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

FORM 10-Q

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

For the quarterly period ended June 30, 2018

or

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

Commission File Number: 000-50768

ACADIA PHARMACEUTICALS INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**06-1376651**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**
3611 Valley Centre Drive, Suite 300 San Diego, California	**92130**
(Address of Principal Executive Offices)	**(Zip Code)**

(858) 558-2871
(Registrant's Telephone Number, Including Area Code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
Emerging growth 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 ☒

Total shares of common stock outstanding as of the close of business on July 31, 2018:

Class	**Number of Shares Outstanding**
Common Stock, $0.0001 par value	125,006,723

ACADIA PHARMACEUTICALS INC.

FORM 10-Q

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ITEM 1. FINANCIAL STATEMENTS

ACADIA PHARMACEUTICALS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	June 30, 2018 (unaudited)	December 31, 2017
Assets		
Cash and cash equivalents	$ 74,182	$ 69,418
Investment securities, available-for-sale	182,673	271,924
Accounts receivable, net	25,696	17,343
Interest and other receivables	986	1,087
Inventory	4,737	5,248
Prepaid expenses	12,822	8,457
Total current assets	301,096	373,477
Property and equipment, net	2,760	2,662
Intangible assets, net	4,800	5,538
Restricted cash	3,111	2,475
Other assets	3,193	354
Total assets	$ 314,960	$ 384,506
Liabilities and stockholders' equity		
Accounts payable	$ 3,333	$ 8,786
Accrued liabilities	45,881	40,244
Total current liabilities	49,214	49,030
Long-term liabilities	1,026	191
Total liabilities	50,240	49,221
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 5,000,000 shares authorized at June 30, 2018 and December 31, 2017; no shares issued and outstanding at June 30, 2018 and December 31, 2017	—	—
Common stock, $0.0001 par value; 225,000,000 shares authorized at June 30, 2018 and December 31, 2017; 124,999,365 shares and 124,410,552 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	12	12
Additional paid-in capital	1,606,441	1,559,343
Accumulated deficit	(1,341,233)	(1,223,671)
Accumulated other comprehensive loss	(500)	(399)
Total stockholders' equity	264,720	335,285
Total liabilities and stockholders' equity	$ 314,960	$ 384,506

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

ACADIA PHARMACEUTICALS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues				
Product sales, net	$ 57,063	$ 30,475	$ 105,931	$ 45,761
Total revenues	57,063	30,475	105,931	45,761
Operating expenses				
Cost of product sales	3,562	2,224	5,715	4,487
License fees and royalties	1,516	982	2,848	1,657
Research and development	46,592	34,180	85,868	69,589
Selling, general and administrative	69,472	61,125	130,398	126,785
Total operating expenses	121,142	98,511	224,829	202,518
Loss from operations	(64,079)	(68,036)	(118,898)	(156,757)
Interest income, net	1,279	993	2,449	1,956
Other expense	(247)	—	(247)	—
Loss before income taxes	(63,047)	(67,043)	(116,696)	(154,801)
Income tax expense	219	398	866	483
Net loss	$ (63,266)	$ (67,441)	$ (117,562)	$ (155,284)
Net loss per common share, basic and diluted	$ (0.51)	$ (0.55)	$ (0.94)	$ (1.27)
Weighted average common shares outstanding, basic and diluted	124,910	122,122	124,819	121,888

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

ACADIA PHARMACEUTICALS INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net loss	$ (63,266)	$ (67,441)	$ (117,562)	$ (155,284)
Other comprehensive gain (loss):				
Unrealized gain (loss) on investment securities	195	(188)	(103)	(199)
Foreign currency translation adjustments	4	(3)	2	(4)
Comprehensive loss	$ (63,067)	$ (67,632)	$ (117,663)	$ (155,487)

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

ACADIA PHARMACEUTICALS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities		
Net loss	$ (117,562)	$ (155,284)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	40,994	33,815
(Amortization of premiums) and accretion of discounts on investment securities, net	(241)	(297)
Amortization of intangible assets	738	738
Loss on strategic investments	247	—
Depreciation	734	577
Loss on disposal of assets	32	—
Changes in operating assets and liabilities:		
Accounts receivable, net	(8,353)	(5,691)
Interest and other receivables	101	453
Inventory	782	(1,927)
Prepaid expenses	(4,365)	(498)
Other assets	64	263
Accounts payable	(5,523)	(324)
Accrued liabilities	5,406	1,253
Deferred revenue	—	(2,644)
Long-term liabilities	835	105
Net cash used in operating activities	(86,111)	(129,461)
Cash flows from investing activities		
Purchases of investment securities	(85,762)	(250,007)
Maturities of investment securities	175,151	341,990
Purchases of strategic investments	(3,150)	—
Purchases of property and equipment	(563)	(749)
Net cash provided by investing activities	85,676	91,234
Cash flows from financing activities		
Proceeds from issuance of common stock, net of issuance costs	5,833	18,500
Net cash provided by financing activities	5,833	18,500
Effect of exchange rate changes on cash	2	(4)
Net increase (decrease) in cash, cash equivalents and restricted cash	5,400	(19,731)
Cash, cash equivalents and restricted cash		
Beginning of period	71,893	165,995
End of period	$ 77,293	$ 146,264
Supplemental disclosure of noncash information:		
Property and equipment purchases in accounts payable and accrued liabilities	$ 301	$ 43
Stock-based compensation capitalized in inventory	$ (271)	$ 99

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

1. Organization and Business

ACADIA Pharmaceuticals Inc. (the "Company"), based in San Diego, California, is a biopharmaceutical company focused on the development and commercialization of innovative medicines to address unmet medical needs in central nervous system disorders. The Company was originally incorporated in Vermont in 1993 as Receptor Technologies, Inc. and reincorporated in Delaware in 1997.

In April 2016, the U.S. Food and Drug Administration ("FDA") approved the Company's first drug, NUPLAZID® (pimavanserin), for the treatment of hallucinations and delusions associated with Parkinson's disease psychosis ("PD Psychosis"). NUPLAZID became available for prescription in the United States in May 2016.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company should be read in conjunction with the audited financial statements and notes thereto as of and for the year ended December 31, 2017 included in the Company's Annual Report on Form 10-K ("Annual Report") filed with the Securities and Exchange Commission (the "SEC"). The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, since they are interim statements, the accompanying financial statements do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, the accompanying financial statements reflect all adjustments (consisting of normal recurring adjustments) that are necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods presented. Interim results are not necessarily indicative of results for a full year. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Reclassifications

The Company has reclassified certain prior period amounts to conform to current period presentation. Specifically, it has reclassified income tax expense previously included within selling, general and administrative expense and presented it separately in the Condensed Consolidated Statement of Operations. This reclassification reduced the Company's previously stated selling, general and administrative expense and total operating expense for the three and six months ended June 30, 2017 by $0.4 million and $0.5 million, respectively. The reclassification had no impact on the Company's net loss or stockholders' equity as previously reported.

In addition, pursuant to the adoption of ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, the Company is presenting restricted cash with cash and cash equivalents in the beginning-of-period and end-of-period total amounts on its Condensed Consolidated Statements of Cash Flows. This reclassification reduced the Company's previously stated net cash used in operations and net decrease in cash and cash equivalents for the six months ended June 30, 2017 by $0.1 million. The reclassification had no impact on the Company's balance sheets as previously reported. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the consolidated balance sheets that sum to the total of the same such amounts shown in the Consolidated Statements of Cash Flows (in thousands).

	Six Months Ended June 30, 2018		Six Months Ended June 30, 2017	
	Beginning of period	End of period	Beginning of period	End of period
Cash and cash equivalents	$ 69,418	$ 74,182	$ 163,620	$ 143,789
Restricted cash	2,475	3,111	2,375	2,475
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 71,893	$ 77,293	$ 165,995	$ 146,264

Accounts Receivable

Accounts receivable are recorded net of customer allowances for distribution fees, prompt payment discounts, chargebacks, and doubtful accounts. Allowances for distribution fees, prompt payment discounts and chargebacks are based on contractual terms. The Company estimates the allowance for doubtful accounts based on existing contractual payment terms, actual payment patterns of its

customers and individual customer circumstances. At June 30, 2018, the Company determined that an allowance for doubtful accounts was not required. No accounts were written off during the periods presented.

License Fees and Royalties

The Company expenses amounts paid to acquire licenses associated with products under development when the ultimate recoverability of the amounts paid is uncertain and the technology has no alternative future use when acquired. Acquisitions of technology licenses are charged to expense or capitalized based upon management's assessment regarding the ultimate recoverability of the amounts paid and the potential for alternative future use. The Company has determined that technological feasibility for its product candidates is reached when the requisite regulatory approvals are obtained to make the product available for sale.

In connection with the FDA approval of NUPLAZID in April 2016, the Company made a one-time milestone payment of $8.0 million pursuant to its 2006 license agreement with the Ipsen Group in which the Company licensed certain intellectual property rights that complement its patent portfolio for its serotonin platform, including NUPLAZID. The Company capitalized the $8.0 million payment as an intangible asset and is amortizing the asset on a straight-line basis over the estimated useful life of the licensed patents through the second half of 2021. The Company recorded amortization expense related to its intangible asset of $0.4 million and $0.7 million for each of the three and six months ended June 30, 2018 and 2017, respectively. As of June 30, 2018, estimated future amortization expense related to the Company's intangible asset was $0.7 million for the remainder of 2018, $1.5 million for each of 2019 and 2020, and $1.0 million for 2021.

Royalties incurred in connection with the Company's license agreement with the Ipsen Group, as disclosed in Note 9, are expensed to license fees and royalties as revenue from product sales is recognized.

Strategic Investments

In May 2018, the Company signed an Exclusivity Deed (the "Deed") with Neuren Pharmaceuticals Limited ("Neuren") that provides for exclusive negotiations for a period of three months from the date of the Deed. Under the terms of the Deed, the Company invested $3.1 million to subscribe for 1,330,000 shares of the company and paid $0.9 million for the exclusivity right, which was recorded in selling, general and administrative expenses in the Condensed Consolidated Statement of Operations for the three and six months ended June 30, 2018. At June 30, 2018, the Company continues to hold the equity securities as a strategic investment in which the Company does not have a controlling interest or significant influence. Publicly held equity securities are measured using quoted prices in their respective active markets with changes recorded through net gains on strategic investments on the statement of operations. Net loss on strategic investments recognized in the Condensed Consolidated Statements of Operations in each of the three and six months ended June 30, 2018 was $0.2 million. As of June 30, 2018, the aggregate carrying amount of the Company's strategic equity investment was $2.9 million included in other assets on the Condensed Consolidated Balance Sheet.

Revenue Recognition

Product Sales, Net

The Company's net product sales consist of U.S. sales of NUPLAZID. Effective January 1, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all the related amendments to all of the contracts using the modified-retrospective method. While results for reporting periods beginning after January 1, 2018 are presented under the new guidance, prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period. The accounting policy for revenue recognition for periods prior to January 1, 2018 is described in Note 2 of the Notes to the Consolidated Financial Statements included in the Company's Annual Report. Under Topic 606, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, the Company assesses the goods or services promised within each contract, determines those that are performance obligations, and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. Payment terms differ by customer, but typically range from 31 to 35 days from the date of shipment. Revenue for the Company's product sales has not been adjusted for the effects of a financing component as the Company expects, at contract inception, that the period between when the Company's transfers control of the product and when the Company receives payment will be one year or

less. No cumulative effect adjustment to the opening balance of retained earnings was necessary upon adoption, and there is no reconciliation of the Company's condensed consolidated statement of operations, as no revenue recognition differences were identified when comparing the revenue recognition criteria under Topic 606 to previous requirements.

NUPLAZID was approved by the FDA in April 2016 and the Company commenced shipments of NUPLAZID to specialty pharmacies ("SPs") and specialty distributors ("SDs") in late May 2016. Prior to the second quarter of 2017, the Company deferred sales of NUPLAZID and recognized revenue when an SP dispensed product to a patient based on the fulfillment of a prescription and when an SD sold product to a government facility, long-term care pharmacy, or in-patient hospital pharmacy. In the second quarter of 2017 the Company determined that it had sufficient volume of activity to reasonably estimate its allowances for rebates and chargebacks and began recognizing NUPLAZID revenue, net of estimated allowances for rebates, price adjustments, returns, chargebacks, and prompt payment discounts, at the point of sale to the SPs and SDs which is commonly referred to as the "sell-in" revenue recognition model.

The effect on income from operations and on net income is that the Company is able to recognize revenue earlier using this sell-in method, net of a provision for estimated allowances, since the Company can record revenue once sold to the SP or SD rather than waiting until the product is sold to the end user on a sell-through basis, which it had done for periods prior to the second quarter of 2017.

Product shipping and handling costs are included in cost of product sales.

The Company recognizes revenue from product sales at the net sales price (the "transaction price") which includes estimates of variable consideration for which reserves are established and reflects each of these as either a reduction to the related account receivable or as an accrued liability, depending on how the allowance is settled. Overall, these reserves reflect the Company's best estimates of the amount of consideration to which the Company is entitled based on the terms of the contract. The amount of variable consideration that is included in the transaction price may be constrained, and is included in the net sales price only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. Actual amounts of consideration ultimately received may differ from the Company's estimates. If actual results in the future vary from estimates, the Company may need to adjust its estimates, which would affect net revenue in the period of adjustment.

Distribution Fees: Distribution fees include distribution service fees paid to the SPs and SDs based on a contractually fixed percentage of the wholesale acquisition cost ("WAC"), fees for data, and prompt payment discounts. Distribution fees are recorded as an offset to revenue based on contractual terms at the time revenue from the sale is recognized.

Rebates: Allowances for rebates include mandated discounts under the Medicaid Drug Rebate Program and the Medicare Part D prescription drug benefit. Rebates are amounts owed after the final dispensing of the product to a benefit plan participant and are based upon contractual agreements with, or statutory requirements pertaining to, Medicaid and Medicare benefit providers. The allowance for rebates is based on statutory discount rates and expected utilization. The Company's estimates for expected utilization of rebates is based on historical data received from the SPs and SDs since product launch. Rebates are generally invoiced and paid in arrears so that the accrual balance consists of an estimate of the amount expected to be incurred for the current quarter's activity, plus an accrual balance for prior quarters' unpaid rebates.

Chargebacks: Chargebacks are discounts and fees that relate to contracts with government and other entities purchasing from the SDs at a discounted price. The SDs charge back to the Company the difference between the price initially paid by the SDs and the discounted price paid to the SDs by these entities. The Company also incurs group purchasing organization fees for transactions through certain purchasing organizations. The Company estimates sales with these entities and accrues for anticipated chargebacks and organization fees, based on the applicable contractual terms.

Co-Payment Assistance: The Company offers co-payment assistance to commercially insured patients meeting certain eligibility requirements. Co-payment assistance is accrued for based on actual program participation and estimates of program redemption using data provided by third-party administrators.

Product Returns: Consistent with industry practice, the Company offers the SPs and SDs limited product return rights for damages, shipment errors, and expiring product; provided that the return is within a specified period around the product expiration date as set forth in the applicable individual distribution agreement. The Company does not allow product returns for product that has been dispensed to a patient. As the Company receives inventory reports from the SPs and SDs and has the ability to control the amount of product that is sold to the SPs and SDs, it is able to make a reasonable estimate of future potential product returns based on this on-hand channel inventory data and sell-through data obtained from the SPs and SDs. In arriving at its estimate for product returns, the Company also considers historical product returns, the underlying product demand, and industry data specific to the specialty pharmaceutical distribution industry.

3. Net Loss Per Share

Basic net loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding for the period, without consideration for common stock equivalents. Diluted net loss per share is computed by dividing the net loss by the weighted average number of common shares and common stock equivalents outstanding for the period determined using the treasury stock method. For purposes of this calculation, stock options, employee stock purchase plan rights, and warrants are considered to be common stock equivalents but are not included in the calculations of diluted net loss per share for the periods presented as their effect would be anti-dilutive. The Company incurred net losses for all periods presented and there were no reconciling items for potentially dilutive securities. More specifically, at June 30, 2018 and 2017, stock options, employee stock purchase plan rights, and warrants totaling approximately 19,834,000 shares and 16,563,000 shares, respectively, were excluded from the calculation of diluted net loss per share as their effect would have been anti-dilutive.

4. Stock-Based Compensation

The following table summarizes the total stock-based compensation expense included in the Company's statements of operations for the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Cost of product sales	$ 1,137	$ 881	$ 2,187	$ 1,761
Research and development	7,894	6,420	15,551	11,721
Selling, general and administrative	11,521	10,943	23,256	20,333
	$ 20,552	$ 18,244	$ 40,994	$ 33,815

5. Balance Sheet Details

Inventory consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
Raw material	$ 3,334	$ 4,084
Work in process	744	—
Finished goods	659	1,164
	$ 4,737	$ 5,248

Accrued liabilities consisted of the following (in thousands):

	June 30, 2018	December 31, 2017
Accrued consulting and professional fees	$ 16,086	$ 9,395
Accrued compensation and benefits	11,805	15,260
Accrued research and development services	8,900	9,487
Accrued sales allowances	5,853	3,591
Other	3,237	2,511
	$ 45,881	$ 40,244

6. Investments

The carrying value and amortized cost of the Company's investments, summarized by major security type, consisted of the following (in thousands):

	June 30, 2018			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Treasury notes	$ —	$ —	$ —	$ —
Government sponsored enterprise securities	—	—	—	—
Corporate debt securities	139,304	—	(502)	138,802
Commercial paper	43,879	6	(14)	43,871
Equity securities	3,149	—	(247)	2,902
	$ 186,332	$ 6	$ (763)	$ 185,575

	December 31, 2017			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Treasury notes	$ 32,976	$ —	$ (12)	$ 32,964
Government sponsored enterprise securities	10,082	—	(10)	10,072
Corporate debt securities	138,650	1	(321)	138,330
Commercial paper	90,623	—	(65)	90,558
	$ 272,331	$ 1	$ (408)	$ 271,924

The Company has classified all of its available-for-sale investment securities, including those with maturities beyond one year, as current assets on its consolidated balance sheets based on the highly liquid nature of the investment securities and because these investment securities are considered available for use in current operations. As of June 30, 2018 and December 31, 2017, the Company held $44.2 million and $48.7 million, respectively, of available-for-sale investment securities with contractual maturity dates of more than one year and less than two years. The Company has classified all equity securities as other assets on its consolidated balance sheets.

The following table presents gross unrealized losses and fair value for those available-for-sale investments that were in an unrealized loss position as of June 30, 2018 and December 31, 2017, aggregated by investment category and length of time that individual securities have been in a continuous loss position (in thousands):

	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
June 30, 2018:						
U.S. Treasury notes	$ —	$ —	$ —	$ —	$ —	$ —
Government sponsored enterprise securities	—	—	—	—	—	—
Corporate debt securities	136,308	(502)	—	—	136,308	(502)
Commercial paper	24,061	(14)	—	—	24,061	(14)
Total	$ 160,369	$ (516)	$ —	$ —	$ 160,369	$ (516)
December 31, 2017:						
U.S. Treasury notes	$ 32,964	$ (12)	$ —	$ —	32,964	(12)
Government sponsored enterprise securities	10,072	(10)	—	—	10,072	(10)
Corporate debt securities	129,820	(321)	—	—	129,820	(321)
Commercial paper	90,558	(65)	—	—	90,558	(65)
Total	$ 263,414	$ (408)	$ —	$ —	$ 263,414	$ (408)

At each reporting date, the Company performs an evaluation of impairment to determine if any unrealized losses are other-than-temporary. Factors considered in determining whether a loss is other-than-temporary include the length of time and extent to which fair value has been less than the cost basis, the financial condition of the issuer, and the Company's intent and ability to hold the investment until recovery of its amortized cost basis. The Company intends, and has the ability, to hold its investments in unrealized loss positions until their amortized cost basis has been recovered. Based on its evaluation, the Company determined that its unrealized losses were not other-than-temporary at June 30, 2018 and December 31, 2017.

7. Fair Value Measurements

The Company's investments include cash equivalents, available-for-sale investment securities consisting of a money market fund, U.S. Treasury notes, and high quality, marketable debt instruments of corporations and government sponsored enterprises in accordance with the Company's investment policy and equity investments. The Company's investment policy defines allowable investments and establishes guidelines relating to credit quality, diversification, and maturities of its investments to preserve principal and maintain liquidity. All investment securities have a credit rating of at least A3/A- or better, or P-1/A-1 or better, as determined by Moody's Investors Service or Standard & Poor's.

The Company's cash equivalents, available-for-sale investment securities and equity securities are classified within the fair value hierarchy as defined by authoritative guidance. The Company's investment securities and equity securities classified as Level 1 are valued using quoted market prices. The Company obtains the fair value of its Level 2 financial instruments from third-party pricing services. The pricing services utilize industry standard valuation models whereby all significant inputs, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids, offers, or other market-related data, are observable. The Company validates the prices provided by the third-party pricing services by reviewing their pricing methods and matrices, and obtaining market values from other pricing sources. After completing the validation procedures, the Company did not adjust or override any fair value measurements provided by these pricing services as of June 30, 2018 and December 31, 2017.

The Company does not hold any securities classified as Level 3, which are securities valued using unobservable inputs. The Company has not transferred any investment securities between the classification levels.

The recurring fair value measurements of the Company's cash equivalents, available-for-sale investment securities and equity securities at June 30, 2018 and December 31, 2017 consisted of the following (in thousands):

		Fair Value Measurements at Reporting Date Using		
	June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market fund	$ 18,132	$ 18,132	$ —	$ —
U.S. Treasury notes	—	—	—	—
Equity securities	2,902	2,902	—	—
Government sponsored enterprise securities	—	—	—	—
Corporate debt securities	145,463	—	145,463	—
Commercial paper	89,284	—	89,284	—
	$ 255,781	$ 21,034	$ 234,747	$ —

		Fair Value Measurements at Reporting Date Using		
	December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market fund	$ 38,057	$ 38,057	$ —	$ —
U.S. Treasury notes	32,964	32,964	—	—
Government sponsored enterprise securities	10,072	—	10,072	—
Corporate debt securities	154,396	—	154,396	—
Commercial paper	98,052	—	98,052	—
	$ 333,541	$ 71,021	$ 262,520	$ —

8. Stockholders' Equity

Public Offerings

In August 2016, the Company raised net proceeds of approximately $215.9 million from the sale of 6,969,696 shares of its common stock in a follow-on public offering, including 909,090 shares sold pursuant to the exercise in full of the underwriters' option to purchase additional shares.

