver of subrogation set forth in Section 19.4 below, Tenant shall be responsible for the cost of repairs which may be made necessary by reason of damage to the Building caused by any act or neglect of Tenant or any Tenant Party (including any damage by fire or other casualty arising therefrom).

(2) Tenant shall comply with all applicable Laws, and the standards recommended by the local Board of Fire Underwriters applicable to the Premises and Tenant's use and occupancy thereof and its business and operations therein, and shall, at Tenant's sole cost and expense, obtain all permits, licenses and the like required thereby. Notwithstanding the foregoing, Tenant shall not be obligated to make structural repairs or alterations to the Premises in order to comply with any Laws unless the need for such repairs or alterations arises from (a) the specific manner and nature of Tenant's use or occupancy of the Premises, as distinguished from mere general office use, (b) the manner of conduct of Tenant's business or operation of its installations, equipment or other property therein, (c) any cause or condition created by or at the instance of Tenant (including the performance of Tenant's Work (if any), Alterations, or Tenant's Systems), or (d) the breach by Tenant of any provisions of this Lease. Any of the foregoing conditions caused by any Tenant Party shall be attributable to Tenant for purposes of this Lease. Tenant shall also be responsible for the cost of compliance with all applicable Laws in respect of the Building to the extent arising from any of the causes set forth in clauses (a) through (d) above, in which event Tenant shall be responsible to perform, at Tenant's sole cost and expense, such repairs or alterations, whether or not such compliance requires work which is structural or non-structural, ordinary or extraordinary, foreseen or unforeseen.

(3) If repairs are required to be made by Tenant pursuant to the terms hereof, and Tenant fails to make such repairs, upon not less than twenty (20) days' prior written notice to Tenant (except that no notice shall be required in the event of an emergency), Landlord may make or cause such repairs to be made (but shall not be required to do so), in which event Tenant shall (a) reimburse Landlord for the reasonable cost of such repairs, and (b) pay to Landlord (i) an administrative fee equal to five percent (5%) of the cost of such repairs and (ii) interest at the Default Rate on the unpaid cost of such repairs from the date when due until the date when paid. Landlord shall not be responsible to Tenant for any loss or damage whatsoever that may accrue to Tenant's stock or business by reason of Landlord's making such repairs, provided Landlord makes commercially reasonable efforts to not materially adversely interfere with Tenant's operations in the Premises. If any such repair is necessary outside of the Premises, then Landlord may elect to repair such damage at Tenant's expense, rather than having Tenant repair such damage.

8. FLOOR LOAD; HEAVY MACHINERY; MOVING.

8.1 Tenant shall not place a load upon any floor in the Premises exceeding fifty (50) pounds live load per square foot of usable area of the Premises, or such lower limit as may be required by Landlord or applicable Law. Landlord reserves the right to reasonably prescribe the weight and position of all business machines and mechanical equipment, including safes and filing systems, which shall be placed so as to distribute the weight. Business machines and mechanical equipment shall be placed and maintained by Tenant at Tenant's sole cost and expense in settings sufficient, in Landlord's reasonable judgment, to absorb and prevent vibration, noise and annoyance. Tenant shall not move any safe, filing system, heavy machinery, heavy equipment, freight, bulky matter or fixtures into or out of the Building without Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Tenant acknowledges and agrees that (1) all moves described in this Section 8.1 shall be coordinated with Landlord and subject to Landlord supervision, and, (2) except in connection with Tenant's initial move into the Premises, Tenant shall reimburse Landlord, within thirty (30) days after demand therefor, for the cost of Landlord's supervisory personnel overseeing such moves to the extent such costs are incurred.

8.2 If any safe, filing system, heavy machinery, heavy equipment, freight, bulky matter or fixtures require special handling, Tenant agrees to employ only persons holding a Master Rigger's license to do such work, and that all work in connection therewith shall comply with applicable Laws.

8.3 In addition to the requirements set forth above relating to heavy machinery, Tenant's general move into or out of the Building must take place outside of Normal Business Hours. Tenant acknowledges and agrees that (1) all moves described in this Section 8.3 shall be coordinated with Landlord and subject to Landlord supervision, and (2) Tenant shall reimburse Landlord, within thirty (30) days after demand therefor, for the reasonable cost of Landlord's supervisory personnel overseeing such moves to the extent such costs are incurred (provided that Tenant shall not be required to reimburse Landlord for the costs described in this clause (2) in connection with Tenant's initial move into the Premises).

8.4 In connection with any of the moves described in Section 8, Tenant agrees to provide insurance or to contract with movers for insurance in such amounts as Landlord may reasonably require, naming Landlord, together with (1) Landlord's managing agent and (2)

Landlord's mortgagee (if any) ((1) and (2), collectively, "Landlord's Insured Parties"), as additional insureds on a primary non-contributing basis. All such moves shall be at the sole risk and hazard of Tenant, and, except for the negligence or willful misconduct of Landlord or any Landlord Party, Tenant shall indemnify and save Landlord and Landlord's Insured Parties harmless from and against any liability, loss, injury, claim or suit resulting directly or indirectly from such moves.

9. SERVICES.

9.1 Landlord shall furnish the following utilities and other services:

(1)Normal business hours for the Building are 8:00 a.m. to 6:00 p.m. Monday through Friday, and 8:00 a.m. to 1:00 p.m. Saturday (federal, state and local holidays excepted) ("Normal Business Hours"). At all other times, that is, twenty-four (24) hours per day, seven (7) days per week, Landlord shall provide access to the Premises and the Building in accordance with the standard entry system as shall from time to time be in effect for the Building. As of the Commencement Date, access to the Building at other than Normal Business Hours shall be through either a hard key, key card, or personnel identification pin station system. Tenant shall be entitled to one (1) key for each of Tenant's employees at no cost to Tenant. Additional and replacement keys shall be provided to Tenant at the cost of $15.00 each. Upon the expiration or earlier termination of this Lease, Tenant shall return all keys and shall pay to Landlord $15.00 for each key originally issued at no cost to Tenant and not so returned, which payment shall be deemed Additional Rent and may be withheld from any security deposit or letter of credit hereunder or otherwise collected in accordance with applicable Law. Landlord reserves the right to alter the standard entry system for the Building from time to time as it sees fit and to provide replacement keys to Tenant at no cost to Tenant following such alteration.

(2)HVAC service to the Premises and the Common Areas during Normal Business Hours and under normal business operation at a level comparable to similar commercial properties located in Downtown Boston where the Building is located (but specifically excluding specialized temperature and humidity control for computers, printers, copiers and other equipment) and provided that Tenant has not exceeded the population density limits set forth in Section 5. In the event Tenant requires HVAC service to the Premises outside of Normal Business Hours, provided no Event of Default exists, Landlord agrees to provide such additional HVAC service, and Tenant agrees to pay Landlord for such additional HVAC service at the then current Building rate (which is currently $45.00 per hour per zone for heating and $85.00 per hour per zone for cooling) as Additional Rent within thirty (30) days after billing. Such hourly rate shall be subject to reasonable adjustments from time to time to reflect increases in Landlord's costs for providing such additional HVAC service.

(3)Janitorial services to the Premises and the Common Areas on Business Days at a level comparable to similar commercial properties located in Downtown Boston where the Building is located and in accordance with Landlord's cleaning specifications attached hereto as Exhibit E, or such other reasonably comparable cleaning specifications designated by Landlord from time to time. If any additional janitorial services are required because of any improvements in the Premises that are not Building Standard, the nature of Tenant's business, or the carelessness of Tenant, in addition to any other rights Landlord may have hereunder, Tenant shall, upon demand, reimburse Landlord for the reasonable and actual cost of such additional

janitorial services, as determined by Landlord, as Additional Rent. Tenant shall not arrange for any third-party janitorial services to the Premises without Landlord's prior written consent.

(4)Tempered and cold running water for restrooms and break rooms associated with general office use. If Tenant uses water excessively, or for any purpose other than for restrooms and break rooms associated with general office use, Landlord may install a water meter and thereby measure Tenant's water consumption for all purposes. In the latter event, Tenant shall pay the actual cost of such meter and the actual cost of installation thereof as Additional Rent upon demand and shall keep such meter and installation equipment in good working order and repair. Tenant agrees to pay for water consumed, as shown on such meter, together with the sewer charge based on such meter charges, as and when bills are rendered, and in the event Tenant fails timely to make any such payment, Landlord may pay such charges and collect the same from Tenant as Additional Rent upon demand.

(5)Electricity to the Premises for lights and outlets in amounts suitable for standard office equipment, all as further described in Section 10 below.

(6)Passenger elevator service from the existing passenger elevator system in common with Landlord and others entitled thereto.

9.2 Costs and expenses associated with the foregoing, except to the extent Landlord is otherwise paid or reimbursed for the same (other than as a payment for Operating Expenses), shall be included in Operating Expenses.

10. UTILITIES.

10.1 Electricity. Landlord shall deliver the Premises with electricity separately metered. Tenant shall pay for all electricity used by Tenant in the Premises based on the utility provider's reading of one or more direct meters, and payable by Tenant to the utility provider upon demand. Tenant's use of electrical services shall not exceed in voltage, rated capacity, or overall load that which is standard for the Building.

10.2 Utilities Other Than Electricity. Any utilities (other than electricity, which shall be paid for in accordance with Section 10.1 above) which are furnished directly to the Premises by a utility provider and separately metered shall be registered in Tenant's name and Tenant shall cooperate with Landlord to have the utility bills sent directly to and paid directly by Tenant. Any utilities (other than electricity, which shall be paid for in accordance with Section 10.1 above) which are sub-metered or check metered shall be payable by Tenant to Landlord as Additional Rent within thirty (30) days after billing.

10.3 Landlord's Right to Select Utility Providers. Landlord shall have the right at any time and from time to time during the Term of this Lease to contract for utilities from such providers of such services as Landlord shall reasonably elect. Tenant shall cooperate with Landlord and the utility provider at all times and, as reasonably necessary, shall allow Landlord and the utility provider reasonable access to the Building's electric lines, feeders, risers, wiring, and any other machinery within the Premises. Landlord agrees to furnish or cause to be furnished to the Premises the utilities and services described herein, subject to the terms and conditions and in accordance with the standards set forth herein.

11. ADDITIONAL PROVISIONS RELATING TO SERVICES.

11.1 Landlord reserves the right to curtail, suspend, interrupt and/or stop the supply of HVAC, janitorial, water/sewer, electricity, elevator and other services, and to curtail, suspend, interrupt and/or stop the use of entrances and/or lobbies serving access to the Building, or other portions of the Property, without thereby incurring any liability to Tenant, when necessary by reason of accident or emergency, or for repairs, replacements, alterations, or renovations desirable or necessary (in the judgment of Landlord reasonably exercised), or when prevented from supplying such services or use due to any act or neglect of Tenant or any Tenant Party, or due to an event of Force Majeure (as hereinafter defined). Except as set forth in Section 11.2 below, in no event shall any of the foregoing subject Landlord to (1) liability for any loss, injury or damage to property, (2) direct, indirect or consequential damages, or (3) other monetary damages (including diminution or abatement of rent or other compensation), nor shall this Lease or any of the obligations of Tenant be affected or reduced as a result of any curtailment, suspension, interruption and/or stoppage in the furnishing of the foregoing services, regardless of the cause of such curtailment, suspension, interruption and/or stoppage; provided, however, that (a) the same shall not relieve Landlord of any applicable obligation to perform repairs to the Building Structure and the Building Systems to the extent, and subject to the limitations, provided for in this Lease, and (b) in each instance in which curtailment, suspension, interruption and/or stoppage of services is required or otherwise occurs, Landlord shall use commercially reasonable efforts to restore such services, and shall give Tenant reasonable notice (to the extent feasible) of the commencement and anticipated duration of any such curtailment, suspension, interruption and/or stoppage of services). To the fullest extent permitted by Law, Tenant hereby waives all rights to make repairs at the expense of Landlord or to vacate the Premises as may be provided by any Law now or hereafter in effect.

11.2 Notwithstanding the foregoing, or any provision of this Lease to the contrary, if (1) a curtailment, suspension, interruption and/or stoppage of an Essential Service (as hereinafter defined) shall occur, except any of the same due to any act or neglect of Tenant or any Tenant Party (any such interruption of an Essential Service being hereinafter referred to as a "Service Interruption"), (2) such Service Interruption occurs or continues as a result of the negligence or willful misconduct of Landlord or Landlord's Agents, (3) such Service Interruption continues for more than four (4) consecutive Business Days after Landlord shall have received written notice thereof from Tenant, and (4) as a result of such Service Interruption, the conduct of Tenant's normal business operations in the Premises are materially and adversely affected, then there shall be an abatement of one day's Base Rent, and charges on account of Taxes and Operating Expenses, for each day during which such Service Interruption continues after such four (4) Business Day period; provided, however, that if any part of the Premises is reasonably useable for Tenant's normal business operations or if Tenant conducts all or any part of its business operations in any part of the Premises notwithstanding such Service Interruption, then the amount of each daily abatement of Base Rent, and charges on account of Taxes and Operating Expenses, shall only be proportionate to the nature and extent of the interruption of Tenant's normal business operations or ability to use the Premises. The rights granted to Tenant under this Section 11.2 shall be Tenant's sole and exclusive remedy resulting from a failure of Landlord to provide services, and Landlord shall not otherwise be liable for any loss or damage suffered or sustained by Tenant resulting from any failure or cessation of services. For purposes hereof, the term "Essential Services" shall mean (a) access to the Premises, (b) HVAC service, (c) water/sewer service, and (d) natural gas (if applicable) and electricity; provided, however, only to the extent that Landlord has an obligation to provide the foregoing items to Tenant under

this Lease. Any abatement of Base Rent, and charges on account of Taxes and Operating Expenses, under this Section 11.2 shall apply only with respect to Base Rent, and charges on account of Taxes and Operating Expenses, allocable to the period after each of the conditions set forth in clauses (1) through (4) above shall have been satisfied and only during such times as each of such conditions shall exist. Notwithstanding anything to the contrary contained herein, if Tenant or any Tenant Party shall delay Landlord in restoring any Essential Service, any abatement of Base Rent, and charges on account of Taxes and Operating Expenses, provided for pursuant to this Section 11.2 shall be reduced by one day for each day attributable to such delay.

12. ALTERATIONS; TENANT'S SYSTEMS.

12.1 Alterations. Except as expressly set forth in the work letter attached hereto as Exhibit C, Tenant shall not make, or permit to be made, any alterations, additions, improvements or other changes in or to the Premises ("Alterations"), other than the installation of typical office decorations which are not affixed to the realty, without Landlord's prior written consent. Tenant agrees to submit plans, drawings and specifications for any proposed Alterations to Landlord for Landlord's prior written consent, which consent shall be withheld or granted in accordance with this Section 12. Provided the proposed Alterations (1) meet or exceed Landlord's Building Standard specifications, (2) will not affect or be visible from the Common Areas or the exterior of the Building, (3) will not impact the space of any other tenant or occupant of the Building, (4) will not adversely affect the Building Structure or the Building Systems, and (5) will not require Landlord to make improvements to the Building or the Property (or undertake special maintenance, repair or replacement obligations with respect to the Building or the Property) not within the scope of those expressly provided for herein, unless Tenant agrees to pay all costs associated with such improvements or obligations, then Landlord's consent to such proposed Alterations shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, Tenant shall be permitted to make non-structural Alterations (which non-structural Alterations shall be deemed to include painting, carpeting, and other items of primarily decorative effect) and cost less than $50,000 with respect to any single project or series of related projects, without Landlord's prior consent (but with prior written notice thereof to Landlord), to the extent that such Alterations would not cause Landlord to withhold its consent pursuant to items (1) through (5) set forth in this Section 12.1.