In January 2016, the Company raised net proceeds of approximately $281.6 million from the sale of 10,344,827 shares of its common stock in a follow-on public offering. In connection with the January 2016 offering, the Company entered into a registration rights agreement (the "Registration Rights Agreement") with 667, L.P., Baker Brothers Life Sciences, L.P. and 14159, L.P. (the "Baker Entities"), all of which are existing stockholders of the Company and are affiliated with two of its directors, Julian C. Baker and Dr. Stephen R. Biggar. Under the Registration Rights Agreement, the Company agreed that, if the Baker Entities demand that the Company register their shares of its common stock, par value $0.0001 per share, for resale under the Securities Act of 1933, as amended (the "Securities Act"), the Company would be obligated to effect such registration. The Company's registration obligations under the Registration Rights Agreement cover all shares of its common stock then held or later acquired by the Baker Entities (including approximately $75.0 million and $43.0 million of shares that the Baker Entities purchased at the public offering price in the January 2016 and August 2016 offerings, respectively), will continue in effect for up to 10 years, and include the Company's obligation to facilitate certain underwritten public offerings of its common stock by the Baker Entities in the future. The Company has agreed to bear all expenses incurred by it in effecting any registration pursuant to the Registration Rights Agreement as well as the legal expenses of the Baker Entities of up to $50,000 per underwritten public offering effected pursuant to the Registration Rights Agreement. On April 1, 2016, pursuant to the Registration Rights Agreement, the Company filed a registration statement covering all shares owned by the Baker Entities as of March 31, 2016.

Private Equity Financings

In December 2012, the Company raised net proceeds of $80.5 million through the sale of 19,000,000 shares of its common stock at a price of $4.43 per share and the sale of warrants to purchase 500,000 shares of its common stock at a price of $4.42 per warrant share in a private equity financing. The warrants have an exercise price of $0.01 per share and will expire on December 17, 2019. In accordance with authoritative accounting guidance, the warrants' value of $2.2 million was determined on the date of grant using the Black-Scholes model with the following assumptions: risk free interest rate of 1.1 percent, volatility of 105.8 percent, a 7.0 year term and no dividend yield. These warrants were recorded as a component of stockholders' equity within additional paid-in capital. Per their terms, the warrants to purchase 500,000 shares of common stock, all of which remained outstanding at June 30, 2018, may not be exercised if the holder's ownership of the Company's common stock would exceed 19.99 percent following such exercise.

9. Commitments and Contingencies

Leases and Other Long-Term Commitments

In May 2018, the Company entered into a lease agreement to lease facilities under a noncancelable operating lease that expires January 2026.

Estimated annual future minimum payments related to the Company's operating leases were as follows at June 30, 2018 (in thousands):

2018	$	1,375
2019		1,880
2020		1,192
2021		886
2022		898
Thereafter		2,848
	$	9,079

Royalty Payments

Pursuant to the terms of its 2006 license agreement with the Ipsen Group, the Company is required to make royalty payments of two percent of net sales of NUPLAZID.

Corporate Credit Card Program

In connection with the Company's credit card program, the Company established a letter of credit for $2.0 million, which has automatic annual extensions and is fully secured by restricted cash.

Fleet Program

In connection with the Company's fleet program, the Company established letters of credit with the leasing entities totaling $0.7 million, which have automatic annual extensions and are fully secured by restricted cash.

Legal Proceedings

Between July 19 and July 23, 2018, in the wake of recent negative publicity about NUPLAZID, two purported Company stockholders filed putative securities class action complaints (captioned Staublein v. ACADIA Pharmaceuticals, Inc., Case No. 18-cv-01647-JAH-MDD, and Stone v. ACADIA Pharmaceuticals Inc., Case No. 18-cv-01672-LAB-JMA) in the U.S. District Court for the Southern District of California against the Company and certain of its current executive officers. The complaints generally allege that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by making materially false and misleading statements regarding the Company's business, operations, and prospects by failing to disclose that adverse events and safety concerns regarding NUPLAZID threatened initial and continuing FDA approval, and by failing to disclose that the Company engaged in business practices likely to attract regulatory scrutiny. The complaints seek unspecified monetary damages and other relief. The Company has assessed such legal proceedings, and given the unpredictability inherent in litigation, the Company cannot predict the outcome of these matters. At this time, the Company is unable to estimate possible losses or ranges of losses that may result from such legal proceedings, and it has not accrued any amounts in connection with such legal proceedings other than ongoing attorneys' fees.

10. Recent Accounting Pronouncements

In December 2017, the U.S. Securities and Exchange Commission ("SEC") staff issued SAB 118, which provides guidance on accounting for the tax effects of the Tax Cuts and Jobs Act (the "Act"). SAB 118 was issued to address the application of US GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. In accordance with SAB 118, the Company has provisionally determined that there is no deferred tax benefit or expense with respect to the remeasurement of certain deferred tax assets and liabilities due to the full valuation allowance against net deferred tax assets. The Company is still analyzing certain aspects of the Act and refining its calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. Additional analysis of the law and the impact to the Company will be performed and any impact will be recorded in the respective quarter in 2018.

In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-18, *Statement of Cash Flows: Restricted Cash*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included within cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance was effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company adopted this guidance in the first quarter of 2018, using a retrospective transition method. The adoption of this ASU impacted the presentation of cash flows, with inclusion of restricted cash flows for each of the presented periods.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments*, which changes the impairment model for most financial assets and certain other instruments. For trade receivables and other instruments, entities will be required to use a new forward-looking expected loss model that generally will result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, the losses will be recognized as allowances rather than as reductions in the amortized cost of the securities. This guidance is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those years, with early adoption permitted only as of annual reporting periods beginning after December 15, 2018. The Company is currently evaluating the timing and impact of the adoption of this guidance on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires a lessee to recognize a lease liability and a right-of-use asset for all leases with lease terms of more than 12 months. This guidance is effective for annual reporting periods beginning after

December 15, 2018, including interim periods within those years, and early adoption is permitted. Companies are required to adopt this guidance using a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. In January 2018, the FASB issued ASU 2018-01, *Leases: Land Easement Practical Expedient for Transition to Topic 842*, which facilitates the implementation of ASU 2016-02. ASU 2018-01 would give entities the option to apply ASU 2016-02 as of the effective date, rather than as of the beginning of the earliest period presented. Under this additional option transition method, a cumulative-effect adjustment would be recognized in the opening balance of retained earnings in the period of adoption. The effective date of the transition requirements for the amendment is the same as the effective date and transition requirements in ASU 2016-02. While the Company is currently evaluating its significant lease arrangements to assess the potential impact of the adoption of this guidance on its consolidated financial statements, it anticipates that the adoption could result in an increase in the assets and liabilities recorded on its consolidated balance sheet.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes nearly all existing revenue recognition guidance under GAAP. On January 1, 2018, the Company adopted ASU 2014-09 and all the related guidance.

11. Subsequent Events

On August 6, 2018 the Company entered into a license agreement with Neuren and obtained exclusive North American rights to develop and commercialize trofinetide for Rett syndrome and other indications. Under the terms of the agreement, Neuren will receive an upfront payment of $10.0 million and is eligible to receive milestone payments of up to $455.0 million, based on the achievement of certain development and annual net sales milestones. In addition, Neuren is eligible to receive tiered, escalating, double-digit percentage royalties based on net sales.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included in this quarterly report on Form 10-Q, or this Quarterly Report, and the audited financial statements and notes thereto as of and for the year ended December 31, 2017 included with our Annual Report on Form 10-K, or our Annual Report, filed with the Securities and Exchange Commission, or SEC. Past operating results are not necessarily indicative of results that may occur in future periods.

This Quarterly Report contains forward-looking statements. These forward-looking statements involve a number of risks and uncertainties. Such forward-looking statements include statements about the benefits to be derived from NUPLAZID® (pimavanserin) and from our drug candidates, the potential market opportunities for pimavanserin and our drug candidates, our strategy for the commercialization of NUPLAZID, our plans for exploring and developing pimavanserin for indications other than in Parkinson's disease psychosis, our plans and timing with respect to seeking regulatory approvals, the potential commercialization of any of our drug candidates that receive regulatory approval, the progress, timing, results or implications of clinical trials and other development activities involving NUPLAZID and our drug candidates, our strategy for discovering, developing and, if approved, commercializing drug candidates, our existing and potential future collaborations, our estimates of future payments, revenues and profitability, our estimates regarding our capital requirements, future expenses and need for additional financing, possible changes in legislation, and other statements that are not historical facts, including statements which may be preceded by the words "believes," "expects," "hopes," "may," "will," "plans," "intends," "estimates," "could," "should," "would," "continues," "seeks," "aims," "projects," "predicts," "pro forma," "anticipates," "potential" or similar words. For forward-looking statements, we claim the protection of the Private Securities Litigation Reform Act of 1995. In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and you are cautioned not to unduly rely upon these statements. Readers of this Quarterly Report are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to update or revise publicly any forward-looking statements. Actual events or results may differ materially from our expectations. Important factors that could cause actual results to differ materially from those stated or implied by our forward-looking statements include, but are not limited to; the risk factors set forth under the section captioned "Risk Factors" in this Quarterly Report.

Overview

Background

We are a biopharmaceutical company focused on the development and commercialization of innovative medicines to address unmet medical needs in central nervous system disorders. We have a portfolio of product opportunities led by our novel drug, NUPLAZID (pimavanserin), which was approved by the U.S. Food and Drug Administration, or FDA, in April 2016 for the treatment of hallucinations and delusions associated with Parkinson's disease psychosis, or PD Psychosis, and is the only drug approved in the United States for this condition. NUPLAZID is a selective serotonin inverse agonist, or SSIA, preferentially targeting 5-HT_{2A} receptors. Through this novel mechanism, NUPLAZID demonstrated significant efficacy in reducing the hallucinations and delusions associated with PD Psychosis in our Phase 3 pivotal trial and has the potential to avoid many of the debilitating side effects of existing antipsychotics, none of which are approved by the FDA in the treatment of PD Psychosis. We hold worldwide commercialization rights to pimavanserin. We launched NUPLAZID in the United States in May 2016 with the recommended dosing of 34 mg once a day taken as two 17 mg tablets. In June 2018, the FDA approved a 34 mg NUPLAZID capsule formulation that will provide patients with the recommended 34 mg once daily dose in a single, small capsule, reducing patient pill burden versus the current administration of two 17 mg tablets. In addition, the FDA approved a 10 mg NUPLAZID tablet that provides an optimized lower dosage strength in those patients who are concomitantly receiving strong cytochrome 3A4 inhibitors which can inhibit the metabolism of NUPLAZID.

We believe that pimavanserin has the potential to address important unmet medical needs in neurological and psychiatric disorders in addition to PD Psychosis and we plan to continue to study the use of pimavanserin in multiple disease states. For example, we believe Alzheimer's disease represents one of our most important opportunities for further exploration. In December 2016, we announced positive top-line results from our Phase 2 study exploring the utility of pimavanserin for the treatment of Alzheimer's disease psychosis, or AD Psychosis, a disorder for which no drug is currently approved by the FDA. Following our End-of-Phase 2 Meeting with the FDA and agreement with the agency on our clinical development plan, we initiated our Phase 3 HARMONY relapse prevention study in the fourth quarter of 2017, which allows us to evaluate pimavanserin for a broader indication than AD Psychosis alone. More specifically, HARMONY will evaluate pimavanserin for the treatment of hallucinations and delusions associated with

dementia-related psychosis, which includes psychosis in patients with Alzheimer's disease, dementia with Lewy bodies, Parkinson's disease dementia, vascular dementia and frontotemporal dementia. Furthermore, in the fourth quarter of 2017, the FDA granted Breakthrough Therapy Designation to pimavanserin for this dementia-related psychosis indication.

We also believe schizophrenia represents a disease with multiple unmet or ill-served needs and we are currently exploring the utility of pimavanserin in this area. Despite a large number of FDA-approved therapies for schizophrenia, current drugs do not adequately address some very important symptoms of schizophrenia, such as the inadequate response to current antipsychotic treatment of psychotic symptoms and negative symptoms. In the fourth quarter of 2016, we initiated two studies evaluating the adjunctive use of pimavanserin in patients with schizophrenia. ENHANCE-1 is a Phase 3 study evaluating pimavanserin for adjunctive treatment of schizophrenia in patients with an inadequate response to their current antipsychotic therapy. ADVANCE is a Phase 2 study evaluating pimavanserin for adjunctive treatment in patients with negative symptoms of schizophrenia.

Depression is another disorder with a high unmet need that we believe represents an attractive development opportunity for pimavanserin. Preclinical and clinical studies have shown that patients with depression often do not receive adequate relief from an antidepressant medication and, due to side effects of currently available therapies, many patients discontinue their medication, significantly increasing their chance of relapse. Preclinical and clinical evidence suggests 5-HT_{2A} antagonism may be an effective adjunctive therapy to first-line antidepressants. In the fourth quarter of 2016, we initiated CLARITY, a Phase 2 study evaluating pimavanserin for adjunctive treatment in patients with major depressive disorder, or MDD, who have an inadequate response to standard antidepressant therapy. We completed enrollment in the CLARITY study in the June 2018 and expect to report top-line results in the fourth quarter of 2018.

We maintain a website at www.acadia-pharm.com to which we regularly post copies of our press releases as well as additional information about us. Our filings with the SEC are available free of charge through our website as soon as reasonably practicable after being electronically filed with or furnished to the SEC. Interested persons can subscribe on our website to email alerts that are sent automatically when we issue press releases, file our reports with the SEC or post certain other information to our website. Information contained in our website does not constitute a part of this Quarterly Report or our other filings with the SEC.

Financial Operations Overview

Product Revenues

Net product sales consist of sales of NUPLAZID, our first and only commercial product to date. The FDA approved NUPLAZID in April 2016 and we launched the product in the United States in May 2016.

Cost of Product Sales

Cost of product sales consists of third-party manufacturing costs, freight, and indirect overhead costs associated with sales of NUPLAZID. Cost of product sales may also include period costs related to certain inventory manufacturing services, inventory adjustment charges, unabsorbed manufacturing and overhead costs, and manufacturing variances.

License Fees and Royalties

License fees and royalties consist of milestone payments expensed or capitalized and subsequently amortized under our 2006 license agreement with the Ipsen Group. License fees and royalties also include royalties of two percent due to the Ipsen Group based upon net sales of NUPLAZID.

Research and Development Expenses

Our research and development expenses have consisted primarily of fees paid to external service providers, salaries and related personnel expenses, facilities and equipment expenses, and other costs incurred related to pre-commercial product candidates. We charge all research and development expenses to operations as incurred. Our research and development activities have primarily focused on NUPLAZID (pimavanserin) which was approved by the FDA for the treatment of hallucinations and delusions associated with PD Psychosis in April 2016. We currently are responsible for all costs incurred in the ongoing development of pimavanserin and we expect to continue to make substantial investments in clinical studies of pimavanserin for indications other than PD Psychosis, including dementia-related psychosis, schizophrenia and depression. Additionally, in connection with the FDA approval of NUPLAZID, we committed to conduct post-marketing studies, including a randomized, placebo-controlled withdrawal study in PD Psychosis patients treated with NUPLAZID and randomized, placebo-controlled eight-week studies in predominantly frail and elderly patients that would add to the NUPLAZID safety database by exposing an aggregate of at least 500 patients to NUPLAZID. We will be responsible for all costs incurred for these post-marketing studies.

We use external service providers to manufacture our product candidates and for the majority of the services performed in connection with the preclinical and clinical development of pimavanserin. Historically, we have used our internal research and development resources, including our employees and discovery infrastructure, across several projects and many of our costs have not been attributable to a specific project. Accordingly, we have not reported our internal research and development costs on a project basis. To the extent that external expenses are not attributable to a specific project, they are included in other programs. The following table summarizes our research and development expenses for the three and six months ended June 30, 2018 and 2017 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Costs of external service providers:				
NUPLAZID (pimavanserin)	$ 25,857	$ 18,230	$ 46,196	$ 38,140
Other programs	1,811	41	2,445	64
Subtotal	27,668	18,271	48,641	38,204
Internal costs	11,030	9,489	21,676	19,664
Stock-based compensation	7,894	6,420	15,551	11,721
Total research and development	$ 46,592	$ 34,180	$ 85,868	$ 69,589

Although NUPLAZID was approved by the FDA for the treatment of hallucinations and delusions associated with PD Psychosis, at this time, due to the risks inherent in clinical development, we are unable to estimate with certainty the costs we will incur for the ongoing development of pimavanserin in additional indications, including those within dementia-related psychosis, schizophrenia, and depression. Due to these same factors, we are unable to determine with any certainty the anticipated completion dates for our current research and development programs. Clinical development and regulatory approval timelines, probability of success, and development costs vary widely. While our current development efforts are primarily focused on advancing the development of pimavanserin in additional indications other than PD Psychosis, we anticipate that we will make determinations as to which programs to pursue and how much funding to direct to each program on an ongoing basis in response to the scientific and clinical success of each product candidate, as well as an ongoing assessment of the commercial potential of each opportunity and our financial position. We cannot forecast with any degree of certainty which product opportunities will be subject to future collaborative or licensing arrangements, when such arrangements will be secured, if at all, and to what degree any such arrangements would affect our development plans and capital requirements. Similarly, we are unable to estimate with certainty the costs we will incur for post-marketing studies that we committed to conduct in connection with FDA approval of NUPLAZID.

We expect our research and development expenses to increase and continue to be substantial as we conduct studies pursuant to our post-marketing commitments and pursue the development of pimavanserin in additional indications other than PD Psychosis, including our studies within the dementia-related psychosis, schizophrenia, and depression indications. The lengthy process of completing clinical trials and supporting development activities and seeking regulatory approval for our product opportunities requires the expenditure of substantial resources. Any failure by us or delay in completing clinical trials, or in obtaining regulatory approvals, could cause our research and development expenses to increase and, in turn, have a material adverse effect on our results of operations.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses consist of salaries and other related costs, including stock-based compensation expense, for our commercial personnel, including our specialty sales force, our medical education professionals, and our personnel serving in executive, finance, business development, and business operations functions. Also included in selling, general and administrative expenses are fees paid to external service providers to support our commercial activities associated with NUPLAZID, professional fees associated with legal and accounting services, costs associated with patents and patent applications for our intellectual property and charitable donations to independent charitable foundations that support Parkinson's disease patients generally. We expect our selling, general and administrative expenses to increase in future periods to support commercial activities associated with NUPLAZID and our further development of pimavanserin in additional indications other than PD Psychosis.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements. We have identified the accounting policies that we believe require application of management's most subjective judgments, often requiring the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Our actual results may differ substantially from these estimates under different assumptions or conditions. Other than the adoption of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* as described in Item 1 of Part I, "Notes to Condensed Consolidated Financial Statements — Note 2 — Presentation and Significant Accounting Policies" of this quarterly report,

there have been no significant changes to our critical accounting policies and estimates since December 31, 2017. For a description of our other critical accounting policies that affect our significant judgments and estimates used in the preparation of our consolidated financial statements, refer to our Annual Report.

Results of Operations

Fluctuations in Operating Results

Our results of operations have fluctuated significantly from period to period in the past and are likely to continue to do so in the future. We anticipate that our quarterly and annual results of operations will be impacted for the foreseeable future by several factors, including the progress and timing of expenditures related to our commercial activities associated with NUPLAZID and the extent to which we generate revenue from product sales, our development of pimavanserin in additional indications other than in PD Psychosis, the progress and timing of expenditures related to studies pursuant to our post-marketing commitments, and the timing and amount of payments received pursuant to any potential future collaborations. Further, we expect our sales allowances to vary from quarter to quarter due to fluctuations in our Medicare Part D Coverage Gap liability and the volume of purchases eligible for government mandated discounts and rebates, as well as changes in discount percentages that may be impacted by potential future price increases and other factors. Due to these fluctuations, we believe that the period-to-period comparisons of our operating results are not a good indication of our future performance.

Comparison of the Three Months Ended June 30, 2018 and 2017

Product Sales, Net

Net product sales, comprised of NUPLAZID, were $57.1 million and $30.5 million for the three months ended June 30, 2018 and 2017, respectively. The increase in net product sales of $26.6 million was primarily due to growth in NUPLAZID unit sales of approximately 34% in the three months ended June 30, 2018 as compared to the same period in 2017. Also contributing to the increase was a higher average gross selling price of NUPLAZID in 2018 compared to 2017, and a lower sales allowance and accrual rate for sales in the current year, due to the increased average price and changes in our customer mix.

Cost of Product Sales

Cost of product sales was $3.6 million and $2.2 million for the three months ended June 30, 2018 and 2017, respectively, or approximately 6% and 7% of net product sales, respectively. The cost of product sales as a percentage of net sales decreased during the three months ended June 30, 2018 as compared to the same period in 2017 due primarily to higher manufacturing levels, resulting in higher inventory cost absorption, and a higher average selling price for NUPLAZID in the current period, partially offset by a charge to reduce certain finished goods inventory to its net realizable value related to the upcoming launch of the 34 mg capsule. Product sold during the three months ended June 30, 2018 and 2017 was manufactured with raw material that was previously charged to research and development expense prior to FDA approval of NUPLAZID. This zero cost raw material did not materially impact our cost of product sales and related product gross margins for the three months ended June 30, 2018 and 2017.

License Fees and Royalties

License fees and royalties were $1.5 million and $1.0 million for the three months ended June 30, 2018 and 2017, respectively, and included royalties due to the Ipsen Group of two percent of net sales of NUPLAZID and amortization related to the milestone paid to the Ipsen Group upon FDA approval of NUPLAZID in 2016. The increase in license fees and royalties during the three months ended June 30, 2018 as compared to the same period in 2017 was due to the increase in net sales during the current period.

Research and Development Expenses

Research and development expenses increased to $46.6 million for the three months ended June 30, 2018, including $7.9 million in stock-based compensation expense, from $34.2 million for the three months ended June 30, 2017, including $6.4 million in stock-based compensation expense. The increase in research and development expenses was due to an increase of $9.4 million in external service costs and an increase of $3.0 million in personnel and related costs, including an increase of $1.5 million in stock-based compensation expense. The increase in external service costs was primarily due to increased clinical study costs, as we continue to invest in our life cycle management programs for pimavanserin, and development costs related to the 34 mg capsule and 10 mg tablet.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to $69.5 million for the three months ended June 30, 2018, including $11.5 million in stock-based compensation expense, from $61.1 million for the three months ended June 30, 2017, including $10.9

million in stock-based compensation expense. The increase in selling, general and administrative expenses was primarily due to an increase in direct-to-consumer advertising costs and charitable contributions to independent charitable foundations that generally support Parkinson's disease patients, which were partially offset by lower speaker program costs, publication costs and other sales-related costs, during the three months ended June 30, 2018, compared to the same period in 2017.

Comparison of the Six Months Ended June 30, 2018 and 2017

Product Sales, Net

Net product sales, comprised of NUPLAZID, were $105.9 million and $45.8 million for the six months ended June 30, 2018 and 2017, respectively. The increase in net product sales of $60.1 million was primarily due to growth in NUPLAZID unit sales of approximately 65% in the six months ended June 30, 2018 as compared to the same period in 2017. Also contributing to the increase was a higher average gross selling price of NUPLAZID in 2018 compared to 2017, and a lower sales allowance and accrual rate for sales in the current year, due to the increased average price and changes in our customer mix.