12.2 Tenant's Systems. In addition, Tenant shall not install, or permit to be installed, (1) any voice, data, Internet, audio-visual, security, or access systems, or the related wiring or cabling within the Building necessary for the operation thereof ("Tenant's Communications Systems") or (2) any furniture systems such as modular or DIRTT system("Tenant's Furniture Systems") ((1) and (2) collectively, "Tenant's Systems") for Tenant's business operations without Landlord's prior written consent. Tenant agrees to submit plans, drawings and specifications for installation of Tenant's Systems (including the locations and connections of Tenant's Communications Systems from within the Premises to the Building risers, conduits and systems) to Landlord for Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Provided Tenant's Systems (1) meet or exceed Landlord's Building Standard specifications, (2) will not affect or be visible from the Common Areas or the exterior of the Building, (3) will not impact the space of any other tenant or occupant of the Building, (4) will not adversely affect the Building Structure or the Building Systems, and (5) will not require Landlord to make improvements to the Building or the Property (or undertake special maintenance, repair or replacement obligations with respect to the Building or the Property) not within the scope of those expressly provided for herein, unless Tenant agrees

to pay all costs associated with such improvements or obligations, then Landlord's consent to Tenant's Systems shall not be unreasonably withheld, conditioned or delayed. Notwithstanding anything to the contrary contained herein, Landlord may require that any wiring or cabling that Tenant desires to have installed in the Building risers be installed at Tenant's cost by the riser management company (if any) then engaged by Landlord for such purpose, provided the cost and rates of such riser management company are comparable to other such companies in the Boston area that are then performing comparable work in first-class office buildings in downtown Boston.

12.3 Construction Standards. All work performed by or on behalf of Tenant under this Lease (whether constituting part of Tenant's Work (if any), Alterations, or Tenant's Systems) shall be made and performed (1) pursuant to plans, drawings and specifications which have been reviewed and approved by Landlord prior to the commencement of the work, (2) pursuant to permitting materials (including applications, plans, narratives and calculations) which have been (a) reviewed and approved by Landlord prior to submission to the applicable government authorities (which approval shall be withheld or granted in accordance with this Section 12) and (b) reviewed, approved by, and filed with, all applicable governmental authorities, (3) by contractors reasonably approved by Landlord, who shall carry insurance of such types and in such amounts as Landlord shall reasonably require, naming Landlord and Landlord's Insured Parties as additional insureds on a primary non-contributing basis, (4) in a good and workmanlike manner, (5) so that the same shall be at least equal in quality, value, and utility to the original work or installation and shall be in conformity with Landlord's then current Building Standard specifications as provided by Landlord to Tenant upon Tenant's request and as the same may be amended by Landlord from time to time, (6) in accordance with the Rules and Regulations (as hereinafter defined) and other provisions of this Lease, and (7) in accordance with all applicable Laws (collectively, the "Construction Standards").

12.4 Cost of Work; Priority of Work; After-Hours Work.

(1)Cost of Work. Except as expressly set forth in the work letter attached hereto as Exhibit C, all work performed by or on behalf of Tenant under this Lease (whether constituting part of Tenant's Work (if any), Alterations, or Tenant's Systems) shall be performed at Tenant's sole cost and expense.

(2)Priority of Work. If Landlord and Tenant are each performing work pursuant to the terms and conditions of this Lease, including during any period of possession prior to the Commencement Date as described in Section 3.2 above, Landlord and Tenant shall each take commercially reasonable measures to ensure that Landlord's architects, engineers, contractors, sub-contractors, vendors, service providers and consultants (collectively, "Landlord's Contractors") and Tenant's architects, engineers, contractors, sub-contractors, suppliers, vendors, service providers and consultants (collectively, "Tenant's Contractors") cooperate in commercially reasonable ways with each other to avoid any delay in either the work being performed by Landlord or the work being performed by Tenant or any conflict with the performance of either the work being performed by Landlord or the work being performed by Tenant, Tenant acknowledging, however, that in the case of conflict that is not reasonably avoidable, the work being performed by Landlord shall have priority.

(3)After-Hours Work. All work performed by or on behalf of Tenant under this Lease (whether constituting part of Tenant's Work (if any), Alterations, or Tenant's

Systems) shall be performed during Normal Business Hours; provided, however, that Landlord reserves the right to require that any work which may potentially disturb other tenants in the Building, or conflict with the performance of any work being performed by Landlord in the Building, be performed outside of Normal Business Hours. If Tenant desires to perform any work outside of Normal Business Hours (such work, "After-Hours Work"), Tenant acknowledges and agrees that (1) such After-Hours Work shall be coordinated with Landlord and subject to Landlord supervision, and (2) Tenant shall reimburse Landlord, within thirty (30) days after demand therefor, for the reasonable costs associated with Landlord's supervisory personnel overseeing the After-Hours Work to the extent such costs are incurred.

12.5 Additional Covenants. In addition, the following additional covenants shall apply to Tenant's Alterations and Tenant's Systems:

(1)In consideration of Landlord's costs associated with the review and supervision of Tenant's Alterations, Tenant shall pay to Landlord a construction management fee equal to two and one-half percent (2.5%) of the total project cost of Tenant's Alterations. In addition, Tenant agrees to reimburse Landlord for any third-party out-of-pocket expenses reasonably incurred by Landlord in connection with the review, supervision, and Building operational requirements of Tenant's Alterations and/or Tenant's Systems within thirty (30) days after receipt of Landlord's invoice therefor.

(2)Tenant shall provide Landlord with "as built" plans for any Alterations for which plans are used.

(3)Tenant shall provide Landlord with copies of any warranties for Alterations (including materials and equipment), and either assign to Landlord, or enforce on Landlord's behalf, all such warranties to the extent repairs and/or maintenance on warranted items would be covered by such warranties and are otherwise Landlord's responsibility under this Lease.

(4)Tenant acknowledges and agrees that Landlord shall have the right to examine and inspect all work performed by Tenant under this Lease; provided, however, that no such examination or inspection shall constitute an approval or warranty or give rise to any liability of Landlord with respect thereto.

(5)All work shall be performed in such a manner as to maintain harmonious labor relations. Tenant shall not use (and upon notice from Landlord shall cease using) labor and employment practices that, in Landlord's good faith judgment, may cause strikes, picketing, boycotts or disturb labor harmony with the workforce or trades engaged in performing other work, labor or services in or about the Property. If picket lines or boycotts or other visible activities objectionable to Landlord are established, conducted or carried out against Tenant, its employees, agents, contractors, subcontractors or suppliers, in or about the Property, and such activities are not ended within two (2) days after notice to Tenant, Tenant shall immediately cease the work Tenant is performing and remove or cause to be removed all such employees, agents, contractors, subcontractors and suppliers until the dispute has been settled.

(6)Tenant and Tenant's Contractors shall keep all construction areas clean and free of trash and debris, and not impair or congregate in the Common Areas. Tenant and

Tenant's Contractors shall abide by any construction rules and regulations from time to time established by Landlord.

12.6 Notices Relating to Tenant's Initial Work. Notwithstanding the notice provisions contained in Section 29 below, Landlord and Tenant acknowledge and agree that any written notices relating Tenant's performance of the initial work necessary to prepare the Premises for Tenant's occupancy thereof (such as the installation of Tenant's Systems) may be sent via email as follows:

If to Landlord, then to Landlord's construction representative: Kevin Kiley, kkiley@synergy-inv.com.

If to Tenant, then to Tenant's construction representative: Patricia L. Allen, pallen@zafgen.com.

12.7 Removal of Alterations and Tenant's Systems. Landlord reserves the right to require that Tenant remove any Alterations and/or Tenant's Systems installed by or for Tenant (but specifically excluding Landlord's Work) within or serving the Premises upon the expiration or earlier termination of this Lease. Landlord shall notify Tenant in writing at the same time Landlord consents to Tenant's proposed Alterations and/or Tenant's Systems (assuming consent is provided) whether or not such Alterations and/or Tenant's Systems will be required to be so removed by Tenant at the end of the Term. If Tenant fails to remove any Alterations and/or Tenant's Systems so required, Landlord shall have all rights to remove any Alterations and/or Tenant's Systems at Tenant's expense. Tenant acknowledges and agrees that any Alterations and/or Tenant's Systems installed by or for Tenant within or serving the Premises shall be the property of Tenant during the Term. Any Alterations and/or Tenant's Systems not removed by Tenant shall, at Landlord's option, become the property of Landlord (without payment by Landlord) at the expiration or earlier termination of this Lease.

12.8 Special Provisions Relating to Telecommunications. Tenant and its telecommunications companies, including local exchange telecommunications companies and alternative access vendor services companies, shall have no right of access to and within the Building, for the installation of telecommunications systems, including voice, data, Internet, audio-visual, and any other services provided over wire, fiber optic, microwave, wireless, and any other transmission systems ("Telecommunications Services"), for part or all of Tenant's telecommunications within the Building and from the Building to any other location without Landlord's prior written consent not to be unreasonably withheld, conditioned or delayed. All providers of Telecommunications Services shall be required to comply with the Rules and Regulations, applicable Laws and Landlord's policies and practices for the Building. Tenant acknowledges that Landlord shall not be required to provide or arrange for any Telecommunications Services, or enter into any new agreements with telecommunications companies, and that Landlord shall have no liability to Tenant or any Tenant Party in connection with the installation, operation or maintenance of Telecommunications Services or any equipment or facilities relating thereto. Tenant, at its cost and for its own account, shall be solely responsible for obtaining all Telecommunications Services.

13. INSPECTION.

Landlord and Landlord's Insured Parties, and their representatives, shall have the right at all reasonable times and upon reasonable notice of not less than twenty-four (24) hours' prior notice (except in the event of an emergency, and with respect to the provision of janitorial services pursuant to Section 9.1(3) above, when no notice shall be required) to enter the Premises to (1) show the same to existing or prospective lenders or purchasers and/or (2) inspect the same and perform maintenance or make repairs or replacements therein as permitted and required by this Lease; provided, however, that Landlord shall use commercially reasonable efforts to avoid undue disturbance of Tenant's use and occupancy of the Premises in connection with its exercise of any access rights as provided herein. During the last twelve (12) months of the Term, or any extension thereof, Landlord and its representatives may, upon twenty-four (24) hours advance notice to Tenant, gain access to the Premises for the purpose of showing the same to prospective tenants. Entry hereunder shall not constitute a constructive eviction or entitle Tenant to an abatement of Rent. Notwithstanding the notice provisions contained in this Lease, Landlord and Tenant acknowledge and agree that any notices required hereunder may be given by telephone or email.

14. FIRE OR OTHER CASUALTY.

14.1 In the event of damage to or destruction of the Premises or the Building caused by fire or other casualty ("Event of Casualty"), Landlord shall, within sixty (60) days after the Event of Casualty, provide Tenant with a good faith estimate of the time required to repair such damage to the Premises or the Building, as the case may be. If, in Landlord's reasonable judgment, the damage is of such nature or extent that (1) more than two hundred-ten (210) days after the Event of Casualty would be required (with normal work crews and normal work hours) to repair and restore the Premises or the Building, or (2) less than one (1) year remains on the then current Term of this Lease and more than ninety (90) days after the Event of Casualty would be required (with normal work crews and normal work hours) to repair and restore the Premises or the Building, then the Premises or the Building, as the case may be, shall be deemed "substantially damaged." If the Premises or the Building are deemed "substantially damaged," Landlord may elect to terminate this Lease by giving Tenant written notice of such termination within ninety (90) days after the Event of Casualty. In addition, if the Premises or the Building are deemed "substantially damaged," and if as a result of the same the Premises are rendered untenantable for the Permitted Use, then Tenant may elect to terminate this Lease by giving Landlord written notice of such termination within fifteen (15) days after receipt from Landlord of the estimated period of repair and restoration. If either party elects to terminate this Lease as set forth above, then the Term of this Lease shall expire thirty (30) days after the date such written notice is given, Base Rent, and charges on account of Taxes and Operating Expenses, shall be equitably abated from the date of the Event of Casualty for any portion of the Premises that is unusable (and unused) by Tenant, and Tenant shall thereafter vacate the Premises and surrender the same to Landlord in accordance with the terms, covenants and conditions of this Lease.

14.2 In the event this Lease is not terminated pursuant to the terms of Section 14.1 above and is otherwise in full force and effect, and sufficient casualty insurance proceeds are available for application to such repair and restoration and Landlord's mortgagee (if any) releases the same for such repair and restoration, Landlord shall repair and restore the Premises or the Building, as the case may be (including Landlord's Work, if any) to substantially the same

condition in which it was immediately prior to the Event of Casualty, subject to applicable Laws; provided, however, that Landlord shall not be obligated to repair or restore (1) any Tenant's Work (if any), Alterations, or Tenant's Systems, even if such work was performed by Landlord's contractors (and regardless of whether or not Tenant is required to remove or leave the same at the expiration or earlier termination of this Lease), or (2) any of Tenant's Property (as hereinafter defined), unless Tenant, in a manner satisfactory to Landlord, assures payment in full of all costs as may be incurred by Landlord in connection therewith.

14.3 When Landlord's repair and restoration work has been completed, Tenant shall complete the restoration of (1) all of Tenant's Work (if any), Alterations, and Tenant's Systems and (2) all of Tenant's Property which are necessary to permit Tenant's re-occupancy of the Premises for the Permitted Use. Landlord shall not be liable for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting in any way from such damage or the repair thereof, except that Base Rent, and charges on account of Taxes and Operating Expenses, shall be equitably abated from the date of the Event of Casualty until the Premises has been substantially restored to the extent of Landlord's obligations above. Notwithstanding the foregoing, if the Event of Casualty was due to the act or omission of Tenant or any Tenant Party, such abatement or reduction shall be made only if and to the extent of any proceeds of rental interruption insurance actually received by Landlord and allocated to the Premises.

15. EMINENT DOMAIN.

If (1) the whole or a material portion of the Premises shall be taken or condemned by a governmental or quasi-governmental authority for any public or quasi-public use or purpose (including sale under threat of such a taking), or (2) if the owner elects to convey title to the condemnor by a deed in lieu of condemnation, or (3) if all or any portion of the Property are so taken, condemned or conveyed and as a result thereof, in Landlord's reasonable judgment, the Premises are rendered untenantable for the Permitted Use, then this Lease shall cease and terminate as of the earlier of the date as of which Tenant is required to vacate the Premises or the date when title vests in such governmental or quasi-governmental authority and Base Rent, and charges on account of Taxes and Operating Expenses, shall be abated as of that date. If less than a material portion of the Premises shall be taken or condemned by a governmental or quasi-governmental authority for any public or quasi-public use or purpose (including sale under threat of such a taking), then this Lease shall continue in full force and effect; provided, however, that Base Rent, and charges on account of Taxes and Operating Expenses, shall be equitably abated on the date when such title vests in such governmental or quasi-governmental authority. In any case, Tenant shall have no claim against Landlord for any portion of the amount that may be awarded as damages as a result of any governmental or quasi-governmental taking or condemnation (or sale under threat or such taking or condemnation); and all rights of Tenant to damages therefor are hereby assigned by Tenant to Landlord. The foregoing shall not, however, deprive Tenant of any separate award for Tenant's personal property, moving expenses, dislocation damages or for any other award which would not reduce the award payable to Landlord and Landlord's mortgagee (if any). As used herein, "material portion of the Premises" shall mean such amount that, in Landlord's reasonable judgment, would render more than fifty percent of the Premises untenantable for the Permitted Use.

16. TENANT'S PROPERTY.

Tenant shall pay, prior to delinquency, all taxes assessed against and levied upon Tenant's Property. If any of Tenant's Property shall be assessed with Landlord's real or personal property, Tenant shall pay to Landlord the taxes attributable to Tenant's Property within ten (10) Business Days after receipt of a written statement from Landlord setting forth the taxes attributable to Tenant's Property. As used herein, "Tenant's Property" includes, but is not limited to, all inventory, merchandise, furniture, fixtures, equipment (including computer equipment and any data stored thereon), and personal property placed in the Premises by Tenant and all computer, telecommunications or other cabling and wiring installed in the Premises or elsewhere in the Building by or for the benefit of Tenant. Tenant hereby acknowledges and agrees that Landlord's insurance policies do not cover Tenant's Property.

17. ASSIGNMENT AND SUBLETTING.

17.1 Prohibition.

(1)Except as expressly provided herein, Tenant covenants and agrees that neither this Lease nor the term and estate hereby granted, nor any interest herein or therein, will be mortgaged, pledged or encumbered, whether voluntarily, involuntarily, by operation of law or otherwise. In addition, except as expressly provided herein, Tenant covenants and agrees that neither this Lease nor the term and estate hereby granted, nor any interest herein or therein, will be assigned or otherwise transferred, whether voluntarily, involuntarily, by operation of law or otherwise, and that neither the Premises nor any part thereof will be encumbered in any manner by reason of any act or omission on the part of Tenant, or used or occupied or permitted to be used or occupied, by anyone other than Tenant, or for any use or purpose other than the Permitted Use, or be sublet (which term shall include, without limitation, granting of concessions, licenses and the like) in whole or in part, or be offered or advertised for assignment or subletting by Tenant or any person acting on behalf of Tenant, without, in each case, the prior written consent of Landlord (all of the foregoing actions described in this sentence are hereinafter sometimes referred to collectively as "Transfers" and any person to whom any Transfer is made or sought to be made is hereinafter sometimes referred to as a "Transferee"). Without limiting the foregoing, any agreement pursuant to which: (a) Tenant is relieved from the obligation to pay, or a third party agrees to pay on Tenant's behalf, all or any portion of the Base Rent or Additional Rent under this Lease; and/or (b) a third party undertakes or is granted by or on behalf of Tenant the right to assign or attempt to assign this Lease or sublet or attempt to sublet all or any portion of the Premises, shall for all purposes hereof be deemed to be a Transfer of this Lease and subject to the provisions of Section 17. A Transfer under Section 17 shall also include a sale or other transfer (by one or more transfers) of any of the following: the voting stock, partnership interests, membership or other equity interests in Tenant (or any other mechanism such as the issuance of additional stock or the creation of additional partnership or membership interests) which results in a change of control of Tenant or a sale or other transfer (in one or more transfers) of fifty percent (50%) or more of the assets of Tenant, as if such transfer were an assignment of this Lease. Notwithstanding the foregoing, if equity interests in Tenant at any time are or become traded on a national securities exchange (as defined in the Securities Exchange Act of 1934), the transfer of equity interests in Tenant on a national securities exchange shall not be deemed an assignment within the meaning of this Section; provided, however, that if Tenant is a corporation the outstanding stock of which is listed on a

national securities exchange, then any private purchase or buyout of stock shall be deemed a Transfer under Section 17.

(2)Notwithstanding the foregoing, Landlord's consent shall not be required under Section 17.1(1) (and Section 17.4 and Section 17.5 shall not apply) to either (a) transactions with an entity into or with which Tenant is merged or consolidated, or to which all or substantially all of Tenant's assets are transferred, or (b) transactions with any entity which controls or is controlled by Tenant or is under common control with Tenant; provided, however, that (i) the successor to Tenant has a Tangible Net Worth (as hereinafter defined) at least equal to the greater of (x) the Tangible Net Worth of Tenant immediately prior to such merger, consolidation or transfer, or (y) the Tangible Net Worth of Tenant on the date of this Lease, (ii) (proof reasonably satisfactory to Landlord of the Tangible Net Worth of both the Transferee and Tenant shall have been delivered to Landlord within ten (10) days of the effective date of any such transaction, (iii) the Transfer is for a valid business purpose of Tenant and is not a subterfuge for the provisions of Section 17, and (iv) Tenant and Transferee execute an agreement in form and substance satisfactory to Landlord in its reasonable discretion, which agreement shall require Transferee to be bound by all the obligations of Tenant hereunder, including the covenant against further assignment and subletting without Landlord's prior consent in accordance with the provisions of this Section 17, and include Transferee's representation and warranty that it is in compliance with the OFAC (as hereinafter defined) provisions set forth in Section 41. As used herein, "Tangible Net Worth" shall mean total assets minus intangible assets (including goodwill, patents, trademarks and copyrights) and total liabilities, all as calculated in accordance with generally accepted accounting principles consistently applied.

17.2 Landlord's Consent.

(1)If Tenant desires Landlord's consent to any Transfer, Tenant shall notify Landlord in writing, which notice (the "Transfer Notice") shall include (a) the proposed effective date of the Transfer, which shall not be less than thirty (30) days nor more than two hundred ten (210) days after the date of delivery of the Transfer Notice, (b) all of the terms of the proposed Transfer, which shall include the consideration therefor and a description of the portion of the Premises to be transferred (if a proposed sublease), (c) final drafts of all documents effectuating the proposed Transfer (provided that Tenant shall not be required to disclose any documents in any manner which would constitute a violation of the rules and regulations of the U.S. Securities and Exchange Commission or any other applicable Laws), and (d) the name and address of the proposed Transferee, current financial statements of the proposed Transferee certified by an officer, partner or owner thereof, business credit and personal references and history of the proposed Transferee, and any other information required by Landlord which will enable Landlord to determine the financial responsibility, character, and reputation of the proposed Transferee, nature of such Transferee's business, and proposed use of the Premises.

(2)In the event Landlord does not exercise its options pursuant to Section 17.5 below to recapture the Premises or terminate this Lease in whole or in part, Landlord's consent to a proposed Transfer shall not be unreasonably withheld, conditioned or delayed; provided, however, that (a) there shall not be an Event of Default that remains uncured; (b) in Landlord's reasonable judgment the proposed Transferee is engaged in a business which is in keeping with the then standards of the Building and the Property and the proposed use is limited to the Permitted Use; (c) the proposed Transferee is a reputable entity and has sufficient financial worth and stability in light of the responsibilities to be undertaken, based on evidence provided

by Tenant (and others) to Landlord, as determined by Landlord in its reasonable discretion; (d) so long as Landlord has comparable space to lease to said proposed Transferee neither (i) the proposed Transferee nor (ii) any person or entity which, directly or indirectly, controls, is controlled by, or is under common control with, the proposed Transferee, is then an occupant of any part of the Property; (e) the proposed Transferee is not a person or entity with whom Landlord is then, or during the preceding six (6) months has been, actively negotiating to lease space at the Property so long as Landlord has comparable space to lease to said proposed Transferee neither; (f) the proposed Transfer shall be in form reasonably satisfactory to Landlord and shall comply with the applicable provisions of Section 17; (g) Tenant shall not have advertised or publicized in any way the availability of the Premises at rental rate less than the base rent and additional rent at which Landlord is then offering to lease other space located in the Building without prior notice to and approval by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed; provided, however, that the prohibition contained in this clause (g) shall not apply to Tenant discussing any such availability with, or sending proposals to, any prospective Transferee; (h) with respect to a proposed sublease, the proposed sublease involves, in Landlord's reasonable judgment, a portion of the Premises which is independently leasable space; (i) with respect to and after taking into account a proposed sublease, there will not be more than two (2) different entities (including Tenant) occupying the Premises; (j) the character of the business to be conducted or the proposed use of the Premises by the proposed Transferee or the identity of the proposed Transferee will not create or increase the likelihood of any labor disputes, disharmony, strikes or any other form of protests occurring at the Property; (k) the proposed Transfer shall not have (or potentially have) any adverse effect on any real estate investment trust qualification requirements of Landlord or any of its Affiliates or otherwise cause Landlord or any of its Affiliates to be in violation of any Laws to which Landlord or such Affiliate is subject, including the Employment Retirement Income Security Act of 1974; (l) the holder of any Superior Mortgage and/or Superior Lease, as applicable, consents to such Transfer; and (m) neither the identity nor business of the proposed Transferee would cause Landlord to be in violation of any covenant or restriction contained in another lease at the Property.

17.3 Acceptance of Rent. If this Lease is assigned, or if the Premises or any part thereof is sublet or occupied by anyone other than Tenant, whether or not in violation of the terms and conditions of this Lease, Landlord may, at any time and from time to time, collect rent and other charges from the Transferee, and apply the net amount collected to the Rent and other charges herein reserved, but no such Transfer, collection or modification of any provisions of this Lease shall be deemed a waiver of this covenant, or the acceptance of the Transferee as a tenant or a release of Tenant from the further performance of covenants on the part of Tenant to be performed hereunder. Any consent by Landlord to a particular Transfer or other act for which Landlord's consent is required under Section 17.1(1) shall not in any way diminish the prohibition stated in Section 17.1(1) as to any further such Transfer or other act or the continuing liability of the original named Tenant. No Transfer hereunder shall relieve Tenant from its obligations hereunder, and Tenant shall remain fully and primarily liable therefor.

17.4 Excess Payments. If Tenant assigns this Lease or sublets the Premises or any portion thereof, Tenant shall pay to Landlord as Additional Rent fifty percent (50%) of the amount, if any, by which (1) any and all compensation received by Tenant as a result of such Transfer, net only of reasonable expenses actually incurred by Tenant in connection with such Transfer for brokerage commissions, attorneys' fees rental concessions, improvement expenses (including the out-of-pocket cost during the initial subtenant work), and allowances (prorated

over the term of the Transfer), exceeds (2) in the case of an assignment, the Base Rent and Additional Rent under this Lease, and in the case of a subletting, the portion of the Base Rent and Additional Rent allocable to the portion of the Premises subject to such subletting. Such payments shall be made on the date the corresponding payments under this Lease are due. Notwithstanding the foregoing, the provisions of this Section shall impose no obligation on Landlord to consent to an assignment of this Lease or a subletting of all or a portion of the Premises.

17.5 Landlord's Recapture Right. Notwithstanding anything herein to the contrary, in addition to withholding or granting consent with respect to any proposed Transfer, Landlord shall have the right, to be exercised in writing within thirty (30) days after receipt of a Transfer Notice, (1) to terminate this Lease (in the event of a proposed assignment), or (2) to recapture that portion of the Premises to be subleased (in the event of a proposed sublease comprising fifty percent (50%) or more of the Premises). If Landlord elects to terminate this Lease, this Lease shall terminate as of the date (the "Recapture Date") which is the proposed effective date of such Transfer, as if such date were the last day of the Term of this Lease. If Landlord elects to terminate only that portion of the Premises to be subleased, this Lease shall be deemed amended to eliminate the proposed sublease premises from the Premises as of the Recapture Date, and thereafter all Base Rent and Additional Rent shall be appropriately prorated to reflect the reduction of the Premises as of the Recapture Date.

17.6 Further Requirements. Tenant shall reimburse Landlord on demand, as Additional Rent, for any reasonable out-of-pocket costs (including reasonable attorneys' fees and expenses) incurred by Landlord in connection with any actual or proposed assignment or sublease or other act described in Section 17.1(1), whether or not consummated, including the costs of making investigations as to the acceptability of the proposed assignee or subtenant provided that such costs shall not exceed $3,500 in connection with any such proposed Transfer. Any Transfer to which Landlord gives its consent shall not be valid unless and until Tenant and Transferee execute a consent agreement in form and substance satisfactory to Landlord in its reasonable discretion, which consent agreement shall require Transferee to be bound by all the obligations of Tenant hereunder, including the covenant against further assignment and subletting, and include Transferee's representation and warranty that it is in compliance with the OFAC provisions set forth in Section 41. Any sublease shall provide that: (1) the term of the sublease ends no later than one day before the last day of the Term of this Lease; (2) such sublease is subject and subordinate to this Lease; (3) Landlord may enforce the provisions of the sublease, including collection of rents; and (4) in the event of termination of this Lease or reentry or repossession of the Premises by Landlord, Landlord may, at its sole discretion and option, take over all of the right, title and interest of Tenant, as sublessor, under such sublease, and such subtenant shall, at Landlord's option, attorn to Landlord, but nevertheless Landlord shall not (a) be liable for any previous act or omission of Tenant under such sublease; (b) be subject to any defense or offset previously accrued in favor of the subtenant against Tenant; or (c) be bound by any previous modification of such sublease made without Landlord's written consent or by any previous prepayment of more than one month's rent.

18. SIGNAGE; DIRECTORIES.

18.1 Except as provided in this Section 18, Tenant may not place on the interior or exterior of the Premises (including on both the exterior and interior doors and windows) or on any part of the Building outside of the Premises, any awnings, canopies or other projections; any signs, symbols, flyers, notices or advertisements; or any other items visible to public view from outside of the Premises. For the avoidance of doubt, Tenant may place Tenant's corporate name and/or logo on the entry door to the Premises from the floor lobby pursuant to Section 18.2 below. Tenant may install its own blinds (or other window treatments) in the Premises only if the same shall not in any way interfere with the standard blinds (or other window treatments) for the Building, subject to (a) Landlord's prior written consent and (b) the Construction Standards set forth in Section 12.3.

18.2 Landlord shall provide and maintain (1) in the CP3 lobby of the Building, an alphabetical directory board or other directory device listing all tenants in the CP3 portion of the Building, including a single directory listing for Tenant, and (2) in the CP3 elevator lobby of the floor on which the Premises are located, an alphabetical directory board or other directory device listing all tenants on the floor of the CP3 portion of the Building, including a single directory listing for Tenant. Tenant shall have the option to install identification signage using Tenant's corporate name and/or logo at the entrance of the Premises, subject to (a) Landlord's prior written consent and (b) the Construction Standards set forth in Section 12.3.

19. INSURANCE.

19.1 Landlord's Insurance. Landlord shall, at all times during the Term of this Lease, procure and maintain, at a minimum, the following coverages:

(1)Property. Property insurance for the Building's replacement value; provided, however, that Landlord shall not be obligated to insure (a) any Tenant's Work (if any), Alterations, or Tenant's Systems, or (b) any furniture, equipment, trade fixtures, machinery, goods, or supplies which Tenant may keep or maintain in the Premises.

(2)Commercial General Liability. Commercial general liability insurance, which shall be in addition to, and not in lieu of, insurance required to be maintained by Tenant. Tenant shall not be included as an additional insured on any policy of liability insurance maintained by Landlord.

(3)Landlord may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary. Landlord's insurance coverage may be effected directly and/or through the use of blanket insurance coverage covering more than one location and may contain such commercially reasonable deductibles as Landlord may elect in its discretion. The cost of such insurance shall be included as part of Operating Expenses; provided, however, that if the annual cost to Landlord for any insurance exceeds the standard rates because of the nature of Tenant's operations, Tenant shall, upon receipt of appropriate invoices, reimburse Landlord for such increased cost.

19.2 Tenant's Insurance.

Tenant shall, at all times during the Term of this Lease (or such earlier or later period as Tenant is in possession of the Premises or any portion thereof), procure and maintain at its sole cost and expense:

(1)Property. Property insurance the equivalent of "causes of loss – special form" including flood, earthquake, windstorm, theft, sprinkler leakage and boiler and machinery coverage on all of Tenant's trade fixtures, furniture, inventory and other personal property in the Premises, and on any alterations, additions, or improvements made by Tenant upon the Premises all for the full replacement cost thereof. Tenant shall use the proceeds from such insurance for the replacement of Tenant's trade fixtures, furniture, inventory and other personal property in the Premises, and for the restoration of Tenant's alterations, additions, or improvements to the Premises. Landlord shall be named as loss payee with respect to alterations, additions, or improvements to the Premises that Tenant cannot remove at the expiration or earlier termination of this Lease wherein ownership then reverts to Landlord. Tenant may self-insure for flood and earthquake insurance coverages; provided, however, that such self-insurance shall not reduce or modify Tenant's obligations hereunder to repair or replace damage caused by such floor or earthquake.

(2) Business Income and Extra Expense. Business income and extra expense insurance coverage for a period of no less than 12 months.

(3) Commercial General Liability. Commercial general liability insurance which insures against claims for bodily injury, personal injury, advertising injury, and property damage based upon, involving, or arising out of the use, occupancy, or maintenance of the Premises and the Property. Such insurance shall afford, at a minimum, the following limits:

Each Occurrence	$1,000,000
General Aggregate	2,000,000
Products/Completed Operations Aggregate	1,000,000
Personal and Advertising Injury Liability	1,000,000
Fire Damage Legal Liability	100,000
Medical Payments	5,000

Any general aggregate limit shall apply on a per location basis. Tenant's commercial general liability coverage shall be written on the most current ISO CGL form (or its equivalent), shall include contractual liability (to specifically include coverage for the indemnification provisions of this Lease), premises-operations and products-completed operations and shall contain an exception to any pollution exclusion which insures damage or injury arising out of heat, smoke, or fumes from a hostile fire. Such insurance shall be written on an occurrence basis and contain a standard separation of insureds provision.

(4) Business Automobile Liability. If parking is provided for pursuant to the terms and conditions of this Lease (or another agreement by and between Landlord and Tenant), business automobile liability insurance covering owned, hired and non-owned vehicles with minimum limits of $1,000,000 combined single limit per occurrence.

(5) Workers' Compensation and Employer's Liability. Workers' compensation insurance in accordance with the Laws of the state in which the Premises are located

with employer's liability insurance in an amount not less than $1,000,000 per accident, $1,000,000 per employee for bodily injury by disease, and $1,000,000 policy limit for bodily injury by disease.