The following table provides a summary of activity with respect to our sales allowances and accruals for the six months ended June 30, 2018 (in thousands):

	Prompt Pay, Distribution Fees, Discounts & Chargebacks	Co-Pay Assistance	Rebates, Data Fees & Returns	Total
Balance as of December 31, 2017	$ 1,600	$ (56)	$ 3,578	$ 5,122
Provision related to current period sales	12,138	688	10,781	23,607
Credits/payments for current period sales	(10,767)	(694)	(5,394)	(16,855)
Credits/payments for prior period sales	(1,600)	(56)	(3,112)	(4,768)
Balance as of June 30, 2018	$ 1,371	$ (118)	$ 5,853	$ 7,106

The allowances for prompt pay, distribution fees, discounts & chargebacks are recorded as contra-assets in trade receivables; the prepaid co-pay assistance is recorded in prepaid expenses; and the rebates, data fees & returns are recorded in other accrued liabilities.

Cost of Product Sales

Cost of product sales was $5.7 million and $4.5 million for the six months ended June 30, 2018 and 2017, respectively, or approximately 5% and 10% of net product sales, respectively. The cost of product sales as a percentage of net sales decreased during the six months ended June 30, 2018 as compared to the same period in 2017 due primarily to a higher average selling price for NUPLAZID in the current period and higher manufacturing levels, resulting in higher inventory cost absorption, partially offset by a charge to reduce certain finished goods inventory to its net realizable value related to the upcoming launch of the 34 mg capsule. Product sold during the six months ended June 30, 2018 and 2017 was manufactured with raw material that was previously charged to research and development expense prior to FDA approval of NUPLAZID. This zero cost raw material did not materially impact our cost of product sales and related product gross margins for the six months ended June 30, 2018 and 2017.

License Fees and Royalties

License fees and royalties were $2.8 million and $1.7 million for the six months ended June 30, 2018 and 2017, respectively, and included royalties due to the Ipsen Group of two percent of net sales of NUPLAZID and amortization related to the milestone paid to the Ipsen Group upon FDA approval of NUPLAZID in 2016. The increase in license fees and royalties during the six months ended June 30, 2018 as compared to the same period in 2017 was primarily due to the increase in net sales during the current period.

Research and Development Expenses

Research and development expenses increased to $85.9 million for the six months ended June 30, 2018, including $15.6 million in stock-based compensation expense, from $69.6 million for the six months ended June 30, 2017, including $11.7 million in stock-based compensation expense. The increase in research and development expenses was due to an increase of $10.4 million in external service costs and an increase of $5.9 million in personnel and related costs, including an increase of $3.9 million in stock-based compensation expense. The increase in external service costs was primarily due to increased clinical study costs as we continue to invest in our life cycle management programs for pimavanserin, and development costs related to the 34 mg capsule and 10 mg tablet.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to $130.4 million for the six months ended June 30, 2018, including $23.3 million in stock-based compensation expense, from $126.8 million for the six months ended June 30, 2017, including $20.3 million in stock-based compensation expense. The increase in selling, general and administrative expenses was primarily due to an increase in direct-to-consumer advertising costs, which were partially offset by lower speaker program costs, publication costs and other sales-related costs. Additionally, personnel and related costs increased during the six months ended June 30, 2018 as compared to the same period in 2017, mostly due to increased stock-based compensation expenses from annual option grants. Partially offsetting these increases was a decrease in charitable contributions made to independent charitable foundations that generally support Parkinson's disease patients during the six months ended June 30, 2018, compared to the same period in 2017.

Liquidity and Capital Resources

We have funded our operations primarily through sales of our equity securities, payments received under our collaboration agreements, debt financings, interest income and, since 2016, with revenues from sales of NUPLAZID. We anticipate that the level of cash used in our operations will increase in future periods in order to fund our ongoing and planned commercial activities for NUPLAZID, our ongoing and planned development activities for pimavanserin in additional indications other than PD Psychosis, and studies to be conducted pursuant to our post-marketing commitments. We expect that our cash, cash equivalents, and investment securities will be sufficient to fund our planned operations through at least the next twelve months.

We may require significant additional financing in the future to fund our operations. Our future capital requirements will depend on, and could increase significantly as a result of, many factors, including:

- the progress in, and the costs of, our ongoing and planned development activities for pimavanserin, post-marketing studies for NUPLAZID to be conducted over the next several years, ongoing and planned commercial activities for NUPLAZID, and other research and development programs;
- the costs of maintaining and developing our sales and marketing capabilities for NUPLAZID;
- the costs of establishing, or contracting for, sales and marketing capabilities for other product candidates;
- the amount of U.S. product sales from NUPLAZID;
- the costs of preparing applications for regulatory approvals for NUPLAZID in jurisdictions other than the United States, and potentially in additional indications other than PD Psychosis and for other product candidates, as well as the costs required to support review of such applications;
- the costs of manufacturing and distributing NUPLAZID;
- our ability to obtain regulatory approval for, and subsequently generate product sales from, NUPLAZID in jurisdictions other than the United States or in additional indications other than PD Psychosis, or from other product candidates;
- the costs of acquiring additional product candidates or research and development programs;
- the scope, prioritization and number of our research and development programs;
- our ability to enter into new collaboration and license agreements;
- the extent to which we are obligated to reimburse collaborators or collaborators are obligated to reimburse us for costs under collaboration agreements;
- the costs involved in filing, prosecuting, enforcing, and defending patent claims and other intellectual property rights;
- the costs of securing manufacturing arrangements for clinical or commercial production of NUPLAZID or other product candidates; and
- the costs associated with litigation, including the costs incurred in defending against any product liability claims that may be brought against us related to NUPLAZID.

Unless and until we can generate significant cash from our operations, we expect to satisfy our future cash needs through our existing cash, cash equivalents and investment securities, public or private sales of our securities, debt financings, strategic collaborations, or by licensing all or a portion of our product candidates or technology. In the past, periods of turmoil and volatility in the financial markets have adversely affected the market capitalizations of many biotechnology companies, and generally made equity and debt financing more difficult to obtain. These events, coupled with other factors, may limit our access to additional financing in the future. This could have a material adverse effect on our ability to access sufficient funding. We cannot be certain that additional

funding will be available to us on acceptable terms, or at all. If adequate funds are not available when needed, we will be required to delay, reduce the scope of, or eliminate one or more of our research or development programs or our commercialization efforts. We also may be required to relinquish greater or all rights to product candidates at an earlier stage of development or on less favorable terms than we would otherwise choose. Additional funding, if obtained, may significantly dilute existing stockholders and could negatively impact the price of our stock.

We have invested a substantial portion of our available cash in a money market fund, U.S. Treasury notes, and high quality, marketable debt instruments of corporations and government sponsored enterprises in accordance with our investment policy. Our investment policy defines allowable investments and establishes guidelines relating to credit quality, diversification, and maturities of our investments to preserve principal and maintain liquidity. All investment securities have a credit rating of at least A3/A- or better, or P-1/A-1 or better, as determined by Moody's Investors Service or Standard & Poor's. Our investment portfolio has not been adversely impacted by the disruptions in the credit markets that have occurred in the past. However, if there are future disruptions in the credit markets, there can be no assurance that our investment portfolio will not be adversely affected.

At June 30, 2018, we had $256.9 million in cash, cash equivalents, and investment securities, compared to $341.3 million at December 31, 2017. This $84.4 million decrease was primarily due to cash used in operations during the six months ended June 30, 2018, partially offset by proceeds from purchases under our employee stock purchase plan and stock options.

Net cash used in operating activities decreased to $86.1 million for the six months ended June 30, 2018 compared to $129.5 million for the six months ended June 30, 2017. The $43.4 million decrease in cash used in operations was primarily due to the decrease in our net loss during the current period and an increase of $7.2 million in non-cash stock-based compensation.

Net cash provided by investing activities totaled $85.7 million for the six months ended June 30, 2018 compared to net cash provided by investing activities of $91.2 million for the six months ended June 30, 2017. The decrease in net cash provided by investing activities for the six months ended June 30, 2018 compared to the six months ended June 30, 2017 was primarily due to our investment in Neuren during the six months ended June 30, 2018 that did not occur in 2017.

Net cash provided by financing activities decreased to $5.8 million for the six months ended June 30, 2018 compared to $18.5 million for the six months ended June 30, 2017. This decrease in net cash provided by financing activities for the six months ended June 30, 2018 was attributable to a decrease in proceeds resulting from the exercise of employee stock options in 2018 as compared to 2017.

Off-Balance Sheet Arrangements

To date, we have not had any relationships with unconsolidated entities or financial partnerships, such as entities referred to as structured finance or special purpose entities, which are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not materially exposed to any financing, liquidity, market, or credit risk that could arise if we had engaged in these relationships.

Recent Accounting Pronouncements

See Item 1 of Part I, "Notes to Condensed Consolidated Financial Statements — Note 10 — Recent Accounting Pronouncements".

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We invest our excess cash in investment-grade, interest-bearing securities. The primary objective of our investment activities is to preserve principal and liquidity. To achieve this objective, we invest in a money market fund, U.S. Treasury notes, and high quality marketable debt instruments of corporations and government sponsored enterprises with contractual maturity dates of generally less than two years. All investment securities have a credit rating of at least A3/A- or better, or P-1/A-1 or better, as determined by Moody's Investors Service or Standard & Poor's. We do not have any direct investments in auction-rate securities or securities that are collateralized by assets that include mortgages or subprime debt. If a 10 percent change in interest rates were to have occurred on June 30, 2018, this change would not have had a material effect on the fair value of our investment portfolio as of that date.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic and current reports that we file with the SEC is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable and not absolute assurance of achieving the desired control objectives. In reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

As of June 30, 2018, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2018.

An evaluation was also performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of any change in our internal control over financial reporting that occurred during our last fiscal quarter and that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. That evaluation did not identify any changes in our internal control over financial reporting that occurred during our latest fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Between July 19 and July 23, 2018, in the wake of recent negative publicity about NUPLAZID, two purported Company stockholders filed putative securities class action complaints (captioned Staublein v. ACADIA Pharmaceuticals, Inc., Case No. 18-cv-01647-JAH-MDD, and Stone v. ACADIA Pharmaceuticals Inc., Case No. 18-cv-01672-LAB-JMA) in the U.S. District Court for the Southern District of California against us and certain of our current executive officers. The complaints generally allege that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by making materially false and misleading statements regarding our business, operations, and prospects by failing to disclose that adverse events and safety concerns regarding NUPLAZID threatened initial and continuing FDA approval, and by failing to disclose that we engaged in business practices likely to attract regulatory scrutiny. The complaints seek unspecified monetary damages and other relief. We plan to vigorously defend against the claims advanced.

ITEM 1A. RISK FACTORS

You should consider carefully the following information about the risks described below, together with the other information contained in this Quarterly Report and in our other public filings in evaluating our business. The risk factors set forth below that are marked with an asterisk (*) did not appear as separate risk factors in, or contain changes to the similarly titled risk factor included in, Item 1A of our Annual Report. If any of the following risks actually occurs, our business, financial condition, results of operations, and future growth prospects would likely be materially and adversely affected. In these circumstances, the market price of our common stock would likely decline.

Risks Related to Our Business

Our prospects are highly dependent on the successful commercialization of NUPLAZID, which received approval in April 2016 from the U.S. Food and Drug Administration, or FDA, as a treatment for hallucinations and delusions associated with Parkinson's disease psychosis, and became available for prescription in the United States in May 2016. To the extent NUPLAZID is not commercially successful, our business, financial condition and results of operations may be materially adversely affected and the price of our common stock may decline.*

NUPLAZID is our only drug that has been approved for sale and it has only been approved for the treatment of hallucinations and delusions associated with Parkinson's disease psychosis, or PD Psychosis, in the United States. We are focusing a significant portion of our activities and resources on NUPLAZID, and we believe our prospects are highly dependent on, and a significant portion of the value of our company relates to, our ability to successfully commercialize NUPLAZID in the United States.

Successful commercialization of NUPLAZID is subject to many risks. Prior to NUPLAZID, we had never, as an organization, launched or commercialized any product, and there is no guarantee that we will be able to successfully commercialize NUPLAZID for its approved indication. There are numerous examples of failures to meet high expectations of market potential, including by pharmaceutical companies with more experience and resources than us. While we have established our commercial team and have hired our U.S. sales force, we will need to refine and further develop the team in order to successfully commercialize NUPLAZID. Even if we are successful in developing our commercial team, there are many factors that could cause the commercialization of NUPLAZID to be unsuccessful, including a number of factors that are outside our control. Because no drug has previously been approved by the FDA for the treatment of hallucinations and delusions associated with PD Psychosis, it is especially difficult to estimate NUPLAZID's market potential. The commercial success of NUPLAZID depends on the extent to which patients and physicians recognize and diagnose PD Psychosis and accept and adopt NUPLAZID as a treatment for hallucinations and delusions associated with PD Psychosis, and we do not know whether our or others' estimates in this regard will be accurate. For example, if the patient population suffering from hallucinations and delusions associated with PD Psychosis is smaller than we estimate or if physicians are unwilling to prescribe or patients are unwilling to take NUPLAZID due to its "boxed" warning, perceived safety issues or for other reasons, the commercial potential of NUPLAZID will be limited. We have limited information about how physicians, patients and payors have responded and will respond to the pricing of NUPLAZID. We have changed, and may continue to change, the price of NUPLAZID from time to time. Physicians may not prescribe NUPLAZID and patients may be unwilling to use NUPLAZID if coverage is not provided or reimbursement is inadequate to cover a significant portion of the cost. Additionally, any negative publicity related to NUPLAZID or negative development for NUPLAZID in our post-marketing commitments, in clinical development in additional indications, or in regulatory processes in other jurisdictions, may adversely impact the commercial results and potential of NUPLAZID. Thus, significant uncertainty remains regarding the commercial potential of NUPLAZID.

If the commercialization of NUPLAZID is unsuccessful or perceived as disappointing, our stock price could decline significantly and the long-term success of the product and our company could be harmed.

If we do not obtain regulatory approval of NUPLAZID for other indications in the United States, or for any indication in foreign jurisdictions, we will not be able to market NUPLAZID for other indications or in other jurisdictions, which will limit our commercial revenues.*

While NUPLAZID (pimavanserin) has been approved by the FDA for the treatment of hallucinations and delusions associated with PD Psychosis, it has not been approved by the FDA for any other indications, and it has not been approved in any other jurisdiction for this indication or for any other indication. In order to market NUPLAZID for other indications or in other jurisdictions, we must obtain regulatory approval for each of those indications and in each of the applicable jurisdictions, and we may never be able to obtain such approval. Approval of NUPLAZID by the FDA for the treatment of hallucinations and delusions associated with PD Psychosis does not ensure that foreign jurisdictions will also approve NUPLAZID for that indication, nor does it ensure that NUPLAZID will be approved by the FDA for any other indication. In the fourth quarter of 2016, we initiated clinical studies of pimavanserin in schizophrenia and depression and, in the fourth quarter of 2017, we initiated a Phase 3 study of pimavanserin in dementia-related psychosis, an indication for which no drug has been approved. There is no guarantee that any of these studies will be successful, or that the FDA or any regulatory authority in foreign jurisdictions will approve NUPLAZID for any of those indications. The research, testing, manufacturing, labeling, approval, sale, import, export, marketing, and distribution of pharmaceutical product candidates are subject to extensive regulation by the FDA and other regulatory authorities in the United States and other countries, whose regulations differ from country to country. We will be required to comply with different regulations and policies of the jurisdictions where we seek approval for our product candidates, and we have not yet identified all of the requirements that we will need to satisfy to submit NUPLAZID for approval for other indications or in other jurisdictions. This will require additional time, expertise and expense, including the potential need to conduct additional studies or development work for other jurisdictions beyond the work that we have conducted to support our NDA submission in PD Psychosis. In addition, strategic considerations need to be taken into account when determining whether and when to submit NUPLAZID for approval in other jurisdictions. For example, in the fourth quarter of 2016, the European Medicines Agency, or EMA, approved our proposed pediatric investigation plan related to our planned submission of a marketing authorization application, or MAA, for NUPLAZID in Europe. However, in light of our continuing clinical development of pimavanserin in indications other than in PD Psychosis, and the time-limited data exclusivity currently granted by the EMA that commences on first approval of a product in Europe, we deferred submission of the MAA and we do not yet have a revised estimate of when we will make that filing. If we do not receive marketing approval for NUPLAZID for any other indication or from any regulatory agency outside of the United States, we will never be able to commercialize NUPLAZID for any other indication in the United States or for any indication in any other jurisdiction. Even if we do receive additional regulatory approvals, we may not be successful in commercializing those opportunities.

If the results or timing of regulatory filings, the regulatory process, regulatory developments, clinical trials or preclinical studies, or other activities, actions or decisions related to NUPLAZID do not meet our or others' expectations, the market price of our common stock could decline significantly.

Even though the FDA has granted approval of NUPLAZID for the treatment of hallucinations and delusions associated with PD Psychosis, the terms of the approval may limit its commercial potential. Additionally, NUPLAZID is still subject to substantial, ongoing regulatory requirements.

Even though the FDA has granted approval of NUPLAZID, the scope and terms of the approval may limit our ability to commercialize NUPLAZID and, therefore, our ability to generate substantial sales revenues. The FDA has approved NUPLAZID only for the treatment of hallucinations and delusions associated with PD Psychosis. The label for NUPLAZID also contains a "boxed" warning that elderly patients with dementia-related psychosis treated with antipsychotic drugs are at an increased risk of death, and that NUPLAZID is not approved for the treatment of patients with dementia-related psychosis unrelated to the hallucinations and delusions associated with PD Psychosis.

Additionally, NUPLAZID is approved only for the treatment of hallucinations and delusions associated with PD Psychosis, rather than for the treatment of PD Psychosis and/or other symptoms of PD Psychosis, which may cause confusion for prescribing physicians. This confusion could result in physicians not prescribing NUPLAZID for patients diagnosed with PD Psychosis. In addition, the "boxed" warning may discourage physicians from prescribing NUPLAZID to patients diagnosed with PD Psychosis, including those with dementia.

In connection with the FDA approval, we committed to conduct the following post-marketing studies: (i) a randomized, placebo-controlled withdrawal study in PD Psychosis patients treated with NUPLAZID, (ii) studies to collect additional data to add to the NUPLAZID safety database from an aggregate of at least 500 predominantly frail and elderly subjects on NUPLAZID in one or more randomized, placebo-controlled studies of eight or more weeks duration, (iii) a drug-drug interaction study with NUPLAZID and a strong CYP3A4 inducer, and (iv) re-analysis of tissue samples from certain previously conducted pre-clinical studies. We have completed the re-analysis of tissue samples but the remaining studies are ongoing. If we fail to comply with our remaining post-marketing commitments, or if the results of the post-marketing studies, or any other ongoing or planned clinical studies of

NUPLAZID, are negative, the FDA could decide to withdraw approval, add warnings or narrow the approved indication in the product label.

The manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and recordkeeping for NUPLAZID will also continue to be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with current good manufacturing processes, good clinical practices, international council for harmonization guidelines and good laboratory practices, which are regulations and guidelines enforced by the FDA for all of our nonclinical and clinical development and for any clinical trials that we conduct post-approval.

Discovery of any issues post-approval, including any safety concerns, such as unexpected side effects or drug-drug interaction problems, adverse events of unanticipated severity or frequency, or concerns over misuse or abuse of the product, problems with the facilities where the product is manufactured, packaged or distributed, or failure to comply with regulatory requirements, may result in, among other things, restrictions on NUPLAZID or on us, including:

- withdrawal of approval, addition of warnings or narrowing of the approved indication in the product label;
- requirement of a Risk Evaluation and Mitigation Strategy to mitigate the risk of off-label use in populations where the FDA may believe that the potential risks of use may outweigh its benefits;
- voluntary or mandatory recalls;
- warning letters;
- suspension of any ongoing clinical studies;
- refusal by the FDA or other regulatory authorities to approve pending applications or supplements to approved applications filed by us, or suspension or revocation of product approvals;
- restrictions on operations, including restrictions on the marketing or manufacturing of the product or the imposition of costly new manufacturing requirements; or
- seizure or detention, or refusal to permit the import or export of products.

If any of these actions were to occur, we may have to discontinue the commercialization of NUPLAZID, limit our sales and marketing efforts, conduct further post-approval studies, and/or discontinue or change any other ongoing or planned clinical studies, which in turn could result in significant expense and delay or limit our ability to generate sales revenues.

NUPLAZID has only been studied in a limited number of patients and in limited populations. As we continue to commercialize NUPLAZID, it is becoming available to a much larger number of patients and in broader populations, and we do not know whether the results of NUPLAZID use in such larger number of patients and broader populations will be consistent with the results from our clinical studies.

Prior to commencing our commercial launch of NUPLAZID in May 2016, NUPLAZID was administered only to a limited number of patients and in limited populations in clinical studies, including our successful pivotal -020 Phase 3 trial with NUPLAZID for the treatment of PD Psychosis, or the -020 Study. While the FDA granted approval of NUPLAZID based on the data included in the NDA, including data from the -020 Study, we do not know whether the results when a large number of patients and broader populations are exposed to NUPLAZID, including results related to safety and efficacy, will be consistent with the results from earlier clinical studies of NUPLAZID that served as the basis for the approval of NUPLAZID. New data relating to NUPLAZID, including from adverse event reports and post-marketing studies in the United States, and from other ongoing clinical studies, may result in changes to the product label and may adversely affect sales, or result in withdrawal of NUPLAZID from the market. The FDA and regulatory authorities in other jurisdictions may also consider the new data in reviewing NUPLAZID marketing applications for indications other than in PD Psychosis and/or in other jurisdictions, or impose additional post-approval requirements. If any of these actions were to occur, it could result in significant expense and delay or limit our ability to generate sales revenues.

We currently have very limited experience as a company in marketing and distributing pharmaceutical products and rely on a limited network of third-party distributors and pharmacies to distribute NUPLAZID. If we are unable to effectively commercialize NUPLAZID, we may not be able to generate adequate product revenues.*

NUPLAZID is our only drug that has been approved for sale by any regulatory body, and it became available for prescription in the United States in May 2016. As such, we currently have limited experience commercializing pharmaceutical products as an organization. In order to successfully market NUPLAZID, we must continue to develop our sales, marketing, managerial, compliance, and related capabilities or make arrangements with third parties to perform these services. If we are unable to maintain and develop

adequate sales, marketing, and distribution capabilities, whether independently or with third parties, we may not be able to appropriately commercialize NUPLAZID and may not become profitable.

We employ our own internal specialty sales force to commercialize NUPLAZID for the treatment of PD Psychosis as part of our commercialization strategy in the United States. We will need to refine and further develop our sales force as we continue our commercialization efforts, and we will be competing with other pharmaceutical and biotechnology companies to recruit, hire, train and retain marketing and sales personnel. These efforts will continue to be expensive and time-consuming, and we cannot be certain that we will be able to successfully refine and further develop our sales force.