(6) Umbrella/Excess Liability. Umbrella/excess liability insurance, on an occurrence basis, that applies in excess of the required commercial general liability, business automobile liability, and employer's liability policies with the following minimum limits:

Each Occurrence	$5,000,000
Annual Aggregate	5,000,000

Umbrella/excess liability policies shall contain an endorsement stating that any entity qualifying as an additional insured on the insurance stated in the Schedule of Underlying Insurance shall be an additional insured on the umbrella/excess liability policies, and that they apply immediately upon exhaustion of the insurance stated in the Schedule of Underlying Insurance as respects the coverage afforded to any additional insured. The umbrella/excess liability policies shall also provide that they apply before any other insurance, whether primary, excess, contingent or on any other basis, available to an additional insured on which the additional insured is a named insured (which shall include any self-insurance), and that the insurer will not seek contribution from such insurance.

19.3 Insurer Rating; Certificates of Insurance; Additional Insureds. All policies required to be carried by Tenant hereunder shall be issued by and binding upon an insurance company licensed or authorized to do business in the state in which the Property is located with a rating of at least "A-: VIII" or better as set forth in the most current issue of Best's Insurance Reports, unless otherwise approved by Landlord. Tenant shall not do or permit anything to be done that would invalidate the insurance policies required herein. The liability policies required to be maintained by Tenant hereunder shall name Landlord and Landlord's Insured Parties as additional insureds on a primary non-contributing basis. Certificates of insurance, acceptable to Landlord, evidencing the existence and amount of each insurance policy required hereunder shall be delivered to Landlord prior to delivery or possession of the Premises, and thereafter during the Term at least ten (10) days prior to each renewal date, and within ten (10) Business Days following Landlord's request thereof. Certificates of insurance shall evidence that Landlord and Landlord's Insured Parties are included as additional insureds on a primary non-contributing basis on liability policies, and that Landlord is included as loss payee on the property insurance set forth in Section 19.2(1) above. Further, each policy shall contain provisions giving Landlord and each of the other additional insureds at least thirty (30) days' prior written notice of any cancellation, non-renewal or material change in coverage other than notice of cancellation due to non-payment of premium; written notice of cancellation due to non-payment of premium shall be require at least ten (10) days' prior written notice.

(1)In the event that Tenant fails to provide evidence of insurance required to be provided by Tenant in this Lease, prior to delivery or possession of the Premises, and thereafter during the Term within ten (10) days following Landlord's request thereof, and ten (10) days prior to the expiration of any such coverage, such failure shall constitute an Event of Default under this Lease and, in addition to all remedies contained herein, Landlord shall be authorized (but not required) to procure such coverage in the amount stated with all costs thereof to be chargeable to Tenant and payable upon written invoice thereof.

(2) The limits of insurance required by this Lease, or as carried by Tenant, shall not limit the liability of Tenant or relieve Tenant of any obligation thereunder, except to the extent provided for under Section 19.4 below. Any deductibles selected by Tenant shall be the sole responsibility of Tenant.

(3)Landlord covenants that Tenant insurance requirements stipulated in Section 19.2 are based upon current industry standards. Landlord reserves the right to require additional coverage or to increase limits in reasonable amounts as industry standards change or changes are required by a Superior Mortgagee or Superior Lessor.

(4)Should Tenant engage the services of any contractor to perform work in the Premises, Tenant shall ensure that such contractor carries commercial general liability, business automobile liability, workers' compensation and employer's liability, and umbrella/excess liability coverages in substantially the same forms as required of Tenant under this Lease and in amounts approved by Landlord. The liability policies required to be maintained by contractor hereunder shall name Landlord and Landlord's Insured Parties as additional insureds on a primary non-contributing basis.

(5)All policies required to be carried by any contractor shall be issued by and binding upon an insurance company licensed or authorized to do business in the state in which the Property is located with a rating of at least "A-: VIII" or better as set forth in the most current issue of Best's Insurance Reports, unless otherwise approved by Landlord. Certificates of insurance, acceptable to Landlord, evidencing the existence and amount of each insurance policy required hereunder shall be delivered to Landlord prior to the commencement of any work in the Premises. Further, each policy shall contain provisions giving Landlord and each of the other additional insureds at least thirty (30) days' prior written notice of any cancellation, non-renewal or material change in coverage other than notice of cancellation due to non-payment of premium; written notice of cancellation due to non-payment of premium shall be require at least ten (10) days' prior written notice. The above requirements shall apply equally to any subcontractor engaged by contractor.

19.4 Waiver of Subrogation. Landlord and Tenant hereby release each other from any and all liability or responsibility to the other or anyone claiming by, through or under them by way of subrogation or otherwise for any loss or damage to property caused by fire or other casualty, even if such fire or other casualty shall have been caused by the fault or negligence of the other party, or anyone for whom such party may be responsible; provided, however, that this release shall be applicable and in full force and effect only to the extent permitted by applicable Law and only to the extent that the cost of repairing such damage is covered by insurance or would have been covered by insurance proceeds payable under any policy (including the deductible and/or uninsured portion thereof) required to be maintained under this Lease, but not so maintained. Each policy of such insurance shall contain a waiver of subrogation by the insurer against Landlord or Tenant, as the case may be.

19.5 Additional Limitations. In addition, notwithstanding anything contained herein or elsewhere in this Lease to the contrary, Landlord will not be responsible for or liable to Tenant for any loss or damage that may be occasioned by or through the acts or omissions of persons occupying adjoining premises or any part of the premises adjacent to or connected with the Premises or any part of the Building or for any loss or damage resulting to Tenant or its property from burst, stopped or leaking water, gas, sewer or steam pipes or falling plaster, or electrical

wiring or for any damage or loss of property within the Premises from any causes whatsoever, including theft and/or acts or threatened acts of terrorism, damage or injury due to mold, excepting only losses or damages resulting from the negligence or willful misconduct of Landlord.

20. INDEMNIFICATION.

To the maximum extent enforceable by Law and subject to the waiver of subrogation set forth in Section 19.4 above, Tenant covenants and agrees to indemnify, defend (with counsel reasonably acceptable to Landlord), protect and save Landlord, together with (1) Landlord's Agents and (2) Landlord's Insured Parties, from and against any and all third-party claims, demands, expenses, losses, suits and damages (including reasonable attorneys' fees) as may be occasioned by reason of (a) any accident, injury or damage occurring in or on the Premises during the Term or for so long as Tenant remains in possession of the Premises; and (b) the omission, fault, willful act, negligence or other misconduct of Tenant or any Tenant Party in, on or about the Property. The provisions of this Section 20 shall survive the expiration or earlier termination of this Lease.

To the maximum extent enforceable by Law and subject to any waiver of subrogation, Landlord covenants and agrees to indemnify, defend (with counsel reasonably acceptable to Tenant), protect and save Tenant, together with Tenant's agents, employees and contractors, from and against any and all third-party claims, demands, expenses, losses, suits and damages (including reasonable attorneys' fees) as may be occasioned by reason of the gross negligence or other misconduct of Landlord and Landlord's Agents in, on, or about the Building or the Project.

21. NOISE; VIBRATIONS; ODORS.

Tenant shall conduct Tenant's operations so as to minimize, to the greatest extent reasonably practicable, the emanation of noises, vibrations, odors, fumes, vapors and gases of any kind from the Premises. If Landlord reasonably determines that Tenant is not sufficiently minimizing the emanation of noises, vibrations, odors, fumes, vapors and gases of any kind from the Premises, Landlord reserves the right to require Tenant to install, at Tenant's sole cost and expense, such insulation, partitions, equipment and systems (including sound-proofing/masking, ventilation and exhaust systems, as applicable) as may be reasonably required by Landlord to achieve that end.

22. HAZARDOUS MATTER.

22.1 Except for customary office and cleaning supplies used in accordance with all applicable Laws, Tenant and Tenant Parties shall not (a) generate, use or store any Hazardous Matter (as hereinafter defined) in any manner in or on the Property (including the Premises), (b) Release (as hereinafter defined) any Hazardous Matter in any manner in, on or from the Property (including the Premises), or (c) introduce any Hazardous Matter in any manner to the Property (including the Premises). As used herein, "Release" means depositing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing.

22.2 Tenant shall promptly notify Landlord in writing of any incident in or on the Property (including the Premises) involving the presence of Hazardous Matter or violation (or possible violation) of Environmental Requirements by Tenant. Tenant shall promptly deliver to Landlord copies of any notices, orders or other communications received from any government

agency or official concerning the presence of Hazardous Matter or violation (or alleged violation) of Environmental Requirements.

22.3 Tenant hereby acknowledges and agrees that it is and shall be fully responsible for all costs, expenses, damages and liabilities (including those incurred by Landlord and Landlord's mortgagee (if any)) which may occur from the breach or default by Tenant or any Tenant Party of any of Tenant's obligations under Section 22. To the maximum extent enforceable by Law, Tenant covenants and agrees to indemnify, defend (with counsel reasonably acceptable to Landlord), protect and save Landlord, together with (1) Landlord's Agents and (2) Landlord's Insured Parties, from and against any and all Environmental Damages (as hereinafter defined) which may be asserted by any person or entity, or government agency, or which the indemnified parties may sustain or be put to on account of (a) the generation, use, storage, Release or introduction of any Hazardous Matter by Tenant or any Tenant Party; (b) the violation of any Environmental Requirements by Tenant or any Tenant Party; and (c) the breach or default by Tenant or any Tenant Party of any of Tenant's obligations under Section 22.

To the extent that Hazardous Matter is discovered in the Premises during any construction of Landlord's Work in the Premises, Landlord shall be solely responsible for mitigating, removing or encapsulating such Hazardous Matter as required by Environmental Requirements.

22.4 The provisions of this Section shall be in addition to any other obligations and liabilities Tenant may have to Landlord under this Lease or otherwise at law or in equity, and in the case of conflict between Section 22 and any other provision of this Lease, the provision imposing the most stringent requirement on Tenant shall control. The provisions of Section 22 shall survive the expiration or earlier termination of this Lease.

22.5 The following terms as used herein shall have the meanings set forth below:

(1)"Hazardous Matter" shall mean any substance: (a) which is or becomes defined as "hazardous waste," "hazardous material," "hazardous substance," "toxic substance," "oil," "infectious medical waste," "hazardous medical waste" or similar in any Law; or (b) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous to health or the environment and which is or becomes regulated and the presence of which requires investigation or remediation pursuant to all applicable Law.

(2) "Environmental Requirements" shall mean all applicable Laws, the provisions of any and all approvals, and the terms, covenants and conditions of this Lease insofar as the same relate to the Release, maintenance, use, keeping in place, transportation, disposal or generation of Hazardous Matter, including those pertaining to reporting, licensing, permitting, health and safety of persons, investigation, containment, remediation, and disposal.

(3) "Environmental Damages" shall mean all liabilities, injuries, losses, claims, damages (whether punitive, special, consequential or otherwise), settlements, attorneys' and consultants' fees, fines and penalties, interest and expenses, and costs of environmental site investigations, reports and cleanup, including costs incurred in connection with any investigation or assessment of site conditions or of health of persons using the Building or the Property; risk assessment and monitoring; any cleanup, remedial, removal or restoration work required by any governmental agency or recommended by Landlord's environmental consultant; any decrease in

value of the Property; any damage caused by loss or restriction of rentable or usable space in the Property; or any damage caused by adverse impact on marketing or financing of the Property.

22.6 Landlord represents and warrants that, as of the Execution Date, to the best of its knowledge, it is unaware of the existence of any Hazardous Matter in the Premises of the Execution Date in violation of applicable Environmental Requirements.

22.7 To the extent that Hazardous Matter now or hereafter exist in the Premises, and such Hazardous Materials were not brought to the Property (or exacerbated, uncovered or disturbed) by Tenant or anyone claiming by, through or under Tenant, Landlord shall remove or remediate such Hazardous Matter as required by applicable Environmental Requirements.

23. TENANT ESTOPPEL CERTIFICATES.

23.1 Upon request, and within ten (10) Business Days after written notice given by or on behalf of Landlord, Tenant shall furnish Landlord with a tenant estoppel certificate signed by Tenant certifying as to such matters relating to the then current status of this Lease as may be reasonably requested by Landlord (or any Superior Lessor (as hereinafter defined), Superior Mortgagee (as hereinafter defined), prospective lessor, prospective mortgagee, prospective purchaser or other party), including:

(1) The Commencement Date and Expiration Date of this Lease;

(2) That this Lease is unmodified and in full force and effect or, if there has been a modification, that the same is in full force and effect, as modified, and stating such modification;

(3) Whether to the Tenant's actual knowledge there are any defaults by Landlord or Tenant hereunder (without any duty of investigation);

(4) Whether to Tenant's actual knowledge there are any existing setoffs or defenses against the enforcement of any of the terms, covenants and conditions of this Lease and whether there are any obligations of Landlord or Tenant to be performed or complied with and, if so, specifying the same;

(5) The date to which Base Rent, Additional Rent and all other charges have been paid;

(6) The amount of any security deposit or letter of credit hereunder; and

(7) Any other matters reasonably requested.

23.2 Any statement furnished pursuant to this Section may be relied upon by Landlord (or any Superior Lessor, Superior Mortgagee, prospective lessor, prospective mortgagee, prospective purchaser or other party). If Tenant fails to execute any tenant estoppel certificate within the time-frame required by this Section, and such failure continue for more than five (5) days after Tenant's receipt of a second notice from Landlord requesting such tenant estoppel certificate, then (1) such failure shall, at Landlord's option, be deemed an Event of Default, without the requirement that Landlord give any additional notice and cure period and (2) Tenant

shall pay to Landlord a fee in the amount of $200.00 per day for each day beyond the applicable time period that Tenant fails to execute and deliver such certificate. Such fee shall be in addition to Landlord's other remedies hereunder.

24. SUBORDINATION.

24.1 This Lease, and all rights of Tenant hereunder, are and shall be subject and subordinate to all ground leases, overriding leases and underlying leases, now or hereafter affecting the Building or the Property, and each of the terms, covenants and conditions thereto (the "Superior Leases"), and to all mortgages and deeds of trust, now or hereafter affecting the Building or the Property or the Superior Leases, and each of the terms, covenants and conditions thereto (the "Superior Mortgages"), whether or not such Superior Mortgages shall also cover other land, buildings or leases, to each and every advance made or hereafter to be made under such Superior Mortgages, and to all renewals, modifications, replacements and extensions of such Superior Leases and Superior Mortgages. This Section shall be self-operative and no further instrument of subordination shall be required. However, should any such Superior Lessor or Superior Mortgagee request that this Lease be made superior, rather than subordinate, to any such ground or underlying lease and/or mortgage, then Tenant, within ten (10) Business Days following Landlord's written request therefor, agrees to execute and deliver, without charge, any and all documents (in form acceptable to Landlord and such Superior Lessor or Superior Mortgagee) effectuating such priority.

24.2 Upon request, and within ten (10) Business Days after written notice given by or on behalf of Landlord, Tenant shall execute, acknowledge and deliver to Landlord any reasonable instrument of subordination and non-disturbance that Landlord (or any Superior Lessor, Superior Mortgagee, prospective lessor, prospective mortgagee, prospective purchaser or other party) may reasonably request. If Tenant fails to execute any instrument of subordination within the time-frame required by this Section, and such failure continue for more than five (5) days after Tenant's receipt of a second notice from Landlord requesting such instrument of subordination, then (1) such failure shall, at Landlord's option, be deemed an Event of Default, without the requirement that Landlord give any additional notice and cure period and (2) Tenant shall pay to Landlord a fee in the amount of $200.00 per day for each day beyond the applicable time period that Tenant fails to execute and deliver such instrument. Such fee shall be in addition to Landlord's other remedies hereunder.

24.3 As used herein, "Superior Lessor" shall mean the lessor of a Superior Lease or its successor in interest. As used herein, "Superior Mortgagee" shall mean the holder of a Superior Mortgage or its successor in interest. If any Superior Lessor or Superior Mortgagee shall succeed to the rights of Landlord under this Lease, whether through possession or foreclosure action or delivery of a new lease or deed (such party so succeeding to Landlord's rights herein called the "Successor Landlord"), then Tenant shall attorn to and recognize such Successor Landlord as Tenant's landlord under this Lease (without the need for further agreement) and shall promptly execute and deliver any reasonable instrument that such Successor Landlord may reasonably request to evidence such attornment. If any Superior Lessor or Superior Mortgagee shall succeed to the rights of Landlord under this Lease, then this Lease shall continue in full force and effect as a direct lease between the Successor Landlord and Tenant upon all of the terms, covenants and conditions as are set forth in this Lease, except that the Successor Landlord shall not (1) be liable for any previous act or omission of Landlord under this Lease, except to the extent such act or omission shall constitute a continuing Landlord default hereunder, in

which event Successor Landlord's responsibility for such act or omission shall be determined as if the act or omission had first arisen upon the vesting of record title in Successor Landlord; (2) be subject to any offsets, counterclaims or defenses which have accrued to Tenant against Landlord prior to the date upon which such Successor Landlord shall obtain record title to the Property; (3) be bound by any Rent or other charges which Tenant may have paid to Landlord more than thirty (30) days in advance of the due date thereof; (4) be bound by any security deposit, tax escrow or insurance escrow which Tenant may have paid to Landlord, except to the extent such security deposit and escrowed funds are received by the Successor Landlord; or (5) be bound by any amendment or modification of this Lease or any consent by Landlord under this Lease to any sublease or assignment of Tenant's interest in this Lease made without the Successor Landlord's prior written consent (provided that such consent shall not be required with respect to any amendments that merely memorialize the exercise of an option or right contained in the Lease). With respect to any the current Superior Mortgagee or any future Superior Lessor or Superior Mortgagee, Landlord shall use commercially reasonable efforts to deliver a subordination, non-disturbance and attornment agreement from such Superior Lessor or Superior Mortgagee on its standard form; provided, however, that failure to obtain such agreement shall not be a default by Landlord hereunder, prohibit the mortgaging of the Property by Landlord or limit the subordination provisions of this Section 24.

24.4 Tenant shall not seek to enforce any remedy it may have for any default on the part of Landlord without first giving written notice by certified mail, return receipt requested, specifying the default in reasonable detail, to any Superior Lessor and Superior Mortgagee whose address has been given to Tenant, and affording such Superior Lessor and Superior Mortgagee a reasonable opportunity to perform Landlord's obligations hereunder.

25. EVENTS OF DEFAULT; REMEDIES.

25.1 Events of Default. If, at any time subsequent to the Effective Date of this Lease, any one or more of the following events (each an "Event of Default") shall occur:

(1) Failure by Tenant to pay any installment of Base Rent, Additional Rent or any other amount, deposit, reimbursement or sum due and payable hereunder, upon the date when said payment is due; provided, however, that on the first occasion only during any calendar year, Landlord shall furnish Tenant with written notice of such failure and permit Tenant a five (5)-day period to cure such failure;

(2)Failure by Tenant to perform or observe any other covenant, condition or agreement of this Lease and such failure continues, after written notice given by or on behalf of Landlord to Tenant, for more than thirty (30) days (or such longer period (not to exceed ninety (90) days) as may be reasonably necessary to cure such default, provided that Tenant commences such cure within the thirty (30) day period and thereafter diligently pursues the same to completion); provided, however, that if the applicable covenant, condition or agreement of this Lease provides for a shorter time period for performance, the shorter time period for performance shall apply;

(3)Tenant's leasehold interest in the Premises shall be taken on execution or by other process of law directed against Tenant;

(4) Tenant or any Guarantor shall (a) make an assignment for the benefit of creditors, (b) acquiesce in a petition in any court in any bankruptcy, reorganization, composition, extension or insolvency proceedings, (c) seek, consent to or acquiesce in the appointment of any trustee, receiver or liquidator of Tenant or of any Guarantor or of all or any part of Tenant's or Guarantor's property, (d) file a petition seeking an order for relief under Title 11 of the United States Code, as now or hereafter amended or supplemented (the "Bankruptcy Code"), or by filing any petition under any other Law for the same or similar relief, or (e) fail to win the dismissal, discontinuation or vacating of any involuntary bankruptcy proceeding filed under the Bankruptcy Code, or under any other Law for the same or similar relief, within sixty (60) days after such proceeding is initiated; or

(5) Any lien has been filed against the Property, or any portion thereof, as a result of Tenant's acts, omissions or breach of this Lease, and Tenant fails, within thirty (30) days after the lien is filed, either (a) to cause such lien to be removed from the Property, or (b) to furnish a bond sufficient to remove such lien or cause a title insurance endorsement to be issued with respect to such lien, which endorsement shall be reasonably satisfactory, in form and substance to Landlord;

then in any such case Landlord may exercise any of Landlord's rights or remedies available under this Lease, at law or in equity.

25.2 Remedies.

(1)Upon the occurrence of an Event of Default, Landlord shall have the following remedies, in addition to any and all other rights and remedies available at law or in equity or otherwise provided in this Lease, any one or more of which Landlord may resort to cumulatively, consecutively, or in the alternative:

(a) Landlord may continue this Lease in full force and effect, and collect Rent and other charges as and when due, without prejudice to Landlord's right to subsequently elect to terminate this Lease on account of such Event of Default;

(b) Landlord may terminate this Lease upon written notice to Tenant to such effect, in which event this Lease (and all of Tenant's rights hereunder) shall immediately terminate, but such termination shall not affect those obligations of Tenant which are intended by their terms to survive the expiration or earlier termination of this Lease, and Tenant shall remain liable for damages as hereinafter set forth in this Section 25.2. This Lease may also be terminated by a judgment specifically providing for termination;

(c) Intentionally omitted;

(d) Landlord may, but shall not be obligated to, perform any defaulted obligation of Tenant, and recover from Tenant, as Additional Rent, the reasonable costs incurred by Landlord in performing such obligation. Notwithstanding the foregoing, or any other notice and cure period set forth herein, Landlord may exercise its rights under this Section 25.2(1)(d) without prior notice or upon shorter notice than otherwise required hereunder (and as may be reasonable under the circumstances) in the event of any one or more of the following circumstances is present: (i) there exists a reasonable risk of prosecution of Landlord unless such obligation is performed sooner than the stated cure period; (ii) there exists an emergency

arising out of the defaulted obligation; or (iii) Tenant has failed to obtain insurance required by this Lease, or such insurance has been canceled by the insurer without being timely replaced by Tenant, as required herein; and

(e) Landlord shall have the right to recover damages from Tenant, as set forth in this Section 25.2.

(2)Upon any termination of this Lease, Landlord, at its sole election, may (a) re-enter the Premises, either by summary proceedings, ejectment or otherwise, and remove and dispossess Tenant and all other persons and any and all property from the same, as if this Lease had not been made, (b) remove all property from the Premises and store the same in a public warehouse or elsewhere at Tenant's expense, and/or (c) deem such property to be abandoned, and, in such event, Landlord may dispose of such property at Tenant's expense, free from any claim by Tenant or anyone claiming by, through or under Tenant. It shall not constitute a constructive or other termination of this Lease or Tenant's right of possession if Landlord (i) performs maintenance or makes repairs or replacements in the Premises, (ii) performs any unperformed obligations of Tenant, (iii) stores or removes Tenant's property from the Premises after Tenant's dispossession, (iv) attempts to relet, or, in fact, does relet, the Premises, or (v) seeks the appointment of a receiver to protect Landlord's interest under this Lease.

(3) If this Lease shall have been terminated as provided in this Section, Tenant shall pay Base Rent, Additional Rent and all other sums payable hereunder up to the time of such termination, and thereafter Tenant, until the end of what would have been the Term of this Lease in the absence of such termination, and whether or not the Premises shall have been relet, shall be liable to Landlord for, and shall pay to Landlord, as liquidated current damages: (a) Base Rent, Additional Rent and all other sums that would be payable hereunder if such termination had not occurred, less the net proceeds, if any, of any reletting of the Premises, after deducting all expenses incurred by Landlord in connection with such reletting, including all repossession costs, brokerage commissions, attorneys' fees, advertising expenses, cleaning expenses, alteration expenses, tenant improvement allowances, rental and other economic concessions; and (b) if, in accordance with the terms, covenants and conditions of this Lease, Tenant commenced payment of the full amount of Base Rent on any day other than the Commencement Date, the amount of Base Rent that would have been payable during the period beginning on the Commencement Date and ending on the day Tenant commenced payment of the full amount of Base Rent hereunder. Tenant shall pay the portion of such current damages referred to in clause (a) above to Landlord monthly on the days which the Base Rent would have been payable hereunder if this Lease had not been terminated, and Tenant shall pay the portion of such current damages referred to in clause (b) above to Landlord upon such termination.

(4) At any time after termination of this Lease as provided in this Section, whether or not Landlord shall have collected any such current damages, as liquidated final damages and in lieu of all such current damages beyond the date of such demand, at Landlord's election Tenant shall pay to Landlord an amount equal to the excess, if any, of the Base Rent, Additional Rent and all other sums as hereinbefore provided which would be payable hereunder from the date of such demand assuming that, for the purposes of this paragraph, annual payments by Tenant on account of Taxes and Operating Expenses would be the same as the payments required for the immediately preceding Tax Year or Expense Year plus a three percent (3%) annual increase per year for what would be the then unexpired Term of this Lease if the same remained in effect, over the then fair market rental value of the Premises for the same period.

(5)In the alternative, at any time after termination of this Lease as provided in this Section, whether or not Landlord shall have collected any such current damages, as liquidated final damages and in lieu of all such current damages beyond the date of such demand, at Landlord's election Tenant shall pay to Landlord an amount equal to the sum of the Base Rent and all Additional Rent payable for the twelve (12) months ended next prior to such termination, plus (a) the amount of the Base Rent and all Additional Rent of any kind accrued and unpaid at the time of such termination, and (b) any and all expenses which the Landlord may have incurred for and with respect to the termination of this Lease and collection of any of such rent.

(6) In case of any Event of Default, re-entry, expiration and dispossession by summary proceedings or otherwise, Landlord may (a) relet the Premises or any part or parts thereof, either in the name of Landlord or otherwise, for a term or terms which may at Landlord's option be equal to, shorter than, or longer than the period which would otherwise have constituted the balance of the Term of this Lease, and may grant rental and other economic concessions to the extent that Landlord considers advisable and necessary to relet the same, and (b) make such alterations, repairs and decorations in the Premises as Landlord considers advisable and necessary for the purpose of reletting the Premises; and the making of such alterations, repairs and decorations shall not operate or be construed to release Tenant from liability hereunder as aforesaid. Tenant, for itself and any and all persons claiming by, through or under Tenant, including its creditors, upon the termination of this Lease and of the Term of this Lease in accordance with the terms hereof, or in the event of entry of judgment for the recovery of the possession of the Premises in any action or proceeding, or if Landlord shall enter the Premises by process of law or otherwise, hereby waives any right of redemption provided or permitted by any Law or decision now or hereafter in force, and does hereby waive, surrender and give up all rights or privileges which it or they may or might have under and by reason of any present or future Law or decision, to redeem the Premises or for a continuation of this Lease for the Term of this Lease hereby demised after having been dispossessed or ejected therefrom by process of law, or otherwise.

(7) In addition to any other remedies under Section 25, Tenant shall immediately become liable to Landlord for all damages proximately caused by Tenant's breach of its obligations under this Lease, including all costs Landlord incurs in reletting (or attempting to relet) the Premises or any part thereof, including all repossession costs, brokerage commissions, attorneys' fees, advertising expenses, cleaning expenses, alteration expenses, tenant improvement allowances, rental and other economic concessions, and all other like expenses properly chargeable against the Premises and the rental received therefrom and like costs, provided that nothing set forth in this Section 25.2(7) shall be construed to impose upon Landlord any obligation to relet the Premises or to mitigate its damages hereunder, except to the extent expressly required under applicable Law. If Landlord does elect to relet the Premises (or any portion thereof), such reletting may be for a period equal to, shorter than, or longer than the remaining Term, and upon such terms and conditions as Landlord deems appropriate, in its sole discretion, and Tenant shall have no interest in any sums collected by Landlord in connection with such reletting except to the extent expressly set forth herein. If the Premises or any part thereof shall be relet in combination with any other space, then proper apportionment on a per-square foot basis shall be made of the rent received from such reletting and of the expenses of such reletting. If Landlord shall succeed in reletting the Premises during the period in which Tenant is paying monthly rent damages as described in Section 25.2(3), Landlord shall credit Tenant with the net rents collected by Landlord from such reletting, after first deducting from the gross rents, as and when collected by Landlord, (a) all expenses incurred or paid by Landlord in

collecting such rents, and (b) any theretofore unrecovered costs associated with the termination of this Lease or Landlord's reentry into the Premises, including any theretofore unrecovered expenses of reletting or other damages payable hereunder. If the Premises or any portion thereof be relet by Landlord for the unexpired portion of the Term before presentation of proof of such damages to any court, commission or tribunal, the amount of rent reserved upon such reletting shall, prima facie, constitute the fair and reasonable rental value for the Premises, or part thereof, so relet for the term of the reletting. Landlord shall not be liable in any way whatsoever for its failure or refusal to relet the Premises or, if the Premises or any part are relet, for its failure to collect the rent under such reletting, and no such refusal or failure to relet or failure to collect rent shall release or affect Tenant's liability for damages or otherwise under this Lease. If Landlord terminates this Lease due to an Event of Default, then Landlord shall use commercially reasonable efforts to relet the Premises; provided, however, that (A) Landlord shall not be obligated to solicit or entertain negotiations with a replacement tenant for the Premises unless and until Landlord obtains full and complete possession of the Premises, including, without limitation, the final and unappealable legal right to relet the Premises free of any claim of Tenant; (B) Landlord shall not be obligated to lease or show the Premises, on a priority basis, or offer the Premises to a prospective tenant when other premises at the Property suitable for the replacement tenant's use are (or soon will be) available; (C) Landlord shall not be obligated to lease the Premises to a replacement tenant at a rate that is less than the rate that Landlord is advertising space at the Property (on a per rentable square foot basis); (D) Landlord shall not be obligated to enter into a lease with a replacement tenant under terms, covenants and conditions that are unacceptable to Landlord, including, without limitation, a replacement tenant whose use would: (1) violate any restriction, covenant, or requirement contained in the lease of another tenant of the Property, (2) adversely affect, in Landlord's good faith opinion, the reputation of the Property, or (3) be incompatible, in Landlord's good faith opinion, with the operation of the Property; and (E) Landlord shall not be obligated to enter into a lease with a replacement tenant who does not have, in Landlord's good faith opinion, sufficient financial resources to fulfill all of the obligations required in connection with a lease of the Premises.

(8) If the trustee or the debtor in possession assumes this Lease under applicable bankruptcy law, it may assume and assign its interest in this Lease only if the proposed assignee first provides Landlord with (a) notice of such proposed assignment, setting forth (i) the name and address of the proposed assignee, its proposed use of the Premises, reasonably detailed character and financial references for such proposed assignee (including its most recent balance sheet and income statements, audited, if available, or otherwise certified as being true and correct) and any other information reasonably requested by Landlord, and (ii) the terms and conditions of such offer, all of which shall be given to Landlord by Tenant or such trustee no later than twenty (20) days after receipt by Tenant or such trustee of such offer, but in any event no later than ten (10) days prior to the date that Tenant or such trustee shall make application to a court of competent jurisdiction for authority and approval to assume this Lease and enter into such assignment; (b) Adequate Assurance of Future Performance (as hereinafter defined) of all of Tenant's obligations under this Lease; and (c) Landlord determines, in the exercise of its reasonable business judgment, that the assignment of this Lease will not breach any lease, mortgage, financing agreement, or other agreement relating to the Property by which Landlord or the Property is then bound (and Landlord shall not be required to obtain consents or waivers from any third party required under any lease, mortgage, financing agreement, or other agreement relating to the Property by which Landlord or the Property is then bound). Landlord shall have the option, to be exercised by notice to Tenant or such trustee given at any time prior to the date the application is filed for court approval of the assignment and assumption of this

Lease to the proposed assignee, to accept an assignment of this Lease upon the same terms and conditions and for the same consideration, if any, as the bona fide offer made by such proposed assignee, less any brokerage commissions which may be payable out of the consideration to be paid by such proposed assignee for the assignment of this Lease.