Additionally, our strategy in the United States includes distributing NUPLAZID solely through a limited network of third-party specialty distributors and specialty pharmacies. While we have entered into agreements with each of these distributors and pharmacies to distribute NUPLAZID in the United States, they may not perform as agreed or they may terminate their agreements with us. Also, we may need to enter into agreements with additional distributors or pharmacies, and there is no guarantee that we will be able to do so on commercially reasonable terms or at all. If we are unable to maintain and, if needed, expand, our network of specialty distributors and specialty pharmacies, we would be exposed to substantial distribution risk.

In the event we are unable to effectively develop and maintain our commercial team, including our U.S. sales force, or maintain and, if needed, expand, our network of specialty distributors and specialty pharmacies, our ability to effectively commercialize NUPLAZID and generate product revenues would be limited.

If we are unable to effectively train and equip our sales force, our ability to successfully commercialize NUPLAZID will be harmed.

Prior to its launch in May 2016, none of the members of our sales force had ever promoted NUPLAZID. In addition, NUPLAZID is the first drug approved by the FDA for the treatment of hallucinations and delusions associated with PD Psychosis. As a result, we are and will continue to be required to expend significant time and resources to train our sales force to be credible, persuasive, and compliant with applicable laws in marketing NUPLAZID for the treatment of hallucinations and delusions associated with PD Psychosis to neurologists, select psychiatrists, and pharmacists and physicians in long-term care facilities. In addition, we must ensure that consistent and appropriate messages about NUPLAZID are being delivered to our potential customers by our sales force. If we are unable to effectively train our sales force and equip them with effective materials, including medical and sales literature to help them inform and educate potential customers about the benefits of NUPLAZID and its proper administration, our efforts to successfully commercialize NUPLAZID could be put in jeopardy, which would negatively impact our ability to generate product revenues.

NUPLAZID may not gain acceptance among physicians, patients, and the medical community, thereby limiting our potential to generate revenues.*

The degree of market acceptance by physicians, healthcare professionals and third-party payors of NUPLAZID, and any other product for which we obtain regulatory approval, and our profitability and growth, will depend on a number of factors, including:

- the ability to provide acceptable evidence of safety and efficacy;
- the scope of the approved indication(s) for the product;
- the inclusion of any warnings or contraindications in the product label;
- the relative convenience and ease of administration;
- the prevalence and severity of any adverse side effects;
- the availability of alternative treatments;
- pricing and cost effectiveness, which may be subject to regulatory control;
- effectiveness of our or our collaborators' sales and marketing strategy; and
- our ability to obtain sufficient third-party insurance coverage or adequate reimbursement levels.

If a product does not provide a treatment regimen that is at least as beneficial as the current standard of care or otherwise does not provide patient benefit, that product will not achieve market acceptance and will not generate sufficient revenues to achieve or maintain profitability.

With respect to NUPLAZID specifically, successful commercialization will depend on whether and to what extent physicians, long-term care facilities and pharmacies, over whom we have no control, determine to utilize NUPLAZID. NUPLAZID is available to treat hallucinations and delusions associated with PD Psychosis, an indication for which no other FDA-approved pharmaceutical treatment currently exists. Because of this, it is particularly difficult to estimate NUPLAZID's market potential and how physicians, payors and patients will respond to changes in the price of NUPLAZID. Industry sources and analysts have a divergence of estimates for the near- and long-term market potential of NUPLAZID, and a variety of assumptions directly impact the estimates for NUPLAZID's market potential, including assumptions regarding the prevalence of PD Psychosis, the rate of diagnosis of PD Psychosis, the prevalence and rate of hallucinations and delusions in patients diagnosed with PD Psychosis, the rate of physician adoption of NUPLAZID, the potential impact of payor restrictions regarding NUPLAZID, and patient adherence and compliance rates. Small differences in these assumptions can lead to widely divergent estimates of the market potential of NUPLAZID. For example, certain research suggests that patients with Parkinson's disease may be hesitant to report symptoms of PD Psychosis to their treating physicians for a variety of reasons, including apprehension about societal stigmas relating to mental illness. Research also suggests that physicians who typically treat patients with Parkinson's disease may not ask about or identify symptoms of PD Psychosis. For these reasons, even if PD Psychosis occurs in high rates among patients with Parkinson's disease, it may be underdiagnosed. Even if PD Psychosis is diagnosed, physicians may not prescribe treatment for hallucinations and delusions associated with PD Psychosis, and if they do prescribe treatment, they may prescribe other drugs, even though they are not approved in PD Psychosis, instead of NUPLAZID. Additionally, NUPLAZID is approved only for the treatment of hallucinations and delusions associated with PD Psychosis, rather than for the treatment of PD Psychosis and/or other symptoms of PD Psychosis, which may cause confusion for prescribing physicians. This confusion could result in physicians not prescribing NUPLAZID for patients diagnosed with PD Psychosis. In addition, even if NUPLAZID is prescribed for the treatment of hallucinations and delusions associated with PD Psychosis, issues may arise with respect to patient adherence and compliance rates. For example, the current recommended dosing of NUPLAZID is two 17 mg tablets, taken together once a day. Patients may elect, whether at the direction of their physician or otherwise, to take only one tablet a day instead of two, to take tablets at different times during the day, or to otherwise not adhere to the recommended dosing, any of which could result in far lower efficacy. The FDA has approved our NDA for a 34 mg capsule for NUPLAZID to, among other things, try to mitigate this risk. The 34 mg capsule is not anticipated to be commercially available until mid-August of 2018. We also submitted a supplemental NDA, or sNDA, for a 10 mg tablet to the FDA, which was also approved and we expect to launch that dose at the same time the 34 mg capsule is commercially available. The 10 mg tablet provides an optimized lower dosage strength in those patients who are concomitantly receiving strong cytochrome 3A4 inhibitors which can inhibit the metabolism of NUPLAZID. Both the 34 mg and the 10 mg doses are intended to be taken once a day. Patients may elect, whether at the direction of their physician or otherwise, to not adhere to the recommended dosing, which could result in far lower efficacy for the 10 mg and 34 mg doses. If patients do not adhere to the recommended dosing of NUPLAZID, patients and physicians may believe that NUPLAZID is less effective, and as a result they may stop taking it and prescribing it.

The label for NUPLAZID also contains a "boxed" warning that elderly patients with dementia-related psychosis treated with antipsychotic drugs are at an increased risk of death, and that NUPLAZID is not approved for the treatment of patients with dementia-related psychosis unrelated to the hallucinations and delusions associated with PD Psychosis. There has also been recent attention to publicly reported deaths of patients that were prescribed NUPLAZID, and the FDA has indicated that it has been conducting an evaluation of available information about NUPLAZID. While the FDA has previously stated that based on available data, it has not identified a specific safety issue that is not already adequately described in the NUPLAZID label, and is not suggesting that health care providers should not prescribe NUPLAZID or that patients should stop taking NUPLAZID, we cannot predict the ultimate outcome of the FDA's evaluation. Regardless, perceptions that NUPLAZID is unsafe, even if unfounded, may discourage physicians from prescribing or patients from taking NUPLAZID.

Thus, the commercial success of NUPLAZID depends on acceptance by patients and physicians, and there are a number of factors that could skew our or others' estimates about prescribing behaviors and market adoption.

Our ability to generate product revenues will be diminished if NUPLAZID does not receive coverage from payors or sells for inadequate prices, or if patients have unacceptably high co-pay amounts.

Patients who are prescribed medicine for the treatment of their conditions generally rely on third-party payors, including governmental healthcare programs, such as Medicare and Medicaid, managed care organizations and commercial payors, among others, to reimburse all or part of the costs associated with their prescription drugs. Coverage and adequate reimbursement from third-party commercial payors is critical to product acceptance. Coverage decisions may depend upon clinical and economic standards that disfavor drug products when lower cost therapeutic alternatives are already available or subsequently become available. Even with coverage for NUPLAZID, or other products we may market, the resulting reimbursement payment rates might not be adequate or may require co-payments that patients find unacceptably high. Patients may not use NUPLAZID if coverage is not provided or reimbursement is inadequate to cover a significant portion of its cost.

In addition, the market for NUPLAZID depends significantly on access to third-party payors' drug formularies, or lists of medications for which third-party payors provide coverage and reimbursement. The industry competition to be included in such formularies often leads to downward pricing pressures on pharmaceutical companies. Also, third-party payors may refuse to include a particular branded drug in their formularies or otherwise restrict patient access to a branded drug when a less costly alternative is available, even if not approved for the indication for which NUPLAZID is approved.

In many foreign countries, particularly the countries of the European Union, the pricing of prescription drugs is subject to government control. In some non-U.S. jurisdictions, the proposed pricing for a drug must be approved before it may be lawfully marketed. The requirements governing drug pricing vary widely from country to country. For example, the European Union provides options for its member states to restrict the range of medicinal products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. A member state may approve a specific price for the medicinal product or it may instead adopt a system of direct or indirect controls on the profitability of the company placing the medicinal product on the market. We may face competition from lower-priced products in foreign countries that have placed price controls on pharmaceutical products. In addition, there may be importation of foreign products that compete with NUPLAZID, and any other products we may market, which could negatively impact our profitability.

Third-party payors, whether foreign or domestic, or governmental or commercial, are developing increasingly sophisticated methods of controlling healthcare costs. The current environment is putting pressure on companies to price products below what they may feel is appropriate. Selling NUPLAZID at less than an optimized price could impact our revenues and overall success as a company. We have changed, and may continue to change, the price of NUPLAZID from time to time, however, we do not know if the price we have selected, or may select in the future, for NUPLAZID is or will be the optimized price. Additionally, we do not know whether and to what extent third-party payors will react to any possible future changes in the price of NUPLAZID. In the United States, no uniform policy of coverage and reimbursement for drug products exists among third-party payors. Further, one payor's determination to provide coverage and reimbursement for a product does not assure that other payors also will provide coverage and reimbursement for the product. Therefore, coverage and reimbursement for NUPLAZID may differ significantly from payor to payor. As a result, the coverage determination process is often a time-consuming and costly process that will require us to provide scientific and clinical support for the use of NUPLAZID to each payor separately, with no assurance that coverage will be obtained. If we are unable to obtain coverage of, and adequate payment levels for, NUPLAZID or any other products we may market to third-party payors, physicians may limit how much or under what circumstances they will prescribe or administer them and patients may decline to purchase them. This in turn could affect our ability to successfully commercialize NUPLAZID, or any other products we may market, and thereby adversely impact our profitability, results of operations, financial condition, and future success.

Healthcare reform measures may negatively impact our ability to sell NUPLAZID or our product candidates, if approved, profitably.*

In both the United States and certain foreign jurisdictions, there have been a number of legislative and regulatory proposals to change the healthcare system in ways that could impact our ability to sell NUPLAZID, and any other potential products, as described in greater detail in the Government Regulation section of our Annual Report. If we are found to be in violation of any of these laws or any other federal or state regulations, we may be subject to administrative, civil and/or criminal penalties, damages, fines, individual imprisonment, exclusion from federal health care programs, additional reporting requirements and/or oversight, and the curtailment or restructuring of our operations. Any of these could have a material adverse effect on our business and financial results. Since many of these laws have not been fully interpreted by the courts, there is an increased risk that we may be found in violation of one or more of their provisions. Any action against us for violation of these laws, even if we ultimately are successful in our defense, will cause us to incur significant legal expenses and divert our management's attention away from the operation of our business.

We expect that the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively the ACA, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we may receive for any approved product, including NUPLAZID. With respect to pharmaceutical products, the ACA, among other things, expanded and increased industry rebates for drugs covered by Medicaid and made changes to the coverage requirements under Medicare Part D, Medicare's prescription drug benefits program. Some of the provisions of the ACA have yet to be implemented, and there have been legal and political challenges to certain aspects of the ACA, as well as recent efforts by the Trump administration to repeal and replace certain aspects of the ACA, and we expect such challenges to continue. Since January 2017, President Trump has signed two Executive Orders and other directives designed to delay the implementation of certain provisions of the ACA or otherwise circumvent some of the requirements for health insurance mandated by the ACA. Concurrently, Congress has considered legislation that would repeal or repeal and replace all or part of the ACA. While Congress has not passed comprehensive repeal legislation, two bills affecting the implementation of certain taxes under the ACA have been enacted. The Tax Cuts and Jobs Act of 2017 includes a provision repealing, effective January 1, 2019, the tax-based shared responsibility payment imposed by the ACA on certain individuals who fail to maintain qualifying health coverage for all or part of a year that is commonly referred to as the "individual mandate". Additionally, on

January 22, 2018, President Trump signed a continuing resolution on appropriations for fiscal year 2018 that delayed the implementation of certain fees mandated by the ACA, including the so-called "Cadillac" tax on certain high cost employer-sponsored insurance plans and the annual fee imposed on certain health insurance providers based on market share. Further, the Bipartisan Budget Act of 2018, or the BBA, among other things, amends the ACA, effective January 1, 2019, to close the coverage gap in most Medicare drug plans, commonly referred to as the "donut hole", and also increases in 2019 the percentage that a drug manufacturer must discount the cost of prescription drugs from 50 percent under current law to 70 percent. Given that the current patient population for NUPLAZID is primarily Medicare beneficiaries, accelerating the closure of the coverage gap and the increase in the discount that must be paid, could have a significant impact on the Company's business in 2019 and beyond. More recently, in July 2018, CMS announced that it is suspending further collections and payments to and from certain ACA qualified health plans and health insurance issuers under the ACA risk adjustment program pending the outcome of federal district court litigation regarding the method CMS uses to determine this risk adjustment. Congress could consider additional legislation to repeal or repeal and replace other elements of the ACA. At this time, the ultimate content, timing or effect of any healthcare reform legislation on the U.S. healthcare industry and its impact to our business is unclear.

An expansion in the government's role in the U.S. healthcare industry may increase existing congressional or governmental agency scrutiny on price increases, such as the ones we have implemented for NUPLAZID, cause general downward pressure on the prices of prescription drug products, lower reimbursements for providers using NUPLAZID or any other product for which we obtain regulatory approval, reduce product utilization and adversely affect our business and results of operations. There have been several recent U.S. Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient programs, reduce the cost of drugs under Medicare, and reform government program reimbursement methodologies for drugs. For example, the Trump administration's budget proposal for fiscal year 2019 contains additional drug price control measures that could be enacted during the 2019 budget process or in other future legislation, including, for example, measures to permit Medicare Part D plans to negotiate the price of certain drugs under Medicare Part B, to allow some states to negotiate drug prices under Medicaid and to eliminate cost sharing for generic drugs for low-income patients. The Trump administration also released a "Blueprint", or plan, to lower drug prices and reduce out of pocket costs of drugs that contains additional proposals to increase drug manufacturer competition, increase the negotiating power of certain federal healthcare programs, incentivize manufacturers to lower the list price of their products, and reduce the out of pocket costs of drug products paid by consumers. The Department of Health and Human Services, or HHS, has already started the process of soliciting feedback on some of these measures and, at the same, is immediately implementing others under its existing authority. While some proposed measures will require authorization through additional legislation to become effective, Congress and the Trump administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs. Individual states in the United States have also become increasingly active in passing legislation and implementing regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. The implementation of cost-containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize NUPLAZID or any other products for which we may receive regulatory approval.

We are subject, directly and indirectly, to federal, state and foreign healthcare laws and regulations, including healthcare fraud and abuse laws, false claims laws, physician payment transparency laws and health information privacy and security laws. If we are unable to comply, or have not fully complied, with such laws, we could face substantial penalties.*

Our operations are directly, and indirectly through our customers and third-party payors, subject to various U.S. federal and state healthcare laws and regulations, including, without limitation, the U.S. federal Anti-Kickback Statute, the U.S. federal False Claims Act, and physician sunshine laws and regulations. These laws may impact, among other things, our sales, marketing, grants, charitable donations, and education programs and constrain the business or financial arrangements with healthcare providers, physicians, charitable foundations that support Parkinson's disease patients generally, and other parties that have the ability to directly or indirectly influence the prescribing, ordering, marketing, or distribution of our products for which we obtain marketing approval. In addition, we are subject to patient data privacy and security regulation by both the U.S. federal government and the states in which we conduct our business. Finally, we may be subject to additional healthcare, statutory and regulatory requirements and enforcement by foreign regulatory authorities in jurisdictions in which we conduct our business. The laws that may affect our ability to operate include:

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons or entities from knowingly and willfully soliciting, offering, receiving or paying any remuneration (including any kickback, bribe, or certain rebates), directly or indirectly, overtly or covertly, in cash or in kind, to induce, or in return for, either the referral of an individual, or the purchase, lease, order or recommendation of any good, facility, item or service, for which payment may be made, in whole or in part, under U.S. federal and state healthcare programs such as Medicare and Medicaid. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;

- the U.S. federal civil and criminal false claims laws and civil monetary penalties laws, including the civil False Claims Act, which impose criminal and civil penalties, including through civil whistleblower or qui tam actions, on individuals or entities for, among other things, knowingly presenting, or causing to be presented to the U.S. federal government, claims for payment or approval that are false or fraudulent or from knowingly making a false statement to avoid, decrease or conceal an obligation to pay money to the U.S. federal government. In addition, the government may assert that a claim including items and services resulting from a violation of the U.S. federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act;
- the U.S. federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which imposes criminal and civil liability for, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payor (e.g., public or private) and knowingly and willfully falsifying, concealing or covering up by any trick or device a material fact or making any materially false statement, in connection with the delivery of, or payment for, healthcare benefits, items or services. Similar to the U.S. federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, and its implementing regulations, and as amended again by the Final HIPAA Omnibus Rule, Modifications to the HIPAA Privacy, Security, Enforcement and Breach Notification Rules Under HITECH and the Genetic Information Nondiscrimination Act; Other Modifications to the HIPAA Rules, published in January 2013, which imposes certain obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information without appropriate authorization by covered entities subject to the rule, such as health plans, healthcare clearinghouses and healthcare providers as well as their business associates that perform certain services involving the use or disclosure of individually identifiable health information;
- the U.S. Federal Food, Drug and Cosmetic Act, or FDCA, which prohibits, among other things, the adulteration or misbranding of drugs, biologics and medical devices;
- the U.S. federal physician payment transparency requirements, sometimes referred to as the “Physician Payments Sunshine Act”, which was enacted as part of the ACA and its implementing regulations and requires certain manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid, or the Children’s Health Insurance Program to report annually to the Centers for Medicare and Medicaid Services, or CMS, information related to certain payments and other transfers of value made to physicians, and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members;
- analogous state and local laws and regulations, including: state anti-kickback and false claims laws, which may apply to our business practices, including but not limited to, research, distribution, sales and marketing arrangements and claims involving healthcare items or services reimbursed by any third-party payor, including private insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry’s voluntary compliance guidelines and the relevant compliance guidance promulgated by the U.S. federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state and local laws and regulations that require drug manufacturers to file reports relating to pricing and marketing information, which requires tracking gifts and other remuneration and items of value provided to healthcare professionals and entities and/or the registration of pharmaceutical sales and medical representatives; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts; and
- European and other foreign law equivalents of each of the laws, including reporting requirements detailing interactions with and payments to healthcare providers, and the European General Data Protection Regulation, or GDPR, which became effective in May 2018 and contains new provisions specifically directed at the processing of health information, higher sanctions and extra-territoriality measures intended to bring non-EU companies under the regulation, including companies like us that conduct clinical trials in the EU; we anticipate that over time we may expand our business operations to include additional operations in the EU and with such expansion, we would be subject to increased governmental regulation in the EU countries in which we might operate, including the GDPR.

Ensuring that our internal operations and future business arrangements with third parties comply with applicable healthcare laws and regulations could involve substantial costs. It is possible that governmental authorities will conclude that our business practices do not comply with current or future statutes, regulations or case law interpreting applicable fraud and abuse or other healthcare laws and regulations. For example, contributions to third-party charitable foundations are a current area of significant governmental and congressional scrutiny, and we could face action if a federal or state governmental authority were to conclude that our charitable

contributions to foundations that support Parkinson's disease patients generally are not compliant. If our operations are found to be in violation of any of the laws described above or any other governmental laws and regulations that may apply to us, we may be subject to significant penalties, including civil, criminal and administrative penalties, damages, fines, exclusion from U.S. government-funded healthcare programs, such as Medicare and Medicaid, disgorgement, individual imprisonment, contractual damages, reputational harm, diminished profits, additional reporting requirements and/or oversight, and the curtailment or restructuring of our operations. Moreover, while we do not bill third-party payors directly and our customers make the ultimate decision on how to submit claims, from time-to-time, for NUPLAZID, and any other product candidates that may be approved, we may provide reimbursement guidance to patients and healthcare providers. If a government authority were to conclude that we provided improper advice and/or encouraged the submission of a false claim for reimbursement, we could face action against us by government authorities. If any of the physicians or other providers or entities with whom we expect to do business is found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government-funded healthcare programs and imprisonment. If any of the above occur, it could adversely affect our ability to operate our business and our results of operations. In addition, the approval and commercialization of NUPLAZID, or any other product candidates that may be approved, outside the United States will also likely subject us to foreign equivalents of the healthcare laws mentioned above, among other foreign laws.

If we fail to comply with our reporting and payment obligations under the Medicaid Drug Rebate Program or other governmental pricing programs in the United States, we could be subject to additional reimbursement requirements, fines, sanctions and exposure under other laws which could have a material adverse effect on our business, results of operations and financial condition.

We participate in the Medicaid Drug Rebate Program, as administered by CMS, and other federal and state government pricing programs in the United States, and we may participate in additional government pricing programs in the future. These programs generally require us to pay rebates or otherwise provide discounts to government payors in connection with drugs that are dispensed to beneficiaries/recipients of these programs. In some cases, such as with the Medicaid Drug Rebate Program, the rebates are based on pricing that we report on a monthly and quarterly basis to the government agencies that administer the programs. Pricing requirements and rebate/discount calculations are complex, vary among products and programs, and are often subject to interpretation by governmental or regulatory agencies and the courts. The requirements of these programs, including, by way of example, their respective terms and scope, change frequently. Responding to current and future changes may increase our costs, and the complexity of compliance will be time consuming. Invoicing for rebates is provided in arrears, and there is frequently a time lag of up to several months between the sales to which rebate notices relate and our receipt of those notices, which further complicates our ability to accurately estimate and accrue for rebates related to the Medicaid program as implemented by individual states. Thus, there can be no assurance that we will be able to identify all factors that may cause our discount and rebate payment obligations to vary from period to period, and our actual results may differ significantly from our estimated allowances for discounts and rebates. Changes in estimates and assumptions may have a material adverse effect on our business, results of operations and financial condition.