(9) For purposes of Section 25.2(8) above, and in addition to any other requirements under the Bankruptcy Code, any future federal bankruptcy law and applicable case law, "Adequate Assurance of Future Performance" means at least the satisfaction of the following conditions, which Landlord and Tenant acknowledge to be commercially reasonable:

(a) The proposed assignee submitting a current financial statement, audited by a certified public accountant, that allows a net worth and working capital in amounts determined in the reasonable business judgment of Landlord to be sufficient to assure the future performance by the assignee of Tenant's obligation under this Lease;

(b) If requested by Landlord in the exercise of its reasonable business judgment, the proposed assignee obtaining a guaranty (in form and substance satisfactory to Landlord) from one or more persons who satisfy Landlord's standards of creditworthiness; and

(c) The proposed assignee is of a character and financial worth such as is in keeping with the standards of Landlord in those respects for the Property, the assignee's tenancy is of the same quality as other tenants at the Property, and the purposes for which the proposed assignee intends to use the Premises are uses expressly permitted by and not prohibited by this Lease or prohibited by any other lease at the Property.

25.3 Remedying Defaults

Landlord shall have the right, but shall not be required, to pay such sums or perform such acts which require the expenditure of monies which may be necessary or appropriate by reason of the failure or neglect of Tenant to perform any of the provisions of this Lease, and in the event of the exercise of such right by Landlord, Tenant agrees to pay to Landlord forthwith upon demand all such sums, together with interest thereon at the Default Rate, as Additional Rent.

25.4 Waiver.

(1) Failure on the part of Landlord or Tenant to complain of any action or inaction on the part of the other, no matter how long the same may continue, shall never be a waiver by Landlord or Tenant, respectively, of any of the other's rights hereunder. Further, no waiver at any time of any of the provisions hereof by Landlord or Tenant shall be construed as a waiver of any of the other provisions hereof, and a waiver at any time of any of the provisions hereof shall not be construed as a waiver at any subsequent time of the same provisions. The consent or approval of Landlord or Tenant to or of any action by the other requiring such consent or approval shall not be construed to waive or render unnecessary Landlord's or Tenant's consent or approval to or of any subsequent similar act by the other.

(2) Any waiver by Landlord of any provisions of this Lease must be in a writing signed by Landlord. In addition, Landlord's acceptance of any payment from Tenant after a termination of this Lease due to an Event of Default by Tenant shall not have the effect of reinstating this Lease, nor estop Landlord from exercising any of the rights and remedies granted to Landlord hereunder arising out of such Event of Default. No payment by Tenant or

acceptance by Landlord of a lesser amount than the Base Rent, Additional Rent and all other sums due hereunder shall be deemed to be other than on account of the total amount due from Tenant to Landlord, to be applied in such order as Landlord deems appropriate. In no event shall any endorsement or statement on any check or accompanying any check or payment be deemed an accord and satisfaction; and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Base Rent, Additional Rent or other sum and to pursue any other remedy provided in this Lease.

25.5 Waiver of Jury Trial; Counterclaims

IN THE INTEREST OF SAVING TIME AND EXPENSE, LANDLORD AND TENANT HEREBY CONSENT TO TRIAL WITHOUT A JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER OR THEIR SUCCESSORS IN RESPECT OF ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES, AND/OR ANY CLAIM FOR INJURY OR DAMAGE, OR ANY EMERGENCY OR STATUTORY REMEDY. IN THE EVENT LANDLORD COMMENCES ANY SUMMARY PROCEEDING OR ACTION FOR NONPAYMENT OF BASE RENT OR ADDITIONAL RENT, TENANT SHALL NOT INTERPOSE ANY COUNTERCLAIM OF ANY NATURE OR DESCRIPTION (UNLESS SUCH COUNTERCLAIM SHALL BE MANDATORY) IN ANY SUCH PROCEEDING OR ACTION, BUT SHALL BE RELEGATED TO AN INDEPENDENT ACTION AT LAW.

26. LETTER OF CREDIT.

26.1 General Provisions. Simultaneously with Tenant's execution and delivery of this Lease, Tenant shall deliver to Landlord, as collateral for the full performance by Tenant of all of its obligations under this Lease and for all losses and damages Landlord may suffer as a result of any default by Tenant under this Lease, a standby, unconditional, irrevocable, transferable letter of credit (the "Letter of Credit"), containing the terms required herein, in the face amount identified in Section 1 of this Lease (the "Letter of Credit Amount"), naming Landlord as beneficiary, issued by a domestic bank having at least one office for accepting draws in the continental United States and otherwise reasonably acceptable to Landlord, permitting multiple and partial draws thereon, and otherwise in form and content reasonably acceptable to Landlord. Tenant shall cause the Letter of Credit to be continuously maintained in effect (whether through replacement, renewal or extension) in the Letter of Credit Amount through the date (the "Final LC Expiration Date") that is sixty (60) days after the scheduled expiration date of the Term or any extension thereof. If the Letter of Credit held by Landlord expires earlier than the Final LC Expiration Date (whether by reason of a stated expiration date or a notice of termination or non-renewal given by the issuing bank), Tenant shall deliver a new Letter of Credit or certificate of renewal or extension to Landlord not later than thirty (30) days prior to the expiration date of the Letter of Credit then held by Landlord. Any renewal or replacement Letter of Credit shall comply with all of the provisions of Section 26, shall be irrevocable, transferable and shall remain in effect (or be automatically renewable) through the Final LC Expiration Date upon the same terms as the expiring Letter of Credit or such other terms as may be reasonably acceptable to Landlord.

26.2 Drawings Under Letter of Credit.

(1) Landlord may, at any time and from time to time, without prejudice to any other rights or remedies, draw upon the Letter of Credit (a) to the extent necessary to cure or attempt to cure, in whole or in part, any Event of Default by Tenant hereunder; or (b) if the Letter of Credit held by Landlord expires earlier than the Final LC Expiration Date (whether by reason of a stated expiration date or a notice of termination or non-renewal given by the issuing bank), and Tenant fails to deliver to Landlord, at least thirty (30) days prior to the expiration date of the Letter of Credit then held by Landlord, a renewal or substitute Letter of Credit that is in effect and that complies with the provisions of Section 26.

(2)No condition or term of this Lease shall be deemed to render the Letter of Credit conditional to justify the issuer of the Letter of Credit in failing to honor a drawing upon such Letter of Credit in a timely manner. Tenant hereby acknowledges and agrees that Landlord is entering into this Lease in material reliance upon the ability of Landlord to draw upon the Letter of Credit upon the occurrence of any of the events described in Section 26.2(1).

26.3 Use of Proceeds by Landlord. The proceeds of the Letter of Credit may be applied by Landlord against any Rent payable by Tenant under this Lease that is not paid when due and/or to pay for all losses and damages that Landlord has suffered or that Landlord reasonably estimates that it will suffer as a result of any default by Tenant under this Lease. Landlord shall deposit any unused proceeds in a separate account in the name of Landlord or its designee at a financial institution selected by Landlord in its sole discretion (the "LC Proceeds Account"). Landlord may apply funds from the LC Proceeds Account against any Rent payable by Tenant under this Lease that is not paid when due and/or to pay for all losses and damages that Landlord has suffered or that Landlord reasonably estimates that it will suffer as a result of any default by Tenant under this Lease. Tenant hereby grants Landlord a security interest in the LC Proceeds Account and agrees that, in addition to all other rights and remedies available to Landlord under applicable Law, Landlord shall have all rights of a secured party under the Commonwealth of Massachusetts Uniform Commercial Code with respect to the LC Proceeds Account. The LC Proceeds Account shall be under the sole control of Landlord. Tenant shall not have any right to direct the disposition of funds from the LC Proceeds Account or any other right or interest in the LC Proceeds Account. Tenant shall, at any time and from time to time, execute, acknowledge and deliver such commercially reasonable documents and take such actions as Landlord or the bank with which the LC Proceeds Account is maintained may reasonably request concerning the creation or perfection of the security interest granted to Landlord in (including Landlord's control of) LC Proceeds Account or to effect the provisions of this Section 26.3. Photographic or other facsimile reproductions of this fully executed Lease may be made and delivered by Landlord, and may be relied upon by any person to the same extent as though the copy were an original. Provided Tenant has performed all of its obligations under this Lease, Landlord agrees to pay to Tenant within thirty (30) days after the Final LC Expiration Date the amount of any proceeds of the Letter of Credit received by Landlord and not applied against any Rent payable by Tenant under this Lease that was not paid when due or used to pay for any losses and/or damages suffered by Landlord (or reasonably estimated by Landlord that it will suffer) as a result of any default by Tenant under this Lease; provided, that if prior to the Final LC Expiration Date a voluntary petition is filed by Tenant or any Guarantor, or an involuntary petition is filed against Tenant or any Guarantor by any of Tenant's or Guarantor's creditors, under the Bankruptcy Code, then Landlord shall not be obligated to make such payment in the amount of the unused Letter of Credit proceeds until either all preference issues relating to payments under this Lease have been resolved in such bankruptcy or reorganization

case or such bankruptcy or reorganization case has been dismissed, in each case pursuant to a final court order not subject to appeal or any stay pending appeal.

26.4 Additional Covenants of Tenant. If, as result of any application or use by Landlord of all or any part of the Letter of Credit, the amount of the Letter of Credit shall be less than the Letter of Credit Amount, Tenant shall, within five (5) Business Days thereafter, provide Landlord with additional letter(s) of credit in an amount equal to the deficiency (or a replacement letter of credit in the total Letter of Credit Amount), and any such additional (or replacement) letter of credit shall comply with all of the provisions of Section 26, and if Tenant fails to comply with the foregoing, notwithstanding anything to the contrary contained in this Lease, the same shall constitute an uncurable Event of Default by Tenant hereunder. Tenant further covenants and warrants that it will neither assign nor encumber the Letter of Credit or any part thereof or any interest in the LC Proceeds Account and that neither Landlord nor its successors or assigns will be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance.

26.5 Transfer of Letter of Credit. Landlord may, at any time and without notice to Tenant and without first obtaining Tenant's consent thereto, transfer all or any portion of its interest in and to the Letter of Credit to another party, person or entity, including Landlord's mortgagee and/or to have the Letter of Credit reissued in the name of Landlord's mortgagee. If Landlord transfers its interest in the Building and transfers the Letter of Credit (or any proceeds thereof then held by Landlord) in whole or in part to the transferee, Landlord shall, without any further agreement between the parties hereto, thereupon be released by Tenant from all liability therefor. The provisions hereof shall apply to every transfer or assignment of all or any part of the Letter of Credit to a new landlord. In connection with any such transfer of the Letter of Credit by Landlord, Tenant shall, at Tenant's sole cost and expense, execute and submit to the issuer of the Letter of Credit such applications, documents and instruments as may be necessary to effectuate such transfer. Tenant shall be responsible for paying the issuer's transfer and processing fees in connection with any transfer of the Letter of Credit and, if Landlord advances any such fees (without having any obligation to do so), Tenant shall reimburse Landlord for any such transfer or processing fees within ten days after Landlord's written request therefor.

26.6 Nature of Letter of Credit. Landlord and Tenant (1) acknowledge and agree that in no event or circumstance shall the Letter of Credit or any renewal thereof or substitute therefor or any proceeds thereof (including the LC Proceeds Account) be deemed to be or treated as a "security deposit" under any Law applicable to security deposits in the commercial context ("Security Deposit Laws"), (2) acknowledge and agree that the Letter of Credit (including any renewal thereof or substitute therefor or any proceeds thereof) is not intended to serve as a security deposit, and the Security Deposit Laws shall have no applicability or relevancy thereto, and (3) waive any and all rights, duties and obligations either party may now or, in the future, will have relating to or arising from the Security Deposit Laws.

26.7 Reduction of Letter of Credit Amount.

A.Provided that, as of the date of Tenant's [***] (as hereinafter defined), (i) Tenant is not then in default of any of its obligations hereunder, (ii) Tenant has not been in default beyond applicable notice and cure periods of any of its obligations hereunder at any time prior to the date of Tenant's [***] (such conditions (i) and (ii), the "Default Conditions") and, (iii) either (a) [***] or (b) (such condition (iii), the "[***] Condition"), Tenant shall have the right, by

written request given to Landlord ("Tenant's [***]"), to reduce the Letter of Credit Amount to One Million Seventy One Thousand One Hundred Fifty Two and 50/100 Dollars ($1,071,152.50). Tenant's [***] shall be accompanied by evidence reasonably satisfactory to Landlord that the [***] Condition has been met. If Landlord determines that the Default Conditions and the [***] Condition have been satisfied, Landlord shall so notify Tenant, whereupon Tenant shall provide Landlord with a substitute Letter of Credit in the reduced amount and otherwise satisfying the conditions of Section 26, or an amendment to the Letter of Credit reducing it to the reduced amount.

B. Provided that, as of the date of Tenant's Burn-Down Request (as hereinafter defined), (i) the Default Conditions are then being satisfied, (ii) the [***] Condition has been satisfied and (iii) Tenant shall then have a market capitalization equal to or in excess of $250,000,000.00 for at least ten (10) consecutive Business Days (such condition (iii), the "Market Cap Condition"), Tenant shall have the right, by written request given on or after the applicable Reduction Date (as hereinafter defined) ("Tenant's Burn-Down Request"), to reduce the Letter of Credit Amount to the following amounts on the following dates: (a) Eight Hundred Three Thousand Three Hundred Sixty Four and 38/100 Dollars ($803,364.38), effective as of the date twenty six (26) months after the Rent Commencement Date ("First Reduction Date"), (b) Six Hundred Five Thousand Five Hundred Twenty Three and 28/100 Dollars ($605,523.28) effective as of the fourth (4th) anniversary of the Rent Commencement Date ("Second Reduction Date") and (c) Four Hundred Fifty One Thousand Eight Hundred Ninety Two and 46/100 Dollars ($451,892.46) effective as of the sixth (6th) anniversary of the Rent Commencement Date ("Third Reduction Date"; the First Reduction Date, the Second Reduction Date and the Third Reduction Date are herein sometimes each referred to as a "Reduction Date"). Tenant's Burn-Down Request shall be accompanied by Tenant's most recent financial statements (audited, if available, or otherwise certified as being true and correct by Tenant's chief financial officer). If Landlord determines that the Default Conditions, the [***] Condition and the Market Cap Condition have been met, Landlord shall so notify Tenant, whereupon Tenant shall provide Landlord with a substitute Letter of Credit in the reduced amount and otherwise satisfying the conditions of Section 26, or an amendment to the Letter of Credit reducing it to the applicable reduced amount.

C. Alternatively, provided that, as of the forty-eighth (48th) month after the Rent Commencement Date and the date of Tenant's Burn-Down Request, (i) the Default Conditions are then being satisfied, (ii) the [***] Condition has been satisfied and (iii) Tenant shall then have a market capitalization equal to or in excess of $500,000,000.00 for at least ten (10) consecutive Business Days, Tenant shall have the right, by giving Tenant's Burn-Down Request on or after the Second Reduction Date, to reduce the Letter of Credit Amount to Four Hundred Fifty One Thousand Eight Hundred Ninety Two and 46/100 Dollars ($451,892.46) effective as of the Second Reduction Date. In no event shall the Letter of Credit Amount be reduced to less than Four Hundred Fifty One Thousand Eight Hundred Ninety Two and 46/100 Dollars ($451,892.46) pursuant to the foregoing provisions of this Section 26.

27. NO LIENS.

Tenant agrees to discharge (either by payment or by filing of the necessary bond or otherwise) any mechanic's, materialman's or other lien or encumbrance against the Premises or the Property which arises out of any payment due for, or purported to be due for, any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for Tenant

within ten (10) days after the same arises. If Tenant shall fail to so discharge such lien or encumbrance then, in addition to any other right or remedy of Landlord, Landlord may, but shall not be obligated to, discharge the same (either by payment or by filing of the necessary bond or otherwise), and any payment, costs and expenses incurred by Landlord in connection therewith, including reasonable attorneys' fees, shall be repaid by Tenant to Landlord within ten (10) Business Days, together with interest thereon at the Default Rate. Any claim to, or lien upon, the Premises or the Property described herein shall accrue only against the leasehold estate of Tenant and shall be subject and subordinate to the paramount title and rights of Landlord in and to the Premises and the Property.