In addition, the Office of Inspector General of the Department of Health and Human Services and other Congressional, enforcement and administrative bodies have recently increased their focus on pricing requirements for products, including, but not limited to the methodologies used by manufacturers to calculate average manufacturer price, or AMP, and best price, or BP, for compliance with reporting requirements under the Medicaid Drug Rebate Program. We are liable for errors associated with our submission of pricing data and for any overcharging of government payors. For example, failure to submit monthly/quarterly AMP and BP data on a timely basis could result in a civil monetary penalty of $18,107 per day for each day the submission is late beyond the due date. Failure to make necessary disclosures and/or to identify overpayments could result in allegations against us under the Federal False Claims Act and other laws and regulations. Any required refunds to the U.S. government or responding to a government investigation or enforcement action would be expensive and time consuming and could have a material adverse effect on our business, results of operations and financial condition. In addition, in the event that the CMS were to terminate our rebate agreement, no federal payments would be available under Medicaid or Medicare for our covered outpatient drugs.

The FDA granted marketing approval of NUPLAZID for the treatment of hallucinations and delusions associated with PD Psychosis, and we could face liability if a regulatory authority determines that we are promoting NUPLAZID for any "off-label" uses.*

A company may not promote "off-label" uses for its drug products. An off-label use is the use of a product for an indication or patient population that is not described in the product's FDA-approved label in the United States or for uses in other jurisdictions that differ from those approved by the applicable regulatory agencies. Physicians, on the other hand, may prescribe products for off-label uses. Although the FDA and other regulatory agencies do not regulate a physician's choice of drug treatment made in the physician's independent medical judgment, they do restrict promotional communications from pharmaceutical companies or their sales force with respect to off-label uses of products for which marketing clearance has not been issued. A company that is found to have promoted off-label use of its product may be subject to significant liability, including civil and criminal sanctions. We intend to comply with the requirements and restrictions of the FDA and other regulatory agencies with respect to our promotion of NUPLAZID, and any other

products we may market, but we cannot be sure that the FDA or other regulatory agencies will agree that we have not violated their restrictions. As a result, we may be subject to criminal and civil liability. In addition, our management's attention could be diverted to handle any such alleged violations. A significant number of pharmaceutical companies have been the target of inquiries and investigations by various U.S. federal and state regulatory, investigative, prosecutorial and administrative entities in connection with the promotion of products for unapproved uses and other sales practices, including the Department of Justice, or DOJ, and various U.S. Attorneys' Offices, the Office of Inspector General of the Department of Health and Human Services, the FDA, the Federal Trade Commission and various state Attorneys General offices. These investigations have alleged violations of various U.S. federal and state laws and regulations, including claims asserting antitrust violations, violations of the FDCA, the federal False Claims Act, the Prescription Drug Marketing Act, anti-kickback laws, and other alleged violations in connection with the promotion of products for unapproved uses, pricing and Medicare and/or Medicaid reimbursement. If the FDA DOJ, or any other governmental agency initiates an enforcement action against us or if we are the subject of a qui tam suit and it is determined that we violated prohibitions relating to the promotion of products for unapproved uses, we could be subject to substantial civil or criminal fines or damage awards and other sanctions such as consent decrees and corporate integrity agreements pursuant to which our activities would be subject to ongoing scrutiny and monitoring to ensure compliance with applicable laws and regulations. Any such fines, awards or other sanctions would have an adverse effect on our revenue, business, financial prospects, and reputation.

We expect our net losses to continue for at least the next few years and are unable to predict the extent of future losses or when we will become profitable, if ever.*

We have experienced significant net losses since our inception. As of June 30, 2018, we had an accumulated deficit of approximately $1.3 billion. We expect to incur net losses over the next few years as we invest in the commercialization of NUPLAZID and advance our development programs.

Even though we began commercializing NUPLAZID in the United States in May 2016, we still expect to incur significant expenses and net losses for at least the next few years as we continue our commercialization efforts for NUPLAZID and pursue the further development of NUPLAZID and our product candidates. Substantially all of our revenues since May 2016 were from net product sales of NUPLAZID.

We expect that our near-term revenues will be substantially dependent on our ability to generate net product sales of NUPLAZID. To the extent that we cannot generate significant revenues from the sale of NUPLAZID to cover our expenses, including the significant expenses associated with commercializing NUPLAZID and continuing to develop pimavanserin in additional indications, we may never achieve profitability and/or may have to reduce our commercialization and/or research and development activities to become profitable, which would harm our future growth prospects. Additionally, to obtain revenues from product candidates other than NUPLAZID, we must succeed, either alone or with others, in developing, obtaining regulatory approval for, manufacturing and marketing compounds with significant market potential. We may never succeed in these activities and may never generate revenues from our commercialization of NUPLAZID, or from other product candidates that may be approved, that are significant enough to achieve profitability.

If we fail to obtain the capital necessary to fund our operations, we will be unable to successfully continue the development and commercialization of NUPLAZID or successfully develop and commercialize our product candidates.*

We have consumed substantial amounts of capital since our inception. Our cash, cash equivalents, and investment securities totaled $256.9 million at June 30, 2018. While we believe that our existing cash resources will be sufficient to fund our cash requirements through at least the next twelve months, we may require significant additional financing in the future to continue to fund our operations. Our future capital requirements will depend on, and could increase significantly as a result of, many factors including:

- the progress in, and the costs of, our ongoing and planned development activities for pimavanserin, post-marketing studies for NUPLAZID to be conducted over the next several years, ongoing and planned commercial activities for NUPLAZID, and other research and development programs;
- the costs of maintaining and developing our sales and marketing capabilities for NUPLAZID;
- the costs of establishing, or contracting for, sales and marketing capabilities for other product candidates;
- the amount of U.S. product sales from NUPLAZID;
- the costs of preparing applications for regulatory approvals for NUPLAZID in jurisdictions other than the United States, and potentially in additional indications other than in PD Psychosis, and for other product candidates, as well as the costs required to support review of such applications;
- the costs of manufacturing and distributing NUPLAZID for commercial use in the United States;

- our ability to obtain regulatory approval for, and subsequently generate product sales from, NUPLAZID in jurisdictions other than the United States or in additional indications other than in PD Psychosis, or from other product candidates;
- the costs of acquiring additional product candidates or research and development programs;
- the scope, prioritization and number of our research and development programs;
- the ability of our collaborators and us to reach the milestones and other events or developments triggering payments under our collaboration or license agreements, or our collaborators' ability to make payments under these agreements;
- our ability to enter into new collaboration and license agreements;
- the extent to which we are obligated to reimburse collaborators or collaborators are obligated to reimburse us for costs under collaboration agreements;
- the costs involved in filing, prosecuting, enforcing, and defending patent claims and other intellectual property rights;
- the costs of maintaining or securing manufacturing arrangements and supply for clinical or commercial production of pimavanserin or other product candidates; and
- the costs associated with litigation, including the costs incurred in defending against any product liability claims that may be brought against us related to NUPLAZID.

Unless and until we can generate significant cash from our operations, we expect to satisfy our future cash needs through our existing cash, cash equivalents and investment securities, strategic collaborations, public or private sales of our securities, debt financings, grant funding, or by licensing all or a portion of our product candidates or technology. In the past, periods of turmoil and volatility in the financial markets have adversely affected the market capitalizations of many biotechnology companies, and generally made equity and debt financing more difficult to obtain. These events, coupled with other factors, may limit our access to additional financing in the future. This could have a material adverse effect on our ability to access sufficient funding. We cannot be certain that additional funding will be available to us on acceptable terms, or at all. If funds are not available, we will be required to delay, reduce the scope of, or eliminate one or more of our research or development programs or our commercialization efforts. We also may be required to relinquish greater or all rights to product candidates at an earlier stage of development or on less favorable terms than we would otherwise choose. Additional funding, if obtained, may significantly dilute existing stockholders and could negatively impact the price of our stock.

The pivotal Phase 3 study with NUPLAZID for PD Psychosis, the results of which were announced in November 2012, was our first successful pivotal Phase 3 trial and there is no guarantee that future studies with pimavanserin will be successful. *

The historical rate of failures for product candidates in clinical development is extremely high. In November 2012, we announced results from the -020 Study. Additionally, in December 2016, we announced positive top-line results from our Phase 2 exploratory study of pimavanserin in patients with AD Psychosis. Even though we successfully completed this Phase 2 exploratory study, or the -019 Study, and the -020 Study, those results are not predictive of the results of any additional studies that we are currently undertaking or may undertake in the future with pimavanserin, including the post-marketing studies we committed to conduct in connection with FDA approval of NUPLAZID and the ongoing studies of pimavanserin in various indications. We believe that pimavanserin also may have utility in indications other than in PD Psychosis, such as in dementia-related psychosis, schizophrenia, and depression. However, prior to the efficacy study that we initiated in the fourth quarter of 2017, we had never tested pimavanserin in clinical studies where the primary outcome was for the broad indication of dementia-related psychosis, and prior to the study in major depressive disorder that we initiated in the fourth quarter of 2016, we had never tested pimavanserin in clinical studies in depression. Additionally, prior to the studies in schizophrenia that we initiated in the fourth quarter of 2016, we had only conducted a Phase 2 trial for pimavanserin as a co-therapy treatment in schizophrenia. There is no guarantee that we will have the same level of success with pimavanserin in other indications that we had with the -020 Study, or that we will have the same level of success with pimavanserin in dementia-related psychosis or in other indications that we had with the -019 Study. Further, there is no guarantee that we will be successful at all in ongoing or future studies for additional indications or in our post-marketing studies, or that future results of studies of NUPLAZID for treatment in PD Psychosis or for other indications, including dementia-related psychosis, will be consistent with those from the -019 Study or -020 Study.

If we do not successfully complete additional development of NUPLAZID, we will be unable to market and sell NUPLAZID or products derived from it for indications other than the treatment of hallucinations and delusions associated with PD Psychosis, or to generate related product revenues.

We do not have a partner for the development of pimavanserin, and are solely responsible for the advancement of this program and commercialization of the product.

We have full responsibility for the pimavanserin program throughout the world. We expect our research and development costs for continued development of pimavanserin to be substantial. While we currently are undertaking the ongoing development work for pimavanserin, including clinical trials of pimavanserin for indications other than in PD Psychosis, in the future we would need to add resources and raise additional funds in order to take this product candidate to market for indications other than in PD Psychosis or in jurisdictions outside the United States, and to conduct the necessary sales and marketing activities, and to conduct further development activities, if we do not secure a partner. Our current strategy is to commercialize NUPLAZID for the treatment of hallucinations and delusions associated with PD Psychosis in the United States using our specialty sales force focused primarily on neurologists, a small group of psychiatrists, and pharmacists and physicians in long-term care facilities who treat PD Psychosis patients. In addition, if we are approved to commercialize NUPLAZID in markets outside of the United States, we will more than likely need to establish one or more strategic alliances in the future for that purpose. Without future collaboration partners in the United States and abroad, we might not be able to realize the full value of NUPLAZID.

We conducted, and continue to revisit, our life-cycle planning project for pimavanserin that was initiated in 2015 and through which we have formulated a multi-year plan to develop pimavanserin in additional indications other than in PD Psychosis, including in dementia-related psychosis, schizophrenia and depression, as described above. Given the unique profile of pimavanserin, together with the list of potential indications we could pursue, this has been a substantial and important undertaking. Our life-cycle planning process will be ongoing as we evaluate appropriate indications for pimavanserin to pursue as we seek to maximize the opportunities for this compound. If our life-cycle planning and execution is not conducted successfully, then we may not realize the full value from pimavanserin or may devote substantial resources to develop pimavanserin for indications that are ultimately not successful or do not yield adequate returns. Furthermore, even though NUPLAZID is approved for the treatment of hallucinations and delusions associated with PD Psychosis, a failure in a subsequent study for another indication, including our ongoing studies in dementia-related psychosis, schizophrenia and depression, or a failure in our post-marketing studies could harm our ability to successfully market NUPLAZID for the treatment of hallucinations and delusions associated with PD Psychosis or could lead to it being withdrawn from the market. If we are unable to develop pimavanserin for other indications, we may not be able to maximize the potential of the compound and that could have a material adverse effect on our future revenues and our success as a company.

Pimavanserin is currently in development for several additional indications other than in PD Psychosis, and development is a long, expensive and unpredictable process with a high risk of failure. *

Preclinical testing and clinical trials are long, expensive and unpredictable processes that can be subject to delays. It may take several years to complete the preclinical testing and clinical development necessary to commercialize a drug, and delays or failure can occur at any stage. Interim results of clinical trials do not necessarily predict final results, and success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials even after promising results in earlier trials.

Our drug development programs are at various stages of development and the historical rate of failures for product candidates is extremely high. In fact, we had an unsuccessful Phase 3 trial with NUPLAZID in 2009. An unfavorable outcome in any of our ongoing or future development efforts or in the post-marketing studies for NUPLAZID could be a major set-back for the program and for us, generally. In particular, an unfavorable outcome in our NUPLAZID program or in the post-marketing studies may require us to delay, devote additional substantial resources to, reduce the scope of, or eliminate this program and could have a material adverse effect on us and the value of our common stock. In the fourth quarter of 2017, we initiated a Phase 3 study of pimavanserin in patients with dementia-related psychosis, and in the fourth quarter of 2016 we initiated both a Phase 2 and a Phase 3 study of pimavanserin as an adjunctive treatment in patients with schizophrenia as well as a Phase 2 study of pimavanserin as an adjunctive treatment in patients with major depressive disorder. We may plan and conduct additional studies in other indications in the future.

In connection with clinical trials, we face risks that:

- a product candidate may not prove to be efficacious or safe;
- patients may die or suffer other adverse effects for reasons that may or may not be related to the product candidate being tested;
- the results may not be consistent with positive results of earlier trials; and
- the results may not meet the level of statistical significance required by the FDA or other regulatory agencies.

If we do not successfully complete preclinical and clinical development, we will be unable to market and sell products derived from our product candidates and to generate product revenues. Even if we do successfully complete clinical trials, those results are not necessarily predictive of results of additional trials that may be needed before an NDA may be submitted to the FDA. Of the large number of drugs in development, only a small percentage result in the submission of an NDA to the FDA and even fewer are approved for commercialization.

Delays, suspensions and terminations in our clinical trials could result in increased costs to us and delay our ability to generate product revenues.

The commencement of clinical trials can be delayed for a variety of reasons, including delays in:

- demonstrating sufficient safety and efficacy to obtain regulatory approval to commence a clinical trial;
- reaching agreement on acceptable terms with prospective contract research organizations and clinical trial sites;
- manufacturing sufficient quantities of a product candidate;
- obtaining clearance from the FDA to commence clinical trials pursuant to an Investigational New Drug application;
- obtaining institutional review board approval to conduct a clinical trial at a prospective clinical trial site; and
- patient recruitment, which is a function of many factors, including the size of the patient population, the nature of the protocol, the proximity of patients to clinical trial sites, the availability of effective treatments for the relevant disease and the eligibility criteria for the clinical trial.

Once a clinical trial has begun, it may be delayed, suspended or terminated due to a number of factors, including:

- competition for internal and external resources, including clinical sites and study patients, that we may choose to allocate to other programs;
- ongoing discussions with regulatory authorities regarding the scope or design of our clinical trials or requests by them for supplemental information with respect to our clinical trial results;
- imposition of clinical holds by regulatory authorities or institutional review boards;
- failure to conduct clinical trials in accordance with regulatory requirements;
- patient enrollment, which is a function of many factors, including the size of the patient population, the nature of the protocol, the proximity of patients to clinical trial sites, the availability of effective treatments for the relevant disease and the eligibility criteria for the clinical trial;
- lower than anticipated screening or retention rates of patients in clinical trials;
- serious adverse events or side effects experienced by participants; and
- insufficient supply or deficient quality of product candidates or other materials necessary for the conduct of our clinical trials.

Many of these factors may also ultimately lead to denial of regulatory approval of a current or potential product candidate. If we experience delays, suspensions or terminations in a clinical trial, the commercial prospects for the related product candidate will be harmed, and our ability to generate product revenues will be delayed.

We previously have depended, and in the future may depend, on collaborations with third parties to develop and commercialize selected product candidates other than pimavanserin, and we have limited control over how those third parties conduct development and commercialization activities for such product candidates.*

In the past, we have selectively entered into collaboration agreements with third parties. We relied on our collaborators for financial resources and for development, regulatory, and commercialization expertise for selected product candidates and we had limited control over the amount and timing of resources that our collaborators devoted to our product candidates. We may choose to rely on collaborations in the future for certain portions of our pimavanserin program or other product candidates, or for the commercialization of NUPLAZID in certain territories outside of the United States.

Our collaborators may fail to develop or effectively commercialize products using our product candidates or technologies because they:

- do not have sufficient resources or decide not to devote the necessary resources due to internal constraints such as limited cash or human resources or a change in strategic focus;
- decide to pursue a competitive product developed outside of the collaboration; or
- cannot obtain the necessary regulatory approvals.

We also face competition in our search for new collaborators, if we seek a new partner for our pimavanserin program or other programs. Given the current economic and industry environment, it is possible that competition for new collaborators may increase. If we are unable to find new collaborations, we may not be able to continue advancing our programs alone.

If conflicts arise with our collaborators, they may act in their self-interests, which may be adverse to our interests.

Conflicts may arise in our collaborations due to one or more of the following:

- disputes or breaches with respect to payments that we believe are due under the applicable agreements, particularly in the current environment when companies, including large established ones, may be seeking to reduce external payments;
- disputes on strategy as to what development or commercialization activities should be pursued under the applicable agreements;
- disputes as to the responsibility for conducting development and commercialization activities pursuant to the applicable collaboration, including the payment of costs related thereto;
- disagreements with respect to ownership of intellectual property rights;
- unwillingness on the part of a collaborator to keep us informed regarding the progress of its development and commercialization activities, or to permit public disclosure of these activities;
- delay or reduction of a collaborator's development or commercialization efforts with respect to our product candidates; or
- termination or non-renewal of the collaboration.

Conflicts arising with our collaborators could impair the progress of our product candidates, harm our reputation, result in a loss of revenues, reduce our cash position, and cause a decline in our stock price.

In addition, in our past collaborations, we generally have agreed not to conduct independently, or with any third party, any research that is directly competitive with the research conducted under the applicable program. Any collaborations we establish in the future may have the effect of limiting the areas of research that we may pursue, either alone or with others. Conversely, the terms of any collaboration we may establish in the future might not restrict our collaborators from developing, either alone or with others, products in related fields that are competitive with the products or potential products that are the subject of these collaborations. Competing products, either developed by our collaborators or to which our collaborators have rights, may result in the allocation of resources by our collaborators to competing products and their withdrawal of support for our product candidates or may otherwise result in lower demand for our potential products.

We rely on third parties to conduct our clinical trials and perform data collection and analysis, which may result in costs and delays that prevent us from successfully commercializing product candidates.

Although we design and manage our current preclinical studies and clinical trials, we currently do not have the ability to conduct clinical trials for our product candidates on our own. We rely on contract research organizations, medical institutions, clinical investigators, and contract laboratories to perform data collection and analysis and other aspects of our clinical trials. In addition, we also rely on third parties to assist with our preclinical studies, including studies regarding biological activity, safety, absorption, metabolism, and excretion of product candidates.

Our preclinical activities or clinical trials may be delayed, suspended, or terminated if:

- these third parties do not successfully carry out their contractual duties or fail to meet regulatory obligations or expected deadlines;
- these third parties need to be replaced; or

- the quality or accuracy of the data obtained by these third parties is compromised due to their failure to adhere to our clinical protocols or regulatory requirements or for other reasons.

Failure to perform by these third parties may increase our development costs, delay our ability to obtain regulatory approval, and delay or prevent the commercialization of our product candidates. We currently use several contract research organizations to perform services for our preclinical studies and clinical trials. While we believe that there are numerous alternative sources to provide these services, in the event that we seek such alternative sources, we may not be able to enter into replacement arrangements without delays or additional expenditures.

Even if we or our collaborators successfully complete the clinical trials of product candidates, the product candidates may fail for other reasons.

Of the large number of product candidates in development, only a small percentage result in the submission of an NDA to the FDA or comparable regulatory filing to regulatory authorities in other jurisdictions, and even fewer are approved for marketing. We cannot assure you that, even if clinical trials are completed, either we or our collaborators will submit applications for required authorizations to manufacture and/or market potential products or that any such application will be reviewed and approved by the appropriate regulatory authorities in a timely manner, if at all. Even if we or our collaborators successfully complete the clinical trials of product candidates and apply for such required authorizations, the product candidates, such as pimavanserin, may fail for other reasons, including the possibility that the product candidates will:

- fail to receive the regulatory clearances required to market them as drugs;
- be subject to proprietary rights held by others requiring the negotiation of a license agreement prior to marketing;
- be difficult or expensive to manufacture on a commercial scale;
- have adverse side effects that make their use less desirable; or
- fail to compete with product candidates or other treatments commercialized by competitors.

We currently depend, and in the future will continue to depend, on third parties to manufacture NUPLAZID and our product candidates. If these manufacturers fail to provide us or our collaborators with adequate supplies of clinical trial materials and commercial product or fail to comply with the requirements of regulatory authorities, we may be unable to develop or commercialize NUPLAZID or our product candidates.

We have no manufacturing facilities and only limited experience as an organization in the manufacturing of drugs or in designing drug-manufacturing processes. We have contracted with third-party manufacturers to produce, in collaboration with us, NUPLAZID and our product candidates.

We have contracted with Patheon Pharmaceuticals Inc. and Catalent Pharma Solutions, LLC to manufacture NUPLAZID drug product for commercial use in the United States. Additionally, we have contracted with Siegfried AG to manufacture active pharmaceutical ingredient, or API, to be used in the manufacture of NUPLAZID drug product for commercial use. However, we have not entered into any agreements with any alternate suppliers for NUPLAZID drug product or NUPLAZID API. Even if we are able to enter into other long-term agreements with manufacturers for commercial supply on reasonable terms, we may face delays or increased costs in our supply chain that could jeopardize the commercialization of NUPLAZID. Additionally, if any of our product candidates in addition to NUPLAZID are approved by the FDA or other regulatory agencies for commercial sale, or if NUPLAZID is approved for commercial sale in jurisdictions outside the United States, we will need to contract with a third party to manufacture such products for commercial sale in the United States and/or in such other jurisdictions.

Even though we have agreements with Patheon and Catalent for the manufacture of NUPLAZID drug product and with Siegfried for the manufacture of NUPLAZID API for commercial use, and even if we successfully enter into long-term agreements with other manufacturers, the FDA may not approve the facilities of such manufacturers, the manufacturers may not perform as agreed, or the manufacturers may terminate their agreements with us. Presently, we only have one supplier of API and one supplier for each form of drug product (tablet and capsule) for our NUPLAZID (pimavanserin) program. If any of the foregoing circumstances occur, we may need to find alternative manufacturing facilities, which would significantly impact our ability to develop, maintain or obtain, as applicable, regulatory approval for or market NUPLAZID or any of our product candidates. While we believe that there will be alternative sources available to manufacture NUPLAZID and our product candidates, in the event that we seek such alternative sources, we may not be able to enter into replacement arrangements without delays or additional expenditures. We cannot estimate these delays or costs with certainty but, if they were to occur, they could cause a delay in our development and commercialization efforts.

The manufacturers of NUPLAZID and our product candidates, including Catalent, Patheon and Siegfried, are obliged to operate in accordance with FDA-mandated current good manufacturing practices, or cGMPs, and we have limited control over the ability of third-party manufacturers to maintain adequate quality control, quality assurance and qualified personnel to ensure compliance with cGMPs. In addition, the facilities used by our third-party manufacturers to manufacture NUPLAZID and our product candidates must be approved by the FDA pursuant to inspections that will be conducted prior to any grant of regulatory approval by the FDA. If any of our third-party manufacturers are unable to successfully manufacture material that conforms to our specifications and the FDA's strict regulatory requirements, or pass regulatory inspection, they will not be able to secure or maintain approval for the manufacturing facilities. Additionally, a failure by any of our third-party manufacturers to establish and follow cGMPs or to document their adherence to such practices may lead to significant delays in clinical trials or in obtaining regulatory approval of product candidates, or result in issues maintaining regulatory approval of NUPLAZID and any other product candidate that receives regulatory approval, negatively impact our commercialization of NUPLAZID, or lead to significant delays in the launch and commercialization of any other products we may have in the future. Failure by our third-party manufacturers or us to comply with applicable regulations could result in sanctions being imposed on us, including fines, injunctions, civil penalties, failure of the government to grant pre-market approval of drugs, delays, suspension or withdrawal of approvals, seizures or recalls of products, operating restrictions, and criminal prosecutions.

The manufacture of pharmaceutical products requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Manufacturers of pharmaceutical products often encounter difficulties in production. These problems include difficulties with production costs and yields, quality control, including stability of the product, quality assurance testing, shortages of qualified personnel, as well as compliance with strictly-enforced federal, state and foreign regulations. We cannot assure you that any issues relating to the manufacture of NUPLAZID or our product candidates will not occur in the future. Additionally, our manufacturers may experience manufacturing difficulties due to resource constraints or as a result of labor disputes or unstable political environments. If our manufacturers were to encounter any of these difficulties, or otherwise fail to comply with their contractual obligations, our ability to commercialize NUPLAZID in the United States, or provide any product candidates to patients in clinical trials, would be jeopardized. Any delay or interruption in our ability to meet commercial demand for NUPLAZID and any other approved products will result in the loss of potential revenues and could adversely affect our ability to gain market acceptance for these products. In addition, any delay or interruption in the supply of clinical trial supplies could delay the completion of clinical trials, increase the costs associated with maintaining clinical trial programs and, depending upon the period of delay, require us to commence new clinical trials at additional expense or terminate clinical trials completely.

Failures or difficulties faced at any level of our supply chain could materially adversely affect our business and delay or impede the development and commercialization of NUPLAZID or our product candidates and could have a material adverse effect on our business, results of operations, financial condition and prospects.

If we are unable to attract, retain, and motivate key management, research and development, and sales and marketing personnel, our drug development programs, our research and discovery efforts, and our commercialization plans may be delayed and we may be unable to successfully commercialize our products, including NUPLAZID, or develop our product candidates, including pimavanserin for indications beyond PD Psychosis.

Our success depends on our ability to attract, retain, and motivate highly qualified management, scientific, and commercial personnel. In particular, our development programs depend on our ability to attract and retain highly skilled development personnel, especially in the fields of central nervous system disorders, including neuropsychiatric and related disorders. We are currently hiring, and in the future we expect to need to continue to hire, additional personnel as we expand our research and development efforts for pimavanserin and commercial activities for NUPLAZID. We face competition for experienced scientists, clinical operations personnel, commercial and other personnel from numerous companies and academic and other research institutions. Competition for qualified personnel is particularly intense in the San Diego, California area. Many of the other biotechnology and pharmaceutical companies with whom we compete for qualified personnel have greater financial and other resources, different risk profiles and longer histories in the industry than we do. They also may provide more diverse opportunities and better chances for career advancement. Some of these characteristics may be more appealing to high quality candidates than that which we have to offer. If we are unable to continue to attract and retain high quality personnel, the rate and success at which we can develop and commercialize products and product candidates will be limited. If we are unable to attract and retain the necessary personnel, it will significantly impede our commercialization efforts for NUPLAZID and the achievement of our research and development objectives.

All of our employees are "at will" employees, which means that any employee may quit at any time and we may terminate any employee at any time. We do not carry "key person" insurance covering members of senior management.

We have recently increased the size of our organization, and will need to continue to increase the size of our organization. We may encounter difficulties with managing our growth, which could adversely affect our results of operations.*

As of June 30, 2018, we employed approximately 420 employees. Although we have already added several capabilities, we will need to add additional qualified personnel and resources. Our current infrastructure may be inadequate to support our development and commercialization efforts and expected growth. Future growth will impose significant added responsibilities on members of management, including the need to identify, recruit, maintain, and integrate additional employees, and may take time away from running other aspects of our business, including development and commercialization of our product candidates.

Our future financial performance and our ability to commercialize NUPLAZID and any other product candidates that receive regulatory approval and to compete effectively will depend, in part, on our ability to manage any future growth effectively. In particular, as we commercialize NUPLAZID, we will need to support the training and ongoing activities of our sales force and expect to need to expand the size of our employee base for managerial, operational, financial, and other resources. To that end, we must be able to:

- manage our development efforts effectively;
- integrate additional management, administrative and manufacturing personnel;
- develop our marketing and sales organization; and
- maintain sufficient administrative, accounting and management information systems and controls.

We may not be able to accomplish these tasks or successfully manage our operations and, accordingly, may not achieve our research, development, and commercialization goals. Our failure to accomplish any of these goals could harm our financial results and prospects.

As we grow as an organization and expand as a commercial-stage company, we may make certain changes to our organization in order to properly manage our growth, which may include changes to the composition of our board of directors and management. Any such changes may be disruptive to us as an organization, which could harm our business.*

As we continue to grow as an organization, including by expanding our development efforts and building out our capabilities for the ongoing commercialization of NUPLAZID, we have implemented, and will continue to evaluate and may implement additional, changes to our organization that may be appropriate in order to properly manage and direct our growth as a commercial-stage company. These changes may include changes to the size and composition of our management and/or board of directors, as appropriate, to include individuals with substantial experience in managing or serving on the boards of directors of commercial-stage pharmaceutical companies. For example, during 2015 and 2016, five long-standing board members either resigned from the board or did not stand for re-election, and during approximately the same timeframe our board elected three new board members. We hired a new head of Regulatory Affairs in February 2017 and, in March 2017, we hired a new Chief Commercial Officer following the retirement of our prior chief commercial officer. In addition, in February 2018, our General Counsel announced that he would be leaving ACADIA and in July 2018, we hired a new General Counsel to replace him. We may decide to hire other executive level employees as we grow. Any such significant changes to the organization may distract management or otherwise be disruptive to us as a company, which could harm our business.

If we fail to develop, acquire or in-license other product candidates or products, our business and prospects would be limited. Even if we obtain rights to other product candidates or products, we will incur a variety of costs and may never realize the anticipated benefits.

A key element of our strategy is to develop, acquire or in-license businesses, technologies, product candidates or products that we believe are a strategic fit with our business. The success of this strategy depends in large part on the combination of our regulatory, development and commercial capabilities and expertise and our ability to identify, select and acquire or in-license clinically-enabled product candidates for the treatment of neurological disorders, or for therapeutic indications that complement or augment our current product candidates, or that otherwise fit into our development or strategic plans on terms that are acceptable to us. Identifying, selecting and acquiring or in-licensing promising product candidates requires substantial technical, financial and human resources expertise, and we have limited experience in identifying acquisition targets, successfully completing proposed acquisitions and integrating any acquired businesses, technologies, services or products into our current infrastructure. Efforts to do so may not result in the actual acquisition or in-license of a particular product candidate, potentially resulting in a diversion of our management's time and the expenditure of our resources with no resulting benefit. If we are unable to identify, select and acquire or license suitable product candidates from third parties on terms acceptable to us, our business and prospects will be limited. In particular, if we are unable to add additional commercial products to our portfolio, we may not be able to successfully leverage our commercial organization that we have assembled for the marketing and sale of NUPLAZID.

The process of integrating any acquired business, technology, service, or product may result in unforeseen operating difficulties and expenditures and may divert significant management attention from our ongoing business operations. As a result, we will incur a variety of costs in connection with an acquisition and may never realize its anticipated benefits. Moreover, any product candidate we identify, select and acquire or license may require additional, time-consuming development or regulatory efforts prior to commercial sale, including preclinical studies, if applicable, and extensive clinical testing and approval by the FDA and applicable foreign regulatory authorities. All product candidates are prone to the risk of failure that is inherent in pharmaceutical product development, including the possibility that the product candidate will not be shown to be sufficiently safe and/or effective for approval by regulatory authorities. In addition, we cannot assure you that any such products that are approved will be manufactured or produced economically, successfully commercialized or widely accepted in the marketplace or be more effective or desired than other commercially available alternatives.

In addition, if we fail to successfully commercialize and further develop NUPLAZID or our product candidates, there is a greater likelihood that we will fail to successfully develop a pipeline of other product candidates, and our business and prospects would therefore be harmed.

We expect that our results of operations will fluctuate, which may make it difficult to predict our future performance from period to period.

Our operating results have fluctuated in the past and are likely to do so in future periods. Some of the factors that could cause our operating results to fluctuate from period to period include:

- the success of our commercialization of NUPLAZID in the United States for the treatment of hallucinations and delusions associated with PD Psychosis;
- the status and cost of our post-marketing commitments for NUPLAZID;
- the variation in our gross-to-net adjustments from quarter to quarter, primarily because of the fluctuation in our share of the donut hole for Medicare Part D patients;
- the status and cost of development and commercialization of pimavanserin for indications other than in PD Psychosis and in jurisdictions other than the United States;
- the status and cost of development and commercialization of our product candidates, including compounds being developed under our collaborations;
- whether we acquire or in-license additional product candidates or products, and the status of development and commercialization of such product candidates or products;
- whether we generate revenues or reimbursements by achieving specified research, development or commercialization milestones under any agreements or otherwise receive potential payments under these agreements;
- whether we are required to make payments due to achieving specified milestones under any licensing or similar agreements or otherwise make payments under these agreements;
- the incurrence of preclinical or clinical expenses that could fluctuate significantly from period to period, including reimbursement obligations pursuant to our collaboration agreements;
- the initiation, termination, or reduction in the scope of our collaborations or any disputes regarding these collaborations;
- the timing of our satisfaction of applicable regulatory requirements;
- the rate of expansion of our clinical development, other internal research and development efforts, and pre-commercial and commercial efforts;
- the effect of competing technologies and products and market developments;
- the costs associated with litigation, including the costs incurred in defending against any product liability claims that may be brought against us related to NUPLAZID; and
- general and industry-specific economic conditions.

We believe that comparisons from period to period of our financial results are not necessarily meaningful and should not be relied upon as indications of our future performance.

The recently passed comprehensive tax reform bill could adversely affect our business and financial condition.

On December 22, 2017, President Trump signed into law new legislation that significantly revises the Internal Revenue Code of 1986, as amended, or the Code. The newly enacted federal income tax law, among other things, contains significant changes to corporate taxation, including reduction of the corporate tax rate from a top marginal rate of 35 percent to a flat rate of 21 percent, limitation of the tax deduction for interest expense to 30 percent of adjusted earnings (except for certain small businesses), limitation of the deduction for net operating losses to 80 percent of current-year taxable income and elimination of net operating loss carrybacks, one time taxation of offshore earnings at reduced rates regardless of whether they are repatriated, immediate deductions for certain new investments instead of deductions for depreciation expense over time, 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). Notwithstanding the reduction in the corporate income tax rate, the overall impact of the new federal tax law is uncertain and our business and financial condition could be adversely affected. In addition, it is uncertain if and to what extent various states will conform to the newly enacted federal tax law.

Our ability to use net operating losses to offset future taxable income may be subject to limitations.*

Our net operating loss carryforwards could expire unused and be unavailable to offset future income tax liabilities. Under the newly enacted federal income tax law, federal net operating losses incurred in 2018 and in future years may be carried forward indefinitely, but the deductibility of such federal net operating losses is limited. It is uncertain if and to what extent various states will conform to the newly enacted federal tax law. In addition, under Section 382 of the Code and corresponding provisions of state law, if a corporation undergoes an "ownership change," which is generally defined as a greater than 50 percent change, by value, in its equity ownership over a three-year period, the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income or taxes may be limited. We have experienced ownership changes in the past and we may experience additional ownership changes in the future as a result of subsequent shifts in our stock ownership, some of which may be outside of our control. If an ownership change occurs and our ability to use our net operating loss carryforwards is materially limited, it would harm our future operating results by effectively increasing our future tax obligations.

Changes to U.S. and non-U.S. tax laws could materially adversely affect us.

During 2015, we licensed worldwide intellectual property rights related to pimavanserin in certain indications to ACADIA Pharmaceuticals GmbH, our wholly-owned Swiss subsidiary. Our goals for the establishment of ACADIA Pharmaceuticals GmbH, and the licensing of worldwide intellectual property rights for pimavanserin, include building a platform for long-term operational and financial efficiencies, including tax-related efficiencies. Future changes in U.S. and non-U.S. tax laws, including implementation of international tax reform relating to the tax treatment of multinational corporations, if enacted, may reduce or eliminate any potential financial efficiencies that we hope to achieve by establishing this operational structure. Additionally, taxing authorities, such as the U.S. Internal Revenue Service, may audit and otherwise challenge these types of arrangements, and have done so with other companies in the pharmaceutical industry. If any such changes in tax law are enacted, or our licensing of worldwide intellectual property rights for pimavanserin to our Swiss subsidiary is otherwise challenged, this could materially adversely affect our business. For example, we have been evaluating the impact of the December 2017 U.S. tax law changes on our current structure and future plans and may decide to make changes based on that evaluation.

We may not be able to continue or fully exploit our collaborations with outside scientific and clinical advisors, which could impair the progress of our clinical trials and our research and development efforts.

We work with scientific and clinical advisors at academic and other institutions who are experts in the field of central nervous system disorders. They assist us in our research and development efforts and advise us with respect to our clinical trials. These advisors are not our employees and may have other commitments that would limit their future availability to us. Although our scientific and clinical advisors generally agree not to engage in competing work, if a conflict of interest arises between their work for us and their work for another entity, we may lose their services, which may impair our reputation in the industry and delay the development or commercialization of our product candidates.

Our management has broad discretion over the use of our cash and we may not use our cash effectively, which could adversely affect our results of operations.

Our management has significant flexibility in applying our cash resources and could use these resources for corporate purposes that do not increase our market value, or in ways with which our stockholders may not agree. We may use our cash resources for corporate purposes that do not yield a significant return or any return at all for our stockholders, which may cause our stock price to decline.

We have incurred, and expect to continue to incur, significant costs as a result of laws and regulations relating to corporate governance and other matters.

Laws and regulations affecting public companies, including provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act that was enacted in July 2010, the provisions of the Sarbanes-Oxley Act of 2002, or SOX, and rules adopted or proposed by the SEC and by The Nasdaq Stock Market, have resulted in, and will continue to result in, significant costs to us as we evaluate the implications of these rules and respond to their requirements. In the future, if we are not able to issue an evaluation of our internal control over financial reporting, as required, or we or our independent registered public accounting firm determine that our internal control over financial reporting is not effective, this shortcoming could have an adverse effect on our business and financial results and the price of our common stock could be negatively affected. New rules could make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the coverage that is the same or similar to our current coverage. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors and board committees, and as our executive officers. We cannot predict or estimate the total amount of the costs we may incur or the timing of such costs to comply with these rules and regulations.

Changes or modifications in financial accounting standards, including those related to revenue recognition may harm our results of operations.*

From time to time, the Financial Accounting Standards Board, or FASB, either alone or jointly with other organizations, promulgates new accounting principles that could have an adverse impact on our financial position, results of operations or reported cash flows. In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, or ASU 2014-09, which supersedes nearly all existing revenue recognition guidance under generally accepted accounting principles. ASU 2014-09 is a comprehensive new revenue recognition model that requires an entity to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 also requires additional disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts. We adopted this new standard for the year beginning January 1, 2018 and have elected to apply the new standard using the modified retrospective method. The cumulative effect of initially applying the new revenue standard was not material and therefore, there was no adjustment to the opening balance of retained earnings. We do not expect a material impact on our net income on an ongoing basis however, any difficulties in implementing this standard, or in adopting or implementing any other new accounting standard, and to update or modify our internal controls as needed on a timely basis, could result in our failure to meet our financial reporting obligations, which could result in regulatory discipline and harm investors' confidence in us. Finally, if we were to change our critical accounting estimates, including those related to the recognition of product or collaboration revenue, our operating results could be significantly affected.

Earthquake or fire damage to our facilities could delay our research and development efforts and adversely affect our business.

Our headquarters and research and development facilities in San Diego are located in a seismic zone, and there is the possibility of an earthquake, which could be disruptive to our operations and result in delays in our research and development efforts. In addition, while our facilities have not been adversely impacted by local wildfires, there is the possibility of future fires in the area. In the event of an earthquake or fire, if our facilities or the equipment in our facilities is significantly damaged or destroyed for any reason, we may not be able to rebuild or relocate our facilities or replace any damaged equipment in a timely manner and our business, financial condition, and results of operations could be materially and adversely affected. We do not have insurance for damages resulting from earthquakes. While we do have fire insurance for our property and equipment located in San Diego, any damage sustained in a fire could cause a delay in our research and development efforts and our results of operations could be materially and adversely affected.

Risks Related to Our Intellectual Property

Our ability to compete may decline if we do not adequately protect our proprietary rights.

Our commercial success depends on obtaining and maintaining intellectual property rights to our products and product candidates, including NUPLAZID, and technologies, as well as successfully defending these rights against third-party challenges. Any misappropriation of our intellectual property could enable competitors to quickly duplicate or surpass our technological achievements, thus eroding our competitive position in our market. To protect our intellectual property, we rely on a combination of patents, trade secret protection and contracts requiring confidentiality and nondisclosure.

With regard to patents, although we have filed numerous patent applications worldwide with respect to pimavanserin, not all of our patent applications resulted in an issued patent, or they resulted in an issued patent that is susceptible to challenge by a third party. Our ability to obtain, maintain, and/or defend our patents covering our product candidates and technologies is uncertain due to a number of factors, including:

- we may not have been the first to make the inventions covered by our pending patent applications or issued patents;
- we may not have been the first to file patent applications for our product candidates or the technologies we rely upon;
- others may develop similar or alternative technologies or design around our patent claims to produce competitive products that fall outside of the scope of our patents;
- our disclosures in patent applications may not be sufficient to meet the statutory requirements for patentability;
- we may not seek or obtain patent protection in all countries that will eventually provide a significant business opportunity;
- any patents issued to us or our collaborators may not provide a basis for commercially viable products, may not provide us with any competitive advantages, or are easily susceptible to challenges by third parties;
- our proprietary technologies may not be patentable;
- changes to patent laws that limit the exclusivity rights of patent holders or make it easier to render a patent invalid;
- recent decisions by the United States Supreme Court limiting patent-eligible subject matter;
- the passage of The Leahy-Smith America Invents Act, or the America Invents Act, introduced new procedures for challenging pending patent applications and issued patents; and
- technology that we may in-license may become important to some aspects of our business, however, we generally would not control the patent prosecution, maintenance or enforcement of any such in-licensed technology.

Even if we have or obtain patents covering our product candidates or technologies, we may still be barred from making, using and selling our product candidates or technologies because of the patent rights of others. Others have or may have filed, and in the future are likely to file, patent applications covering compounds, assays, genes, gene products or therapeutic products that are similar or identical to ours. There are many issued U.S. and foreign patents relating to genes, nucleic acids, polypeptides, chemical compounds or therapeutic products, and some of these may encompass reagents utilized in the identification of candidate drug compounds or compounds that we desire to commercialize. Numerous U.S. and foreign issued patents and pending patent applications owned by others exist in the area of central nervous system disorders and the other fields in which we are developing products. These could materially affect our freedom to operate. Moreover, because patent applications can take many years to issue, there may be currently pending applications, unknown to us, that may later result in issued patents that our product candidates or technologies may infringe. These patent applications may have priority over patent applications filed by us.

We regularly conduct searches to identify patents or patent applications that may prevent us from obtaining patent protection for our proprietary compounds or that could limit the rights we have claimed in our patents and patent applications. Disputes may arise regarding the ownership or inventorship of our inventions. For applications in which all claims are entitled to a priority date before March 16, 2013, an interference proceeding can be provoked by a third-party or instituted by the United States Patent and Trademark Office, or United States PTO, to determine who was the first to invent the invention at issue. It is difficult to determine how such disputes would be resolved. Applications containing a claim not entitled to priority before March 16, 2013, are not subject to interference proceedings due the change brought by the America Invents Act to a “first-to-file” system. However, a derivation proceeding can be brought by a third-party alleging that the inventor derived the invention from another.

Periodic maintenance fees on any issued patent are due to be paid to the United States PTO and foreign patent agencies in several stages over the lifetime of the patent. The United States PTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include, but are not limited to, failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. In such an event, our competitors might be able to enter the market, which would have a material adverse effect on our business.

Some of our academic institutional licensors, research collaborators and scientific advisors have rights to publish data and information to which we have rights. We generally seek to prevent our collaborators from disclosing scientific discoveries until we

have the opportunity to file patent applications on such discoveries, but in some cases, we are limited to relatively short periods to review a proposed publication and file a patent application. If we cannot maintain the confidentiality of our technology and other confidential information in connection with our collaborations, then our ability to receive patent protection or protect our proprietary information may be impaired.

Confidentiality agreements with employees and others may not adequately prevent disclosure of our trade secrets and other proprietary information and may not adequately protect our intellectual property, which could limit our ability to compete.

Because we operate in the highly technical field of drug discovery and development of small molecule drugs, we rely in part on trade secret protection in order to protect our proprietary technology and processes. However, trade secrets are difficult to protect. We enter into confidentiality, nondisclosure, and intellectual property assignment agreements with our corporate partners, employees, consultants, outside scientific collaborators, sponsored researchers, and other advisors. These agreements generally require that the other party keep confidential and not disclose to third parties all confidential information developed by the party or made known to the party by us during the course of the party's relationship with us. These agreements also generally provide that inventions conceived by the party in the course of rendering services to us will be our exclusive property. However, these agreements may not be honored and may not effectively assign intellectual property rights to us. Enforcing a claim that a party illegally obtained and is using our trade secrets is difficult, expensive and time consuming and the outcome is unpredictable. In addition, courts outside the United States may be less willing to protect trade secrets. We also have not entered into any noncompete agreements with any of our employees. Although each of our employees is required to sign a confidentiality agreement with us at the time of hire, we cannot guarantee that the confidential nature of our proprietary information will be maintained in the course of future employment with any of our competitors. If we are unable to prevent unauthorized material disclosure of our intellectual property to third parties, we will not be able to establish or maintain a competitive advantage in our market, which could materially adversely affect our business, operating results and financial condition.

A dispute concerning the infringement or misappropriation of our proprietary rights or the proprietary rights of others could be time-consuming and costly, and an unfavorable outcome could harm our business.