28. FINANCIAL STATEMENTS.

Tenant acknowledges that the capability of Tenant to perform its financial obligations under this Lease is material to Landlord, and that Landlord would not enter into this Lease but for its belief, based on its review of Tenant's financial statements, that Tenant is capable of performing such financial obligations. Tenant hereby represents and warrants to Landlord that any financial statements previously furnished to Landlord were at the time given true and correct in all material respects, and that there have been no material changes thereto as of the date of this Lease (which representations and warranties shall be deemed to be continuing and re-made at all times during the Term of this Lease). In addition, upon request, and within ten (10) days after written notice given by or on behalf of Landlord (which request shall not be made more than once in any calendar year provided Tenant is not in default under the Lease, or except in the event of a proposed capital transaction (i.e., a sale or refinancing of the Building or a capital investment in the Landlord entity), Tenant shall furnish Landlord with current financial statements (audited, if available, or otherwise certified as being true and correct by Tenant) reflecting Tenant's current financial condition, provided that such documents shall be furnished only in accordance with the rules and regulations of the U.S. Securities and Exchange Commission and all other applicable Laws.

29. NOTICES.

All notices or other communications hereunder shall be in writing and shall be deemed to have been given (1) if delivered by hand, by messenger or by an express delivery service (FedEx, UPS, etc.), then if and when delivered (or if delivery is refused, when refused) to the respective parties at the below addresses (or at such other address as a party may hereafter designate for itself by notice to the other party as required hereby), or (2) if mailed, then on the third Business Day following the date on which such communication is deposited in the United States mails, by first class registered or certified mail, return receipt requested, postage prepaid, and addressed to the respective parties at the below addresses (or at such other address as a party may hereafter designate for itself by notice to the other party as required hereby). Notice by counsel to a party shall be deemed notice from such party.

If to Landlord: SHIGO Center Plaza Owner, LLC
c/o Synergy Investments
10 Post Office Square, 14th Floor
Boston, MA 02109
Attention: Senior Director of Leasing

with a copy to: Dain Torpy

745 Atlantic Avenue
Boston, MA 02111
Attn: Center Plaza

If to Tenant: And before the Commencement Date, then to:

Zafgen, Inc.
175 Portland Street, 4th Floor
Boston, MA 02114
Attn: Patricia L. Allen

And on or after the Commencement Date, then to:

Zafgen, Inc.
3 Center Plaza
Boston, Massachusetts 02108
Attn: Patricia L. Allen

with a copy to: Goodwin Procter LLP
100 Northern Avenue
Boston, MA 02210
Attn: Mitchell Bloom

30. RULES AND REGULATIONS.

Tenant and Tenant Parties shall abide by the "Rules and Regulations" from time to time established by Landlord, it being agreed that Landlord shall have the right from time to time during the Term to make reasonable changes in and additions to the Rules and Regulations as Landlord deems necessary for the management, safety, care, cleanliness, conservation and sustainability of the Building and the Property and for the preservation of good order therein. The Rules and Regulations shall be generally applicable to all tenants of the Building of similar nature to the Tenant named herein. Landlord agrees that any such Rules and Regulations will be uniformly enforced; provided, however, that Landlord may waive any one or more of the Rules and Regulations for the benefit of any particular tenant if Landlord reasonably deems such waiver appropriate, but no such waiver shall be construed as a waiver of such Rules and Regulations in favor of any other tenant, nor prevent Landlord from enforcing such Rules and Regulations against any or all tenants of the Building. In addition, Landlord shall not be liable to Tenant for violation of any such Rules and Regulations by any other tenant, its assignees, subtenants, agents, employees, contractors, licensees, invitees and guests. In the event that there shall be a conflict between such Rules and Regulations and the provisions of this Lease, the provisions of this Lease shall control. The Rules and Regulations in effect as of the Effective Date are attached hereto as Exhibit D. Notwithstanding anything to the contrary in this Lease contained, Landlord agrees that it will not enforce said Rules and Regulations against Tenant in a discriminatory or arbitrary manner (recognizing that differing circumstances may justify different treatment).

31. QUIET ENJOYMENT.

Subject to the terms, covenants and conditions of this Lease, on paying Base Rent and Additional Rent, and observing, keeping and performing all of the material terms, covenants and conditions of this Lease on Tenant's part to be observed, kept and performed, Tenant shall and may lawfully, peaceably and quietly enjoy the Premises during the Term and any extension thereof, without hindrance or ejection by any persons lawfully claiming under Landlord to have title to the Premises superior to Tenant. The foregoing covenant of quiet enjoyment is in lieu of any other covenant, express or implied.

32. LANDLORD DEFAULT.

Landlord shall in no event be in default under this Lease unless and until Landlord shall neglect or fail to perform or observe any of its obligations under this Lease and such neglect or failure continues, after written notice given by or on behalf of Tenant to Landlord, for more than thirty (30) days (or such longer period as may be necessary to cure such default, provided that Landlord commences such cure within the thirty (30) day period and thereafter diligently pursues the same to completion).

33. LIMITATION OF LIABILITY.

33.1 Tenant agrees to look solely to Landlord's then equity interest in the Property at the time of recovery for recovery of any judgment against Landlord, and agrees that neither Landlord nor Landlord's Agents nor any successor of Landlord nor any beneficiary, trustee, member, manager, partner, shareholder, officer, director, agent or employee of Landlord, Landlord's Agents or any successor of Landlord shall ever be personally liable for any such judgment, or for the payment of any monetary obligation to Tenant. The provision contained in the foregoing sentence is not intended to, and shall not, limit any right that Tenant might otherwise have (1) to obtain injunctive relief against Landlord, Landlord's Agents or any successor of Landlord, or (2) to take any action not involving the personal liability of Landlord, Landlord's Agents or any successor of Landlord to respond in monetary damages from Landlord's assets other than Landlord's then equity interest in the Property.

33.2 In no event shall Landlord ever be liable to Tenant for any loss of profits, rents or other revenues, loss of business opportunity, loss of goodwill, loss of use, or for any form of punitive, special or other indirect or consequential damages, in each case however occurring.

34. INDEPENDENT COVENANTS.

Tenant acknowledges and agrees that the obligations of Tenant hereunder (including the obligation to pay Base Rent, Additional Rent and other sums due hereunder) shall be separate and independent covenants and agreements, and shall continue unaffected, unless the requirement to pay or perform the same shall have been terminated or abated pursuant to an express provision of this Lease. In no event shall Tenant have the right to terminate this Lease due to a default by Landlord except pursuant to an express provision of this Lease. Such waiver and acknowledgements by Tenant are a material inducement to Landlord entering into this Lease. To the extent of any conflicts or inconsistencies between the terms and provisions of this Section 34 and the terms and provisions of the remainder of this Lease, the terms and provisions of this Section 34 shall control.

35. SEVERABILITY.

If any provision of this Lease, or the application thereof, shall to any extent be invalid, illegal or otherwise unenforceable, the remainder of this Lease, and the application of such provisions other than as invalid, illegal or unenforceable, shall not be affected thereby; and such provisions of this Lease shall be valid and enforceable to the fullest extent permitted by applicable Laws.

36. COSTS AND EXPENSES.

In the event of any litigation between Landlord and Tenant to enforce or interpret any provision of this Lease or to enforce any right of either party hereto, the unsuccessful party to such litigation shall pay to the successful party all reasonable costs and expenses incurred in connection therewith, including reasonable attorneys' fees, through all appeals and in any bankruptcy proceedings.

37. CONSENTS.

Where provision is made in this Lease for Landlord's consent, and Tenant shall request such consent, and Landlord shall fail or refuse to give such consent, Tenant shall not be entitled to any damages for any withholding by Landlord of its consent, it being intended that Tenant's sole remedy shall be an action for specific performance or injunction, and that such remedy shall be available only in those cases where Landlord has expressly agreed in writing not to unreasonably withhold its consent. Furthermore, whenever Tenant requests Landlord's consent or approval (whether or not provided for herein) (except requests related to proposed Transfers, which shall be governed by Section 17.6 above), Tenant shall pay to Landlord, on demand, as Additional Rent, any reasonable expenses incurred by Landlord (including reasonable attorneys' fees and costs, if any) in connection therewith.

38. INTENTIONALLY OMITTED.

39. SURRENDER OF PREMISES; HOLDING OVER.

39.1 Upon the expiration or earlier termination of this Lease, Tenant shall promptly surrender possession of the Premises to Landlord in good order, condition and repair and in conformity with the applicable provisions of this Lease, excepting only reasonable wear and tear, casualty and condemnation. Tenant shall surrender to Landlord all keys, key cards, security and access codes to the Premises and make known to Landlord the combination of all combination locks which Tenant is required to leave on the Premises. For purposes of this Lease, the phrase "reasonable wear and tear" constitutes that normal, gradual deterioration which occurs due to aging and ordinary use of the Premises despite reasonable and timely maintenance and repair, but in no event shall the aforementioned phrase excuse Tenant from its duty to maintain and repair the Premises as required by this Lease.

39.2 Upon the expiration or earlier termination of this Lease, Tenant shall, at its sole cost and expense, remove (1) any Tenant's Work, Alterations, and Tenant's Systems that Tenant is required to remove pursuant to the terms, covenants and conditions of this Lease, and (2) all of Tenant's Property. Tenant shall not remove Landlord's Work (if any). Tenant shall, at its sole cost and expense, repair any damage caused by the removal of said Tenant's Work, Alterations, Tenant's Systems, and Tenant's Property, and perform such other work as is reasonably necessary to restore the Premises to neat and clean condition and good order, condition and

repair, excepting only reasonable wear and tear, casualty and condemnation. If Tenant fails to remove any of the foregoing items, such items shall be deemed conclusively to have been abandoned, and Landlord may either retain such items as its property or dispose of such items in such manner as Landlord may see fit, at Tenant's sole cost and expense.

39.3 If, after the expiration or earlier termination of this Lease, Tenant fails to surrender the Premises (or any portion of the Premises) in accordance with the provisions of this Lease, such occupancy shall be that of a tenancy at sufferance, in which event Tenant shall pay Landlord (1) as liquidated damages for such holding over alone, an amount, calculated on a per diem basis for each day of such unlawful retention, equal to one hundred fifty percent (150%) for the first thirty (30) days of such holdover (and two hundred percent (200%) thereafter) of the then current Annual Base Rent, for the time Tenant thus remains in possession, (2) all Additional Rent and other sums payable hereunder, and (3) all other damages, costs and expenses sustained by Landlord by reason of Tenant's holding over. Without limiting any rights and remedies of Landlord resulting by reason of the wrongful holding over by Tenant, or creating any right in Tenant to continue in possession of the Premises, all Tenant's obligations with respect to the use, occupancy and maintenance of the Premises shall continue during such period of unlawful retention. To the maximum extent enforceable by law, Tenant covenants and agrees to indemnify, defend, protect and save Landlord, together with (i) Landlord's Agents and (ii) Landlord's Insured Parties, from and against any and all claims, demands, expenses, losses, suits and damages (including reasonable attorneys' fees) as may be occasioned by reason of Tenant's holding over, including, without limiting the generality of the foregoing, any claims made by any succeeding tenant founded upon such failure to surrender and any lost profits and any other consequential damages to Landlord resulting therefrom. The provisions of Section 39 shall survive the expiration or earlier termination of this Lease.

40. BROKERS.

Except for the Broker(s) listed in Section 1 of this Lease, each party represents and warrants to the other that they have not made any agreement or taken any action which may cause anyone to become entitled to a commission as a result of the transactions contemplated by this Lease, and each will indemnify and defend the other from any and all claims, actual or threatened, for compensation by any such third person by reason of such party's breach of their representation or warranty contained in this Lease. Landlord will pay any commission due to the Broker(s) hereunder pursuant to its separate agreement with the Broker(s) hereunder subject to execution and delivery of this Lease by Landlord and Tenant. The provisions of this Section 40 shall survive the expiration or earlier termination of this Lease.

41. OFAC.

Tenant and Landlord each represent, warrant and covenant to the other party that it is not a Restricted Party (as hereinafter defined), or entering into this Lease for or on behalf of a Restricted Party. As used herein, a "Restricted Party" shall mean (1) any individual, group, or entity named by the United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") as a terrorist or "Specially Designated National and Blocked Person" or (2) the government of any country or region subject to comprehensive U.S. sanctions. Notwithstanding anything to the contrary herein contained, Tenant shall not permit the Premises or any portion thereof to be used, occupied or operated by or for the benefit of any individual, group or entity that is a Restricted Party. Tenant shall provide documentary and other evidence of Tenant's

identity and ownership as may be reasonably requested by Landlord at any time to enable Landlord to verify Tenant's identity in order to comply with any legal requirement or applicable Laws. Tenant acknowledges and agrees that as a condition to the requirement or effectiveness of any consent to any Transfer by Landlord pursuant to Section 17, Tenant shall cause the Transferee, for the benefit of Landlord, to reaffirm, on behalf of such Transferee, the representations of, and to otherwise comply with the obligations set forth in, this Section 41, and it shall be reasonable for Landlord to refuse to approve a Transfer in the absence of such reaffirmation and compliance. Tenant agrees that breach of the representations and warranties set forth in this Section 41 shall at Landlord's election be an immediate Event of Default, without any notice and cure period. The provisions of this Section 41 shall survive the expiration or earlier termination of this Lease.

42. GOVERNING LAW; JURISDICTION.

This Lease and the rights and obligations of the parties hereto shall be interpreted, construed, and enforced in accordance with the Laws of the state in which the Property is located. Tenant hereby consents to the exclusive jurisdiction of the courts of the state in which the Property is located in any and all actions or proceedings arising under this Lease, and irrevocably agrees to service of process in accordance with Section 29 above.

43. FORCE MAJEURE.

In the event that either party shall be delayed or hindered in or prevented from performing any acts required under this Lease, by reason of strikes, lockouts, labor troubles, inability to procure materials, fuel or power (which inability is not unique to the performing party), failure of power, restrictive Laws, riots, insurrection, acts of terrorism, war, fire or other casualty, flood, earthquake or other natural disaster, unusually adverse weather conditions, acts of God, or other reasons of a like nature not the fault of the performing party (each an event of "Force Majeure"), then performance of such act shall be excused for the period of the delay and the period for such party's performance of such act shall be extended for a period equivalent to the period of the delay. The provisions of this Section 43 shall in no event operate to excuse Tenant from the prompt payment of Base Rent or Additional Rent or excuse performance due to lack of funds. In any case where work is to be paid for out of insurance proceeds or condemnation awards, due allowance shall be made, both to the party required to perform such work and to the party required to make such payments, for delays in the collection of such proceeds or awards.

44. LEASE NOT TO BE RECORDED.

44.1 Tenant agrees not to record this Lease, but, if required by applicable Law in order to protect Tenant's interest in the Premises, Tenant may execute a so-called "notice of lease" or "memorandum of lease" in recordable form and complying with applicable Law, provided such notice of lease or memorandum of lease shall be subject to Landlord's reasonable prior written approval. In no event shall such document set forth the Rent or other charges payable by Tenant under this Lease; and any such document shall expressly state that it is executed pursuant to the provisions contained in this Lease and is not intended to vary the terms, covenants and conditions of this Lease.

44.2 In addition, simultaneously with the recording of any notice of lease or memorandum of lease (or within ten (10) Business Days following Landlord's written request

therefor), Tenant agrees to execute and deliver, without charge, (a) a release of any document recorded in the real property records for the location of the Property evidencing this Lease or (b) a notice of termination of this Lease in recordable form, each of which shall be held in escrow by Landlord until the expiration or earlier termination of this Lease.

44.3 The obligations of Tenant under Section 44 shall survive the expiration or earlier termination of this Lease. Tenant's failure to comply with the provisions of Section 44 shall, at Landlord's option, be deemed an Event of Default hereunder.

45. LEASE NOT BINDING UNTIL EXECUTED AND DELIVERED.

The submission of this Lease for examination and negotiation does not constitute an offer to lease, a reservation of the Premises, or an option for the Premises. The submission of this Lease for examination and negotiation shall vest no rights in any party. This Lease shall become effective only upon execution and delivery thereof by Landlord and Tenant, regardless of any written or verbal representation of any agent, manager or employee of Landlord to the contrary.

46. COUNTERPARTS; ELECTRONIC SIGNATURE.

This Lease may be executed in two (2) or more counterparts, which when taken together shall constitute one and the same instrument. The parties contemplate that they may be executing counterparts of this Lease by facsimile or PDF or other electronic means and agree and intend that a signature by facsimile or PDF or other electronic means shall bind the party so signing with the same effect as though the signature were an original signature.