There is a substantial amount of litigation involving patents and other intellectual property rights in the biotechnology and pharmaceutical industries, as well as administrative proceedings for challenging patents, including post-issuance review proceedings before the United States PTO or oppositions and other comparable proceedings in foreign jurisdictions.

Central provisions of the America Invents Act went into effect on September 16, 2012 and on March 16, 2013. The America Invents Act includes a number of significant changes to U.S. patent law. These changes include provisions that affect the way patent applications are being filed, prosecuted and litigated. For example, the America Invents Act enacted proceedings involving post-issuance patent review procedures, such as inter partes review, or IPR, and post-grant review that allow third parties to challenge the validity of an issued patent in front of the United States PTO Patent Trial and Appeal Board. Each proceeding has different eligibility criteria and different patentability challenges that can be raised. IPRs permit any person (except a party who has been litigating the patent for more than a year) to challenge the validity of the patent on the grounds that it was anticipated or made obvious by prior art. Patents covering pharmaceutical products have been subject to attack in IPRs from generic drug companies and from hedge funds. If it is within nine months of the issuance of the challenged patent, a third party can petition the United States PTO for post-grant review, which can be based on any invalidity grounds and is not limited to prior art patents or printed publications.

In post-issuance proceedings, United States PTO rules and regulations generally tend to favor patent challengers over patent owners. For example, unlike in district court litigation, claims challenged in post-issuance proceedings are given their broadest reasonable meaning, which increases the chance a claim might be invalidated by prior art or lack support in the patent specification. As another example, unlike in district court litigation, there is no presumption of validity for an issued patent, and thus, a challenger's burden to prove invalidity is by a preponderance of the evidence, as opposed to the heightened clear and convincing evidence standard. As a result of these rules and others, statistics released by the United States PTO show a high percentage of claims being invalidated in post-issuance proceedings. Moreover, with few exceptions, there is no standing requirement to petition the United States PTO for inter partes review or post-grant review. In other words, companies that have not been charged with infringement or that lack commercial interest in the patented subject matter can still petition the United States PTO for review of an issued patent. Thus, even where we have issued patents, our rights under those patents may be challenged and ultimately not provide us with sufficient protection against competitive products or processes.

While we are not currently subject to any pending intellectual property litigation or patent challenges, and are not aware of any such threatened litigation or patent challenges, we may be exposed to future litigation by third parties based on claims that our product candidates, technologies or activities infringe the intellectual property rights of others. In particular, there are many patents relating to specific genes, nucleic acids, polypeptides or the uses thereof to identify product candidates. Some of these may encompass genes or polypeptides that we utilize in our drug development activities. If our drug development activities are found to infringe any such

patents, and such patents are held to be valid and enforceable, we may have to pay significant damages or seek licenses to such patents. A patentee could prevent us from using the patented genes or polypeptides for the identification or development of drug compounds. There are also many patents relating to chemical compounds and the uses thereof. If our compounds are found to infringe any such patents, and such patents are held to be valid and enforceable, we may have to pay significant damages or seek licenses to such patents. A patentee could prevent us from making, using or selling the patented compounds.

We may need to resort to litigation to enforce a patent issued to us, protect our trade secrets or determine the scope and validity of third-party proprietary rights. From time to time, we may hire scientific personnel formerly employed by other companies involved in one or more areas similar to the activities conducted by us. Either we or these individuals may be subject to allegations of trade secret misappropriation or other similar claims as a result of their prior affiliations. If we become involved in litigation, it could consume a substantial portion of our managerial and financial resources, regardless of whether we win or lose. We may not be able to afford the costs of litigation. Any legal action against us or our collaborators could lead to:

- payment of damages, which could potentially be trebled if we are found to have willfully infringed a party's patent rights;
- injunctive or other equitable relief that may effectively block our ability to further develop, commercialize, and sell products; or
- we or our collaborators having to enter into license arrangements that may not be available on commercially acceptable terms, or at all.

As a result, we could be prevented from commercializing current or future products.

Furthermore, because of the substantial amount of pre-trial document and witness 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. In addition, during the course of this kind of litigation, there could 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 substantial adverse effect on the trading price of our common stock.

The patent applications of pharmaceutical and biotechnology companies involve highly complex legal and factual questions, which, if determined adversely to us, could negatively impact our patent position.

The strength of patents in the pharmaceutical and biotechnology field can be highly uncertain and involve complex legal and factual questions. For example, some of our patent applications may cover the uses of gene sequences. The patentability of gene sequences and the use of gene sequences has been seriously undermined by recent decisions of the United States Supreme Court. The United States PTO's interpretation of the Supreme Court's decisions and the standards for patentability it sets forth are uncertain and could change in the future. Consequently, the issuance and scope of patents cannot be predicted with certainty. Patents, if issued, may be challenged, invalidated or circumvented. U.S. patents and patent applications may also be subject to interference proceedings as mentioned above, and U.S. patents may be subject to reexamination and post-issuance proceedings in the United States PTO (and foreign patents may be subject to opposition or comparable proceedings in the corresponding foreign patent office), which 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. Similarly, opposition or invalidity proceedings could result in loss of rights or reduction in the scope of one or more claims of a patent in foreign jurisdictions. In addition, such interference, reexamination, post-issuance and opposition proceedings may be costly. Accordingly, rights under any issued patents may not provide us with sufficient protection against competitive products or processes.

In addition, changes in or different interpretations of patent laws in the United States and foreign countries may permit others to use our discoveries or to develop and commercialize our technology and products without providing any compensation to us or may limit the number of patents or claims we can obtain. In particular, there have been proposals to shorten the exclusivity periods available under U.S. patent law that, if adopted, could substantially harm our business. The product candidates that we are developing are protected by intellectual property rights, including patents and patent applications. If any of our product candidates becomes a marketable product, we will rely on our exclusivity under patents to sell the compound and recoup our investments in the research and development of the compound. If the exclusivity period for patents is shortened, then our ability to generate revenues without competition will be reduced and our business could be materially adversely impacted. The laws of some countries do not protect intellectual property rights to the same extent as U.S. laws and those countries may lack adequate rules and procedures for defending our intellectual property rights. For example, some countries, including many in Europe, do not grant patent claims directed to methods of treating humans and, in these countries, patent protection may not be available at all to protect our product candidates. In addition, U.S. patent laws may change which could prevent or limit us from filing patent applications or patent claims to protect our products and/or technologies or limit the exclusivity periods that are available to patent holders. For example, the America Invents Act (2012) included a number of significant changes to U.S. patent law. These included changes to transition from a "first-to-invent"

system to a “first-to-file” system and to the way issued patents are challenged. These changes may favor larger and more established companies that have more resources to devote to patent application filing and prosecution. It is still not clear what, if any, impact the America Invents Act will ultimately have on the cost of prosecuting our patent applications, our ability to obtain patents based on our discoveries and our ability to enforce or defend our issued patents.

If we fail to obtain and maintain patent protection and trade secret protection of our product candidates, proprietary technologies and their uses, we could lose our competitive advantage and competition we face would increase, reducing our potential revenues and adversely affecting our ability to attain or maintain profitability.

Risks Related to Our Industry

We are subject to stringent regulation in connection with the marketing of NUPLAZID and any other products derived from our product candidates, which could delay the development and commercialization of our products.

The pharmaceutical industry is subject to stringent regulation by the FDA and other regulatory agencies in the United States and by comparable authorities in other countries. Neither we nor our collaborators can market a pharmaceutical product, including NUPLAZID, in the United States until it has completed rigorous preclinical testing and clinical trials and an extensive regulatory clearance process implemented by the FDA. Satisfaction of regulatory requirements typically takes many years, depends upon the type, complexity and novelty of the product, and requires substantial resources. Even if regulatory approval is obtained, the FDA and other regulatory agencies may impose significant restrictions on the indicated uses, conditions for use, labeling, advertising, promotion, and/or marketing of such products, and requirements for post-approval studies, including additional research and development and clinical trials. These limitations may limit the size of the market for the product or result in the incurrence of additional costs. Any delay or failure in obtaining required approvals could have a material adverse effect on our ability to generate revenues from the particular product candidate.

Outside the United States, the ability to market a product is contingent upon receiving approval from the appropriate regulatory authorities. The requirements governing the conduct of clinical trials, marketing authorization, pricing, and reimbursement vary widely from country to country. Only after the appropriate regulatory authority is satisfied that adequate evidence of safety, quality, and efficacy has been presented will it grant a marketing authorization. Approval by the FDA does not automatically lead to the approval by regulatory authorities outside the United States and, similarly, approval by regulatory authorities outside the United States will not automatically lead to FDA approval.

In addition, U.S. and foreign government regulations control access to and use of some human or other tissue samples in our research and development efforts. U.S. and foreign government agencies may also impose restrictions on the use of data derived from human or other tissue samples. Accordingly, if we fail to comply with these regulations and restrictions, the commercialization of our product candidates may be delayed or suspended, which may delay or impede our ability to generate product revenues.

If our competitors develop and market products that are more effective than NUPLAZID or our product candidates, they may reduce or eliminate our commercial opportunity.

Competition in the pharmaceutical and biotechnology industries is intense and expected to increase. We face competition from pharmaceutical and biotechnology companies, as well as numerous academic and research institutions and governmental agencies, both in the United States and abroad. Some of these competitors have products or are pursuing the development of drugs that target the same diseases and conditions that are the focus of our drug development programs.

For example, the use of NUPLAZID for the treatment of hallucinations and delusions associated with PD Psychosis competes with off-label use of antipsychotic drugs, including the generic drugs quetiapine and clozapine. If approved, pimavanserin for the treatment of dementia-related psychosis would compete with off-label use of antipsychotic drugs, including the generic drugs risperidone and quetiapine, and drugs indicated for the treatment of Alzheimer’s disease and dementia in patients with Alzheimer’s disease, including Aricept, marketed by Eisai Inc. and Pfizer Inc., and Namenda, marketed by Forest Laboratories, LLC, a wholly-owned subsidiary of Actavis. Pimavanserin for the adjunctive treatment of schizophrenia, if approved for that indication, would compete with Rexulti, marketed by Otsuka Pharmaceutical Co., Ltd., Latuda, marketed by Sunovion Pharmaceuticals Inc., and generic drugs, including olanzapine, risperidone, aripiprazole and clozapine. Pimavanserin for the adjunctive treatment of major depressive disorder, if approved for that indication, would compete with Rexulti, off-label use of antipsychotic drugs and the generic drugs olanzapine, risperidone, aripiprazole and clozapine. In the area of chronic pain, potential products would compete with Lyrica, marketed by Pfizer, and Cymbalta, marketed by Eli Lilly, as well as a variety of generic or proprietary opioids.

Many of our competitors and their collaborators have significantly greater experience than we do in the following:

- identifying and validating targets;
- screening compounds against targets;
- preclinical studies and clinical trials of potential pharmaceutical products;
- obtaining FDA and other regulatory approvals; and
- commercializing pharmaceutical products.

In addition, many of our competitors and their collaborators have substantially greater capital and research and development resources, manufacturing, sales and marketing capabilities, and production facilities. Smaller companies also may prove to be significant competitors, particularly through proprietary research discoveries and collaboration arrangements with large pharmaceutical and established biotechnology companies. Many of our competitors have products that have been approved or are in advanced development and may develop superior technologies or methods to identify and validate drug targets and to discover novel small molecule drugs. Our competitors, either alone or with their collaborators, may succeed in developing drugs that are more effective, safer, more affordable, or more easily administered than ours and may achieve patent protection or commercialize drugs sooner than us. Our competitors may also develop alternative therapies that could further limit the market for any drugs that we may develop. Our failure to compete effectively could have a material adverse effect on our business.

If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of NUPLAZID or any other product for which we obtain regulatory approval, or development or commercialization of our product candidates.

We face an inherent risk of product liability as a result of the commercial sales of NUPLAZID in the United States and the clinical testing of our product candidates, and will face an even greater risk following commercial launch of NUPLAZID in additional jurisdictions, if approved, or if we engage in the clinical testing of new product candidates or commercialize any additional products. For example, we may be sued if NUPLAZID or any other product we develop allegedly causes injury or is found to be otherwise unsuitable for administration in humans. 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, negligence, strict liability or a breach of warranties. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our product candidates. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our products or product candidates that we may develop;
- injury to our reputation;
- withdrawal of clinical trial participants;
- initiation of investigations by regulators;
- costs to defend the related litigation;
- a diversion of management’s time and our resources;
- substantial monetary awards to trial participants or patients;
- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenue;
- exhaustion of any available insurance and our capital resources;
- the inability to commercialize our products or product candidates; and
- a decline in our stock price.

Although we currently have product liability insurance that covers our clinical trials and the commercialization of NUPLAZID, we may need to increase and expand this coverage, including if we commence larger scale trials and if other product candidates are approved for commercial sale. This insurance may be prohibitively expensive or may not fully cover our potential liabilities. Inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of products that we or our collaborators develop. If we determine that it is prudent to increase

our product liability coverage, we may be unable to obtain such increased coverage on acceptable terms or at all. Our insurance policies also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. Our liability could exceed our total assets if we do not prevail in a lawsuit from any injury caused by our drug products. Product liability claims could have a material adverse effect on our business and results of operations.

Risks Related to Our Common Stock

Our stock price historically has been, and is likely to remain, highly volatile.*

The market prices for securities of biotechnology companies in general, and drug discovery and development companies in particular, have been highly volatile and may continue to be highly volatile in the future. The following factors, in addition to other risk factors described in this section, may have a significant impact on the market price of our common stock:

- the success of our commercialization of NUPLAZID in the United States for the treatment of hallucinations and delusions associated with PD Psychosis;
- the status and cost of our post-marketing commitments for NUPLAZID;
- the status and cost of development and commercialization of pimavanserin for indications other than in PD Psychosis and in jurisdictions other than the United States;
- the status and cost of development and commercialization of our product candidates, including compounds being developed under our collaborations;
- whether we acquire or in-license additional product candidates or products, and the status of development and commercialization of such product candidates or products;
- any other communications or guidance from the FDA or other regulatory authorities that pertain to NUPLAZID or our product candidates;
- the initiation, termination, or reduction in the scope of our collaborations or any disputes or developments regarding our collaborations;
- market conditions or trends related to biotechnology and pharmaceutical industries, or the market in general;
- announcements of technological innovations, new products, or other material events by our competitors or us, including any new products that we may acquire or in-license;
- disputes or other developments concerning our proprietary and intellectual property rights;
- changes in, or failure to meet, securities analysts' or investors' expectations of our financial performance;
- our failure to meet applicable Nasdaq listing standards and the possible delisting of our common stock from the Nasdaq Stock Market;
- additions or departures of key personnel;
- discussions of our business, products, financial performance, prospects, or stock price by the financial and scientific press and online investor communities such as blogs and chat rooms;
- public concern as to, and legislative action with respect to, genetic testing or other research areas of biopharmaceutical companies, the pricing and availability of prescription drugs, or the safety of drugs and drug delivery techniques;
- regulatory developments in the United States and in foreign countries;
- the announcement of, or developments in, any litigation matters; and
- economic and political factors, including but not limited to economic and financial crises, wars, terrorism, and political unrest.

In the past, following periods of volatility in the market price of a particular company's securities, securities class action litigation has often been brought against that company. For example, in March 2015, following our announcement of the update to the timing of our planned NDA submission to the FDA for NUPLAZID for the treatment of PD Psychosis and the subsequent decline of the price of our common stock, two putative securities class action complaints were filed against us and certain of our current and former officers, which complaints were subsequently consolidated into one complaint. The complaint generally alleged that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by making materially false and misleading statements regarding the timing of our planned NDA submission to the FDA for NUPLAZID, thereby artificially inflating the price of

our common stock. The parties agreed to a settlement in that case, which was approved by the court in January 2018. Additionally, Between July 19 and July 23, 2018, in the wake of recent negative publicity about NUPLAZID, two putative securities class action complaints were filed against us and certain of our current executive officers. The complaints generally allege that defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by making materially false and misleading statements regarding our business, operations, and prospects by failing to disclose that adverse events and safety concerns regarding NUPLAZID threatened initial and continuing FDA approval, and by failing to disclose that we engaged in business practices likely to attract regulatory scrutiny. If we are not successful in defense of these claims, we may have to make significant payments to, or other settlements with, our stockholders and their attorneys. Even if such claims are not successful, the litigation could result in substantial costs and divert our management's attention and resources, which could have a material adverse effect on our business, operating results or financial condition.

If we or our stockholders sell substantial amounts of our common stock, the market price of our common stock may decline.*

A significant number of shares of our common stock are held by a small number of stockholders. Sales of a significant number of shares of our common stock, or the expectation that such sales may occur, could significantly reduce the market price of our common stock. In connection with our March 2014 public offering of common stock, we agreed to provide resale registration rights for the shares of our common stock held by entities affiliated with one of our principal stockholders and two of our directors, Julian C. Baker and Dr. Stephen R. Biggar, which we refer to as the Baker Entities. In connection with our January 2016 public offering of common stock, we entered into a formal registration rights agreement with the Baker Entities to provide for these rights. Under the registration rights agreement we have agreed that, if at any time and from time to time, the Baker Entities demand that we register their shares of our common stock for resale under the Securities Act, we would be obligated to effect such registration. On April 1, 2016, we filed a registration statement covering the sale of up to 26,179,806 shares of our common stock, which includes 500,000 shares of our common stock issuable upon the exercise of warrants that were owned by the Baker Entities as of June 30, 2018, and which represent approximately 21 percent of our outstanding shares. Our registration obligations under this registration rights agreement cover all shares now held or later acquired by the Baker Entities will be in effect for up to 10 years, and include our obligation to facilitate certain underwritten public offerings of our common stock by the Baker Entities in the future. If the Baker Entities sell a large number of our shares, or the market perceives that the Baker Entities intend to sell a large number of our shares, this could adversely affect the market price of our common stock. We also may elect to sell an indeterminate number of shares on our own behalf pursuant to a registration statement or in a private placement, from time to time. Our stock price may decline as a result of the sale of the shares of our common stock included in any of these registration statements or future financings.

If our officers, directors, and largest stockholders choose to act together, they may be able to significantly influence our management and operations, acting in their best interests and not necessarily those of our other stockholders.

Our directors, executive officers and holders of five percent or more of our outstanding common stock and their affiliates beneficially own a substantial portion of our outstanding common stock. As a result, these stockholders, acting together, have the ability to significantly influence all matters requiring approval by our stockholders, including the election of all of our board members, amendments to our certificate of incorporation, going-private transactions, and the approval of mergers or other business combination transactions. The interests of this group of stockholders may not always coincide with our interests or the interests of other stockholders and they may act in a manner that advances their best interests and not necessarily those of our other stockholders.

Anti-takeover provisions in our charter documents and under Delaware law may make an acquisition of us more complicated and may make the removal and replacement of our directors and management more difficult.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may delay or prevent a change in control, discourage bids at a premium over the market price of our common stock and adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. These provisions may also make it difficult for stockholders to remove and replace our board of directors and management. These provisions:

- establish that members of the board of directors may be removed only for cause upon the affirmative vote of stockholders owning at least a majority of our capital stock;
- authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares and prevent or delay a takeover attempt;
- limit who may call a special meeting of stockholders;
- establish advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings;

- prohibit our stockholders from making certain changes to our amended and restated certificate of incorporation or amended and restated bylaws except with 66 2/3 percent stockholder approval; and
- provide for a board of directors with staggered terms.

We are also subject to provisions of the Delaware corporation law that, in general, prohibit any business combination with a beneficial owner of 15 percent or more of our common stock for three years unless the holder's acquisition of our stock was approved in advance by our board of directors. Although we believe these provisions collectively provide for an opportunity to receive higher bids by requiring potential acquirors to negotiate with our board of directors, they would apply even if the offer may be considered beneficial by some stockholders.

Adverse securities and credit market conditions may significantly affect our ability to raise capital.

Historically, turmoil and volatility in the financial markets have adversely affected the market capitalizations of many biotechnology companies, and generally made equity and debt financing more difficult to obtain. These events, coupled with other factors, may limit our access to financing in the future. This could have a material adverse effect on our ability to access funding on acceptable terms, or at all, and our stock price may suffer further as a result.

We do not intend to pay dividends on our common stock in the foreseeable future; as such, you must rely on stock appreciation for any return on your investment.

To date, we have not paid any cash dividends on our common stock, and we do not intend to pay any dividends in the foreseeable future. Instead, we intend to retain any future earnings to fund the development and growth of our business. For this reason, the success of an investment in our common stock, if any, will depend on the appreciation of our common stock, which may not occur. There is no guarantee that our common stock will appreciate, and therefore, a holder of our common stock may not realize a return on his or her investment.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation, As Amended (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q, filed August 6, 2015).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed September 12, 2013).
4.1	Form of common stock certificate of the Registrant (incorporated by reference to Exhibit 4.1 to Registration Statement No. 333-52492).
4.2	Form of Warrant to Purchase Common Stock issued to purchasers in a private placement on December 17, 2012 (incorporated by reference to Exhibit 4.4 to Registration Statement No. 333-185639).
10.1[a]	Update to Description of Outside Director Compensation Program (incorporated by reference to Exhibit 10.1 to Registrant's Report on Form 10-Q filed May 4, 2018)
10.2	2010 Equity Incentive Plan, as amended (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K, filed June 8, 2018).
10.3	Lease Agreement between Registrant and Boston Properties Limited partnership, dated May 15, 2018.
31.1	Certification of Stephen R. Davis, President and Chief 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 Todd S. Young, Executive Vice President and Chief 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 Stephen R. Davis, President and Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Todd S. Young, Executive Vice President and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements from the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, filed on August 8, 2018, formatted in XBRL (Extensible Business Reporting Language), are filed herewith: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Loss, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.

[a] Indicates management contract or compensatory plan or arrangement.

SIGNATURES

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

ACADIA Pharmaceuticals Inc.

Date: August 8, 2018

By: /s/ Todd Young
Todd Young
Executive Vice President and Chief Financial Officer
(on behalf of the registrant and as the registrant's Principal Financial and Accounting Officer)

LEASE AND LEASE AGREEMENT

Between

Boston Properties Limited Partnership

The Landlord

And

ACADIA PHARMACEUTICALS INC.

The Tenant

For Leased Premises In

502 Carnegie Center
Princeton, New Jersey

May 15, 2018

Prepared by:

Gregory S. Ricciardi
Boston Properties
101 Carnegie Center, Suite 104
Princeton, New Jersey 08540

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LEASE AND LEASE AGREEMENT, dated as of May 15, 2018, between Boston Properties Limited Partnership, a Delaware limited partnership with offices c/o Boston Properties at 101 Carnegie Center, Suite 104, Princeton, New Jersey 08540 (the "Landlord"), and ACADIA Pharmaceuticals Inc., a Delaware corporation, with its principal office at 3611 Valley Centre Drive, Suite 300, San Diego, California 92130 (the "Tenant").