47. ENTIRE AGREEMENT; AMENDMENT AND MODIFICATION.

This Lease, including all Exhibits attached hereto, constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings between the parties, including all lease proposals, letters of intent and similar documents. This Lease may be modified only by a written agreement signed by both Landlord and Tenant.

48. JOINT AND SEVERAL LIABILITY.

If Tenant is comprised of more than one party, each such party shall be jointly and severally liable for Tenant's obligations under this Lease.

49. SUCCESSORS AND ASSIGNS.

Subject to the restrictions on Transfers set forth herein, the obligations of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that Landlord and each successive owner of the Property shall be liable only for obligations accruing during the period of its ownership or interest in the Property, and from and after the transfer by Landlord or such successive owner of its ownership or other interest in the Property, Tenant shall look solely to the successors in title for the performance of Landlord's obligations hereunder arising thereafter.

50. AUTHORITY.

Tenant represents, warrants and covenants to Landlord that (1) Tenant is duly formed, has legal existence, is in good standing, and is qualified to do business in the state in which the Building is located, (2) Tenant has full right, power and authority to enter into this Lease and has taken all corporate or partnership action, as the case may be, necessary to carry out the transaction contemplated herein, so that when executed, this Lease constitutes a valid and binding obligation enforceable in accordance with its terms, (3) the person or persons executing this Lease on behalf of Tenant are duly authorized to do so, and (4) neither execution and delivery of this Lease, nor compliance with the terms and provisions hereof, will violate any presently existing provision of Law or any presently existing regulation, order, writ, injunction or decree of any court or governmental department, commission, board, bureau, agency or instrumentality, or will conflict or be inconsistent with, or will result in any breach of, any of the terms, covenants, conditions or provisions of, or constitute a default under, any agreement, document or charter to which Tenant is a party or by which Tenant is bound. Landlord reserves the right to require Tenant to provide Landlord with certificates of legal existence and good standing, corporate resolutions, authority documents, and such other documents as Landlord may reasonably require evidencing the foregoing.

51. CONFIDENTIALITY.

Tenant acknowledges and agrees that the terms and conditions of this Lease are to remain confidential for Landlord's benefit, and may not be disclosed by Tenant to anyone, by any manner or means, directly or indirectly, without Landlord's prior written consent; provided, however, that Tenant may disclose the terms and conditions of this Lease to its attorneys, accountants, employees and existing or prospective financial partners, or if required by Law (including but not limited to the rules and regulations of the Securities and Exchange Commission) or court order, provided all parties to whom Tenant is permitted hereunder to disclose such terms and conditions are advised by Tenant of the confidential nature of such terms and conditions and agree to maintain the confidentiality thereof (in each case, prior to disclosure) except where required by Law. Tenant shall be liable for any disclosures made in violation of this Section by Tenant or by any entity or individual to whom the terms of and conditions of this Lease were disclosed or made available by Tenant. For the avoidance of doubt, Landlord acknowledges that Tenant is a public corporation required to disclose all material agreements in accordance with Laws including but not limited to filings with the U.S. Securities and Exchange Commission; this Section 51 shall in no circumstances apply to disclosures made by Tenant in compliance with Law. The consent by Landlord to any disclosure shall not constitute a consent by Landlord to any future disclosure.

52. INTENTIONALLY OMITTED.

53. TIME OF PERFORMANCE.

Except as otherwise expressly provided in this Lease, with respect to all required acts of Tenant, time is of the essence of this Lease.

54. EXHIBITS.

Additional terms to this Lease, if any, are set forth in the Exhibits attached hereto, which are incorporated herein by reference as follows:

Exhibit A-1 Building Rendering
Exhibit A-2 Legal Description
Exhibit B Plan of Premises
Exhibit C Work Letter
Exhibit D Rules and Regulations
Exhibit E Cleaning Specifications
Exhibit F Form of Commencement Agreement

55. GUARANTY. **INTENTIONALLY OMITTED**

56. EXTENSION OPTION.

56.1 Extension Option. Provided that (1) Tenant shall not be in an Event of Default either at the time of the Extension Notice (as hereinafter defined) or at the commencement of the Extension Term (as hereinafter defined), (2) Tenant has not assigned this Lease or sublet the Premises (or any portion thereof), except with respect to a permitted Transfer pursuant to Section 17.1(2) above, and (3) in the event of a permitted Transfer pursuant to Section 17.1(2) above, any permitted Transferee occupies the Premises and has not further assigned this Lease or sublet the Premises (or any portion thereof), Tenant shall have one (1) option (the "Extension Option") to extend the Term of this Lease for an additional sixty (60) months (the "Extension Term"). Tenant must exercise the Extension Option by providing written notice of election to Landlord (the "Extension Notice") no more than fifteen (15) months and no less than twelve (12) months prior to the scheduled expiration of the Term of this Lease. The annual Base Rent for the Extension Term shall be one hundred percent (100%) of the Fair Market Base Rent (as hereinafter defined). If Tenant shall fail to send the Extension Notice within the time period herein provided, the Extension Option shall cease to exist and terminate, and Tenant shall have no further opportunity to exercise the Extension Option.

56.2 Fair Market Base Rent. As used herein, "Fair Market Base Rent" shall mean the annual Base Rent which Landlord could reasonably expect to obtain from a third party for the Premises if Landlord put the same on the market for lease for a term corresponding to the term offered hereunder, taking into account all relevant factors, including adjustments (if any) to the base years for Operating Expenses and Taxes, and the presence or absence of tenant fit-up costs, tenant improvement allowances, rent concessions, brokerage commissions, reasonable attorneys' fees, and the like.

56.3 Rent Proposal. Fair Market Base Rent shall be determined as follows: Landlord shall, within thirty (30) days after receipt of the Extension Notice propose in writing to Tenant the Fair Market Base Rent to be paid by Tenant during the Extension Term (the "Rent Proposal"). Tenant shall have fifteen (15) days from receipt of Landlord's Rent Proposal to either accept or reject Landlord's Rent Proposal. If Tenant objects to Landlord's Rent Proposal, Tenant shall notify Landlord of such objection in writing (the "Objection Notice"). If Tenant shall fail to send the Objection Notice within the fifteen (15) day time period herein provided, Tenant shall be deemed to have accepted Landlord's Rent Proposal.

56.4 Arbitration Process. If Tenant delivers the Objection Notice, Landlord and Tenant shall engage in discussions regarding the Fair Market Base Rent for a period of up to

thirty (30) days. If Landlord and Tenant cannot agree within thirty (30) days, each party shall appoint a licensed real estate broker having at least ten (10) years' experience leasing comparable commercial properties located in Downtown Boston where the Building is located (and upon the failure or refusal of Landlord or Tenant to make such appointment within twenty (20) days after the expiration of the thirty (30) day discussion period referenced above, the broker appointed by the other party shall determine the Fair Market Base Rent). The two brokers so appointed shall endeavor to reach an agreement as to what the Fair Market Base Rent should be; and if the two brokers cannot agree in writing as to what the Fair Market Base Rent should be at least thirty (30) days prior to the beginning of the applicable Extension Term, they shall appoint a third person who is a licensed real estate broker having at least ten (10) years' experience leasing comparable commercial properties located in Downtown Boston where the Building is located, mutually acceptable to them, to act as the third broker. Landlord and Tenant shall each bear the cost of their respectively appointed brokers. Landlord and Tenant shall equally bear the cost of the third broker. The third broker shall be disinterested and shall not have represented Landlord or Tenant within the past five (5) years. The brokers selected by Landlord and Tenant shall each prepare their own determination of the figure that should be the Fair Market Base Rent (the "Proposed Determination") and submit their respective Proposed Determinations in writing to the third broker promptly after the third broker is chosen. The third broker shall meet with the first two brokers to review and discuss the Proposed Determination submitted by each of them, and promptly thereafter issue his or her own determination in writing to Landlord and Tenant. The determination of the third broker shall be made on the basis of which Proposed Determination submitted by the first two brokers is closest to what the third broker believes the Fair Market Base Rent should be, and such determination of the third broker must be made only by his or her selecting one of the Proposed Determinations previously submitted in writing by the first two brokers. The determination of the third broker (or the determination mutually agreed to by the first two brokers, if such written agreement is reached by them before the selection of a third broker is required) shall be binding and conclusive on Landlord and Tenant. Notwithstanding anything to the contrary contained herein, Tenant shall continue to be responsible for the payment of Rent and all other Lease obligations during the arbitration process described herein.

56.5 Lease Amendment. In the event Tenant properly exercises its Extension Option as described herein, Landlord and Tenant agree to enter into an amendment to this Lease incorporating the Extension Term into this Lease, but the failure of the parties to execute such an amendment shall have no effect on the effectiveness of the extension of the Term to include the Extension Term or the Fair Market Base Rent associated therewith.

56.6 No Transfer. Except with respect to a permitted Transfer in accordance with Section 17.1(2) above, Tenant may not assign or otherwise transfer its interest or rights under Section 56, and any such purported transfer or attempted transfer shall be null and void, without effect, and shall terminate Tenant's rights under Section 56.

57. INTENTIONALLY OMITTED.

58. PARKING GARAGE.

Subject to the terms and conditions contained in this Section 58 and elsewhere in this Lease, commencing on the Commencement Date, Tenant shall have a license to use, throughout the Term, as the same may be extended, up to 0.80 parking spaces per 1,000 rentable square feet

leased by Tenant hereunder (the "Parking Ratio"), in the Parking Garage, which Landlord and Tenant acknowledge and agree shall mean up to fourteen (14) parking spaces on the Commencement Date. Tenant may increase or decrease the number of parking spaces licensed by Tenant hereunder (subject to the Parking Ratio) at any time upon at least sixty (60) days' prior written notice to Landlord. All parking spaces licensed by Tenant hereunder shall be at the then current market rate for the Center Plaza Parking Garage (the "Parking Garage"), which market rate is currently (a) $525.00 per space per month for unreserved spaces and (2) $620.00 per space per month for reserved spaces. Tenant acknowledges and agrees that the operator of the Parking Garage may rearrange the configuration of any parking spaces, and otherwise change or alter the Parking Garage in any manner whatsoever, so long as Tenant is not deprived of the use of the parking spaces to which Tenant is entitled pursuant to the Parking Ratio. Landlord does not assume any responsibility for, and shall not be liable for, any damage, loss or theft (of any nature whatsoever) to or of any automobiles or other vehicles, or any contents or other personal property located therein, while in or about the Parking Garage. Tenant shall make all payments of the monthly parking fee associated with the parking spaces licensed hereunder directly to the operator of the Parking Garage at such time, place, and manner as the operator of the Parking Garage may reasonably require. In no event may Tenant assign its rights hereunder with respect to the use of the parking spaces to any third party except with respect to a permitted Transfer in accordance with Section 17 above.

59. ROOF USE.

Landlord hereby covenants to provide to Tenant, and Tenant will have the non-exclusive right of access to and use of, a portion of the surface area of the roof of the Building designated in writing by Landlord in its sole discretion (the "Rooftop Area") to install and service a reasonable amount of telecommunication equipment and supplemental HVAC equipment ("Roof Use"); provided that Landlord shall have the right to grant similar access and use rights to other tenants.

In exercising Tenant's right to use the Rooftop Area: (i) Tenant must first notify Landlord in writing and obtain Landlord's written consent to the specific equipment and manner of installation; (ii) Tenant shall comply with all applicable laws, with any covenants, conditions and restrictions applicable to the Building, and with all requirements of any board of fire insurance underwriters or similar body and shall obtain any additional insurance coverage reasonably required by Landlord or otherwise required by governmental authorities in connection with Tenant's Roof Use; (iii) the Roof Use shall not void any roof or other warranty applicable to the Building; (iv) such equipment shall be located and screened in a manner acceptable to Landlord; (v) such equipment shall be removed by Tenant upon surrender of the Premises (including repair of any damage caused by such removal); (vi) Tenant shall pay, annually in advance, to Landlord, any increases in Landlord's insurance directly attributable to Tenant's particular Roof Use; (vii) Landlord makes no representations, warranties or promises regarding the suitability of the Building's roof for the Roof Use, and Tenant accepts the roof in its "as is" condition; (viii) the Roof Use shall not create any hazardous condition or interfere with or impair the operation of the Building Systems or utilities or other systems or facilities for the Building (including communications equipment installed by Landlord or any other Building tenants), and shall not directly or indirectly interfere with, delay, restrict or impose any expense, work or obligation upon Landlord in the use or operation of the Building; (ix) the Roof Use shall be at Tenant's sole cost and expense, including the cost of repairing all damage to the Buildings and any personal injury and/or property damage to the Building to the extent attributable to the

installation, inspection, adjustment, maintenance, removal or replacement of any of Tenant's rooftop equipment or apparatus; (x) Tenant's installation of any equipment or other property in the Rooftop Area, or its operation following the installation thereof, shall not interfere with the permitted uses by other tenants or occupants of their premises or of any antennae, communication dishes, or other improvements installed by such tenants or occupants in compliance with applicable Laws, and (xi) the Roof Use shall be solely in the ordinary course of Tenant's business operations (and Tenant may not sublease, license or otherwise permit third parties to establish communications transmission facilities as part of Tenant's Roof Use except as a right appurtenant to their subletting of the Premises or assumption of this Lease).

Notwithstanding the foregoing, if Landlord reasonably determines that the Tenant's rooftop equipment is interfering with the equipment of other tenants of the Building placed on the roof in compliance with the terms of such tenant's lease and Tenant's rights hereunder, Landlord shall notify Tenant and shall afford Tenant not less than five (5) Business Days to cure such interference (or such shorter period as is reasonable under the circumstances relating to the impact of such interference on the equipment of such other tenants). Tenant shall not install any equipment or other property on the roof pursuant to this Section 59 without Landlord's prior reasonable approval of the manner of such installation and detailed plans and specifications for such installation and all such installations shall be subject to the terms of this Lease applicable to Alterations. Any electric current necessary to operate the Tenant's rooftop equipment shall be obtained by Tenant from the public utility furnishing electric to the Premises (or derived from the same separately metered service in the Premises) and Landlord shall have no obligation to furnish any electric current (or any other utilities) in connection therewith. Notwithstanding anything in this Section 2.3 to the contrary, Landlord shall have the right, at any time upon thirty (30) days' prior written notice to Tenant indicating the relocation location and requirement, to require Tenant to relocate any of its rooftop equipment to such alternative rooftop location as is reasonably designated by Landlord in such notice. Such relocation shall be at Landlord's sole cost and expense. If Tenant fails to comply with the terms of this Section 59 in the Roof Use, Landlord shall have the right to require Tenant to remove Tenant's rooftop equipment that is not in compliance with Tenant's Roof Use rights set forth in this Section 59, in which event such removal shall be at Tenant's sole cost and expense.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease to be executed, as a document under seal, as of the date set forth above.

LANDLORD:

SHIGO Center Plaza Owner, LLC,
a Delaware limited liability company

By: /s/David Greaney
David Greaney, Authorized Person

TENANT:

ZAFGEN, INC.,
a Delaware corporation

By: /s/Patricia Allen
Name: Patricia Allen
Title: Chief Financial Officer
Hereunto duly authorized

[COUNTERPART SIGNATURE PAGE]

EXHIBIT A-1

BUILDING RENDERING

[Omitted]

EXHIBIT A-2

LEGAL DESCRIPTION

[Omitted]

EXHIBIT B

PLAN OF PREMISES

[Omitted]

EXHIBIT C

WORK LETTER

[Omitted]

EXHIBIT D

RULES AND REGULATIONS

[Omitted]

EXHIBIT E

CLEANING SPECIFICATIONS

[Omitted]

EXHIBIT F

FORM OF COMMENCEMENT AGREEMENT

[Omitted]

Exhibit 31.1

Certification

I, Jeffrey Hatfield, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2019 of Zafgen, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: May 9, 2019

/s/ Jeffrey Hatfield
Jeffrey Hatfield
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification

I, Patricia Allen, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2019 of Zafgen, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: May 9, 2019

/s/ Patricia Allen
Patricia Allen
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Zafgen, Inc. (the "Company") for the period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to his or her knowledge:

1) the Report which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Dated: May 9, 2019

/s/ Jeffrey Hatfield
Jeffrey Hatfield
Chief Executive Officer
(Principal Executive Officer)

Dated: May 9, 2019

/s/ Patricia Allen
Patricia Allen
Chief Financial Officer
(Principal Financial and Accounting Officer)