Subject to all the terms and conditions set forth below, the Landlord and the Tenant hereby agree as follows:

1 Definitions. Certain terms and phrases used in this Agreement (generally those whose first letters are capitalized) are defined in Exhibit E attached hereto and, as used in this Agreement, they shall have the respective meanings assigned or referred to in that exhibit.

2 Lease of the Leased Premises.

2.1 The Landlord shall, and hereby does, lease to the Tenant, and the Tenant shall, and hereby does, accept and lease from the Landlord, the Leased Premises during the Term. The Leased Premises consist of 25,429 square feet of gross rentable floor space on the third floor of 502 Carnegie Center, as more fully described in the definition of Leased Premises set forth in Exhibit E attached hereto.

2.2 The Landlord shall, and hereby does, grant to the Tenant, and the Tenant shall, and hereby does, accept from the Landlord, the non-exclusive right to use the Common Facilities during the Term for itself, its employees, other agents and Guests in common with the Landlord, any tenants of Other Leased Premises, any of their respective employees, other agents and guests and such other persons as the Landlord may, in the Landlord's reasonable discretion, determine from time to time.

2.3 In the event that the Tenant exercises the Right to Lease Additional Space in accordance with the terms and conditions of subsection 44.2 of this Agreement, the Landlord shall lease to the Tenant, and the Tenant shall accept and lease from the Landlord, the subject Additional Leased Premises from the respective commencement date thereof for the term provided in subsection 44.2 of this Agreement.

3 Rent.

3.1 The Tenant shall punctually pay the Rent for the Leased Premises for the Term to the Landlord in the amounts and at the times set forth below, without bill or other demand and without any offset, deduction or, except as may be otherwise specifically set forth in this Agreement, abatement whatsoever.

3.2 The Basic Rent for the Leased Premises during the Initial Term shall be at the rate per year set forth below:

Period	Annual Rental Rate
Commencement Date through day immediately preceding Rent Commencement Date	$0 per month**
Rent Commencement Date through Lease Year One	$858,228.75
Lease Year Two	$870,943.25
Lease Year Three	$883,657.75
Lease Year Four	$896,372.25
Lease Year Five	$909,086.75
Lease Year Six	$921,801.25
Lease Year Seven	$934,515.75

The annual rate of Basic Rent for the Leased Premises during the Renewal Term shall be calculated as set forth in subsection 6.3 of this Agreement. The annual rate of Basic Rent applicable to any Additional Leased Premises during the Initial Term shall be as set forth in subsection 44.2 of this Agreement.

3.3 The Tenant shall punctually pay the applicable Basic Rent in equal monthly installments in advance on the first day of each month during the Term, with the exception of Basic Rent for the first full calendar month of the Initial Term immediately following the Rent Commencement Date (if the Rent Commencement Date occurs on other than the first day of a calendar month) or for the first full calendar month of the Initial Term commencing on the Rent Commencement Date (if the Rent Commencement Date occurs on the first day of a calendar month), and for any period of less than a full calendar month at the

beginning of the Term commencing on the Rent Commencement Date. The Tenant shall pay the Basic Rent for the first full calendar month of the Initial Term immediately following the Rent Commencement Date (if the Rent Commencement Date occurs on other than the first day of a calendar month) or for the first full calendar month of the Initial Term commencing on the Rent Commencement Date (if the Rent Commencement Date occurs on the first day of a calendar month) upon execution and delivery of this Agreement. The Tenant shall punctually pay the Basic Rent for a period of less than a full calendar month at the beginning of the Term commencing on the Rent Commencement Date on the Rent Commencement Date.

3.4 The Basic Rent and the Additional Rent for any period of less than a full calendar month shall be prorated. In the event that any installment of Basic Rent cannot be calculated by the time payment is due, such portion as is then known or calculable shall be then due and payable; and the balance shall be due upon the Landlord's giving written notice to the Tenant of the amount of the balance due.

3.5 The Additional Rent for the Leased Premises during the Term shall be promptly paid by the Tenant in the respective amounts and at the respective times set forth in this Agreement.

3.6 That portion of any amount of Rent or other amount due under this Agreement which is not paid on the day it is first due (or by the fifth day after the day it is first due in the case of the first payment in any period of twelve consecutive calendar months that is not paid on the day it is first due) shall incur a late charge equal to the sum of: (i) five (5%) percent of that portion of any amount of Rent or other amount due under this Agreement which is not paid on the day it is first due (or by the fifth day after the day it is first due in the case of the first payment in any period of twelve consecutive calendar months that is not paid on the day it is first due) and (ii) interest on that portion of any amount of Rent or other amount due under this Agreement which is not paid on the day it is first due (or by the fifth day after the day it is first due in the case of the first payment in any period of twelve consecutive calendar months that is not paid on the day it is first due) at the Base Rate(s) in effect from time to time plus two (2) additional percentage points from the day such portion is first due through the day of receipt thereof by the Landlord. Any such late charge due from the Tenant shall be due immediately.

3.7 Any amount of Rent or other amount which is due upon execution and delivery of this Agreement shall be paid by the Tenant to the Landlord at the Landlord's office at 101 Carnegie Center, Suite 104, Princeton, New Jersey 08540. Otherwise, the Tenant shall make

all payments of Rent or other amounts due under this Agreement to the Landlord by either (i) electronic funds (ACH) transfer to Bank of America (Dallas, Texas), ABA #111 000 012, for credit to the account of Boston Properties L.P., account no. 3756454460, (ii) overnight courier to Bank of America Wholesale Lockbox, Boston Properties Limited Partnership 3557, MA5-527-02-07, 2 Morrissey Boulevard, Dorchester, Massachusetts 02125, or (iii) mail to Boston Properties Limited Partnership, P. O. Box 3557, Boston, Massachusetts 02241-3557. By notice to the Tenant from time to time, the Landlord may change the foregoing payment instructions with regard to amounts not previously paid.

3.8 If any sum payable by the Tenant under this Agreement is paid by check which is returned due to insufficient funds, stop payment order, or otherwise, then: (a) such event shall be treated as a failure to pay such sum when due; and (b) in addition to all other rights and remedies of the Landlord hereunder, the Landlord shall be entitled (i) to impose a returned check charge of Fifty Dollars ($50.00) to cover the Landlord's administrative expenses and overhead for processing, and (ii) after the second occurrence of a returned check in any twelve (12) month period, or after a third occurrence over the Term, to require that all future payments be remitted by ACH or wire transfer, money order, or cashier's or certified check.

4 Term.

4.1 The Initial Term shall commence on the Commencement Date and shall continue for seven (7) years and three (3) months from the beginning of the Initial Year, unless sooner terminated in accordance with section 24 or subsection 44.3 of this Agreement. The Term shall commence on the Commencement Date and shall continue until the later of the conclusion of the Initial Term or the conclusion of any Renewal Term, unless sooner terminated in accordance with section 24 or subsection 44.3 of this Agreement.

4.2 Unless the condition contemplated by subsection 4.3 of this Agreement occurs, the Commencement Date shall be the Substantial Completion Date, adjusted to an earlier date to compensate the Landlord for the cumulative number of days of Tenant Delay. The target Commencement Date is November 1, 2018.

4.3 In the event the Tenant takes possession of, or occupies, the Leased Premises for the conduct of business earlier than the Substantial Completion Date, the Commencement Date shall be the first date of such earlier taking of possession or occupancy, as adjusted to an earlier date to compensate the Landlord for the cumulative

number of days of Tenant Delay. Tenant entering the Premises to install tenant improvements, fixtures and furniture shall not constitute taking possession or occupancy.

4.4 Once it is ascertained in accordance with subsections 4.2 and 4.3 of this Agreement, the Landlord shall give prompt notice of the Commencement Date to the Tenant; and if the Tenant does not object thereto by notice given to the Landlord within ten (10) days of the Landlord's notice, the date set forth in the Landlord's notice shall thereafter be conclusively presumed to be the Commencement Date.

4.5 The Rent Commencement Date shall be that date which is the day immediately following the expiration of the "Rent Concession Period", as hereinafter defined. The period from and including the Commencement Date through the day preceding the Rent Commencement Date (the "Rent Concession Period") shall be three (3) months. By way of example only, if the Commencement Date is November 1, 2018, then the Rent Commencement Date would be February 1, 2019.

5 Preparation of the Leased Premises.

5.1 The Tenant shall accept the Leased Premises on the Commencement Date in its then "AS IS" condition, which shall be with all Building Systems in proper working order and the Leased Premises and Building in material compliance with all applicable laws. Landlord shall cause all warranties of the general contractor and other contractors and suppliers performing the work for Tenant's Buildout to extend to Tenant and to be for not less than one year after the Commencement Date.

5.2 The timely preparation of the Tenant Plan through architects and engineers, licensed in New Jersey, selected by the Tenant shall be the Tenant's obligation and expense. The Tenant Plan shall be prepared consistently with the Building plans and specifications and the Landlord's tenant fitout and alteration guidelines in effect. The Tenant shall deliver the complete Tenant Plan to the Landlord not later than the Tenant Plan Due Date. During the twenty (20) days immediately succeeding the submission of the complete Tenant Plan to the Landlord, the Tenant Plan shall be subject to the Landlord's and its engineers' reasonable review, comment, consultation and objection with respect to any lack of consistency with the Building plans and specifications or the Landlord's tenant fitout and alteration guidelines then in effect, any structural changes to, or any changes in the exterior of, the Building or any portion thereof required thereby, any changes to Systems required thereby, any interface or connection with Systems or any adverse effect upon the functional utility or rental value of the Leased Premises. If the

Landlord timely and otherwise properly objects to the Tenant Plan by notice to the Tenant setting forth therein with particularity any of the specified reasons in reasonable detail, the Tenant shall have its architects and engineers revise the Tenant Plan and deliver the revised complete Tenant Plan to the Landlord within ten (10) days of the Landlord’s giving timely notice of its objection to the Tenant. In addition, the Tenant shall revise and deliver a revised complete Tenant Plan to the Landlord within ten (10) days of the Landlord's giving notice to the Tenant of the Municipality’s objections to the Tenant Plan. The Tenant shall select the colors of the paint to be applied and the flooring to be installed as part of the Tenant’s Buildout from the Landlord’s samples by the Tenant Plan Due Date. Notwithstanding anything contained in this subsection 5.2 to the contrary, the Landlord's review and approval of the Tenant Plan and consent to perform work described therein, shall be for the sole purpose set forth above and shall not imply the Landlord's review of the same, or obligate the Landlord to review the same, for quality, design sufficiency, completeness, compliance with applicable governmental laws, rules, regulations and building codes or any requirements of insurers of the Building and the other requirements of this Agreement with respect to the Tenant’s insurance obligations (herein called “Insurance Requirements”) nor deemed a waiver of the Tenant’s obligations under this Agreement with respect to applicable governmental laws, rules, regulations and building codes and Insurance Requirements. Accordingly, notwithstanding that any Tenant Plan is reviewed by the Landlord or its space planner, architect, engineers and consultants, and notwithstanding any advice or assistance which may be rendered to the Tenant by the Landlord or the Landlord's space planner, architect, engineers, and consultants, the Landlord shall have no liability whatsoever in connection therewith and shall not be responsible for any omissions or errors contained in the Tenant Plan.

5.3 As soon as practicable after the receipt by the Landlord of the final Tenant Plan, the Landlord shall solicit bids using an “open book” bidding process for the construction of the work called for by the Tenant Plan from at least three general contractors. The Landlord and the Tenant shall promptly review the bids after receipt. Following bid review and qualification for the Tenant’s Buildout, the Landlord and the Tenant shall promptly select in a writing the best qualified and quantified general contractor; but if the Landlord and the Tenant are unable to agree upon the selection of the best qualified and quantified general contractor by the end of the bid review and qualification period for the Tenant’s Buildout, the selection of the best qualified and quantified general contractor to be awarded the contract for the Tenant’s Buildout shall be made by the Landlord acting in good faith in its sole, reasonable

discretion.

5.4 The Landlord shall give notice to the Tenant of the Landlord's price to the Tenant to perform the Tenant's Buildout utilizing the general contractor selected in accordance with subsection 5.3 of this Agreement. The Landlord's price shall include three and one-half (3½%) percent of the Landlord's general contractor's aggregate price (which shall include additional costs of any change orders) for the Tenant's Buildout as the Landlord's design review supervision fee and five (5%) percent of the Landlord's general contractor's aggregate price (which shall include additional costs of any change orders requested by Tenant) for the Tenant's Buildout as the Landlord's construction supervision fee. The Landlord shall pay the cost of the design and construction of the Tenant's Buildout up to the maximum amount of $890,015.00 (the "Landlord's Contribution"). The Tenant shall pay the cost of the design and construction of the Tenant's Buildout in excess of the Landlord's Contribution and of any alterations, improvements or other modifications to the Leased Premises in addition to the Tenant's Buildout made at the request of the Tenant. The Tenant shall pay such price to the Landlord in proportion to the progress of such work, as and when billed by the Landlord at intervals, corresponding to the invoicing by the Landlord's general contractor, with payment of any remaining final balance due from the Tenant upon substantial completion of such work.

5.5 Landlord shall obtain and make arrangements for all necessary construction permits for the alterations, improvement and other modifications set forth in the Tenant Plan to be performed by the Landlord. The Landlord shall cause its selected general contractor to construct the Tenant's Buildout in a good and workmanlike manner and in accordance with the Tenant Plan and in compliance with all applicable laws, rules, regulations, codes and ordinances, including, but not limited to, the Americans with Disabilities Act ("ADA"). The construction of any changes to the Tenant Plan made by the Tenant shall be an additional expense to the Tenant.

5.6 The Tenant shall timely comply on a continuing basis with each of its obligations under sections 12 and 14 of this Agreement in advance of, and while, any of its employees, contractors or other agents is present in the Building or on the Property performing the work called for by the Tenant Plan or other preparation of the Leased Premises.

5.7 The Tenant, using its own contractors, desires to install telecommunications and data wiring and cabling and furniture, fixtures and equipment in the Leased Premises prior to the Substantial Completion Date. The Landlord shall give to the Tenant at least thirty (30) days' advance notice of the Landlord's projected date of such Substantial Completion and upon receipt of such notice the Tenant and its contractors shall be granted access to the Leased Premises to perform such installations. The Tenant and its contractors may have access to the Leased Premises prior to the Substantial Completion Date to perform such installations provided that (i) the Tenant complies with its obligations under section 12 and 14 of this Agreement, and (ii) the Tenant hereby acknowledges that such access and installation may cause Tenant Delay. Notwithstanding the foregoing, any telecommunications and data wiring and cabling in the Leased Premises existing prior to Tenant's entry shall be removed by Landlord, at Landlord's sole cost and expense.

6 Options.

6.1 If, prior to the date of exercise thereof (a)(i) no Event of Default shall have occurred or (ii) if an Event of Default shall have occurred, the Tenant shall have previously cured it in full or the Landlord shall have waived it and (b) there shall not have been a History of Recurring Events of Default, the Tenant shall have one option, exercisable exclusively at the time and in the manner set forth below in subsection 6.2 of this Agreement, to extend the Term for one additional period of five (5) years' duration. The period to which this option relates shall commence upon the end of the Initial Term. This option is the "Option to Renew."

6.2 In the event the Tenant is interested in exercising the Option to Renew, the Tenant shall give timely notice of the Tenant's interest to the Landlord no earlier than fifteen (15), and no later than thirteen (13), months prior to the end of the Initial Term. Within four (4) weeks of the giving of such notice, the Landlord shall give notice to the Tenant of the Landlord's quotation of the Market Rental Rate for the Leased Premises during the Renewal Term. In the event the Tenant desires to exercise the Option to Renew, the Tenant shall do so exclusively by giving timely notice thereof to the Landlord no earlier than thirteen (13), and no later than twelve (12), months prior to the end of the Initial Term, and indicating in that notice whether or not the Landlord's quotation of the Market Rental Rate for the Leased Premises during the Renewal Term, as set forth in the Landlord's notice, is acceptable. In the event the Tenant fails timely to notify the Landlord of its interest in exercising the Option to Renew or timely to exercise the Option to Renew, the Option to

Renew shall thereupon expire.

6.3 The Basic Rent for the Leased Premises during the Renewal Term shall be the Landlord’s quotation of the Market Rental Rate for the Leased Premises during the Renewal Term, as set forth in the Landlord's notice to the Tenant, unless the Tenant, in the Tenant's notice contemplated by the third sentence of subsection 6.2 of this Agreement affirmatively indicates that the Landlord’s quotation of the Market Rental Rate set forth in the Landlord’s notice is not acceptable, in which case the Basic Rent for the Leased Premises during the Renewal Term shall the Market Rental Rate as determined in accordance with the procedure described in subsection 33.1 of this Agreement.

6.4 The Option to Renew may not be exercised by any person other than the original Tenant, ACADIA Pharmaceuticals, Inc., or an assignee of the Tenant to which the Tenant has assigned this Agreement in accordance with the terms of subsection 17.6 of this Agreement, or successor by merger or other acquisition. In the event the Tenant assigns this Agreement or sublets, or licenses the use or occupancy of, the Leased Premises or any portions thereof other than in accordance with subsection 17.6 of this Agreement, or attempts to do so:

6.4.1 any Option to Renew which the Tenant has theretofore properly exercised with respect to a Renewal Term that has not yet actually commenced shall be rescinded, if the Landlord so elects by notice to the Tenant, to the same extent as if it had not been exercised at all; and

6.4.2 any Option to Renew or any other type of option or optional right exercisable by the Tenant not theretofore timely and otherwise properly exercised by the Tenant shall thereupon expire.

7 Use and Occupancy.

7.1 The Tenant shall use the Leased Premises during the Term exclusively as general, administrative and executive offices and for uses ancillary to Tenant’s business.

7.2 In connection with the Tenant's use and occupancy of the Leased Premises and use of the Common Facilities, the Tenant shall observe, and the Tenant shall cause the Tenant's employees, other agents and Guests to observe, each of the following:

7.2.1 the Tenant shall not do, or permit or suffer the doing of, anything which might materially increase the risk of, or damage

from, fire, explosion or other casualty;

7.2.2 the Tenant shall not do, or permit or suffer the doing of, anything which would have the effect of (a) increasing any premium for any liability, property, casualty or excess coverage insurance policy otherwise payable by the Landlord or any tenant of Other Leased Premises or (b) making any such types or amounts of insurance coverage unavailable or less available to the Landlord or any tenant of Other Leased Premises;

7.2.3 to the extent they are not inconsistent with this Agreement, the Tenant and the Tenant's employees, other agents and Guests shall comply with the Building Rules and Regulations attached hereto as Exhibit D, and with any changes made therein by the Landlord if, with respect to any such changes, the Landlord shall have given notice of the particular changes to the Tenant and such changes shall not materially adversely affect the conduct of the Tenant's business in the Leased Premises or access and use of parking and Common Facilities to the extent granted herein;

7.2.4 the Tenant and the Tenant's employees, other agents and Guests shall not create, permit or continue any Nuisance in or around the Carnegie Center Complex, the Leased Premises, the Other Leased Premises, the Building, the Common Facilities and the Property;

7.2.5 the Tenant and the Tenant's employees, other agents and Guests shall not permit the Leased Premises to be regularly occupied by more than one individual per two hundred forty (240) square feet of gross rentable floor space of the Leased Premises;

7.2.6 the Tenant and the Tenant's employees, other agents and Guests shall comply with all Federal, state and local statutes, ordinances, rules, regulations and orders as they pertain to the Tenant's use and occupancy of the Leased Premises, to the conduct of the Tenant's business and to the use of the Common Facilities, except that this subsection shall not require the Tenant to make any structural or other changes that may be required thereby that are generally applicable to the Building or Common Facilities as a whole, or to changes required based on laws in effect prior to the Commencement Date;

7.2.7 the Tenant and the Tenant's employees, other agents and Guests shall comply with the requirements of the Board of Fire Underwriters (or successor organization) and of any insurance carriers providing liability, property, casualty or excess insurance coverage regarding the Property, the Building, the Common Facilities

or any portions thereof, any other improvements on the Property and the Carnegie Center Complex, except that this subsection shall not require the Tenant to make any structural or other changes that may be required thereby that are generally applicable to the Building as a whole, or to changes required based on requirements in effect prior to the Commencement Date;

7.2.8 the Tenant and the Tenant's employees, other agents and Guests shall not bring or discharge any substance (solid liquid or gaseous), or conduct any activity, in or on the Carnegie Center Complex, the Property, the Building, the Common Facilities or the Leased Premises that shall have been identified by any Federal, state or local statute (including, without limiting the generality of the foregoing, the Spill Compensation and Control Act (58 N.J.S.A. 23.11 et seq.) and the Industrial Site Recovery Act (13 N.J.S.A. 1 K-6 et seq.), as they may be amended), ordinance, rule, regulation or order as toxic or hazardous to health or to the environment;

7.2.9 the Tenant and the Tenant's employees, other agents and Guests shall not draw electricity in the Leased Premises in excess of the rated capacity of the electrical conductors and safety devices including, without limiting the generality of the foregoing, circuit breakers and fuses, by which electricity is distributed to and throughout the Leased Premises and, without the prior written consent of the Landlord in each instance, shall not connect any fixtures, appliances or equipment to the electrical distribution system serving the Building and the Leased Premises other than typical professional office equipment such as computers, computer servers, typewriters, copiers, telephone systems, coffee machines and table top microwave ovens, none of which, considered individually and in the aggregate, overall and per fused or circuit breaker protected circuit, shall exceed the above limits;

7.2.10 on a timely basis the Tenant shall pay directly and promptly to the respective taxing authorities any taxes (other than Taxes) charged, assessed or levied exclusively on the Leased Premises or arising exclusively from the Tenant's use and occupancy of the Leased Premises; and

7.2.11 the Tenant shall not initiate any appeal or contest of any assessment or collection of Taxes for any period without, in each instance, the prior written consent of the Landlord which, without being deemed unreasonable, the Landlord may withhold if the Building was not ninety (90%) percent occupied by paying tenants throughout that period or if the Tenant is not joined by tenants of Other Leased Premises that leased throughout that period, and that are then leasing, at least eighty (80%) percent of all Other Leased

Premises, determined by their gross rentable floor space.

8 Utilities, Services, Maintenance and Repairs.

8.1 The Landlord shall provide or arrange for the provision of:

8.1.1 such maintenance and repair of the Building (except the Leased Premises and Other Leased Premises); the Common Facilities; and the building standard heating, ventilation and air conditioning systems, any plumbing systems and the electrical systems in the Building, the Common Facilities, the Leased Premises and Other Leased Premises as is customarily provided for first class office buildings in the immediate area;

8.1.2 such janitorial services for the Building, the Leased Premises and Other Leased Premises as are set forth in Exhibit F attached hereto and such garbage removal from the Building and the Common Facilities as is customarily provided for first class office buildings in the immediate area;

8.1.3 water to the Building and, if the appropriate plumbing has been installed therein, the Leased Premises and Other Leased Premises;

8.1.4 sewage disposal for the Building;

8.1.5 passenger elevator service for the Building;

8.1.6 snow and ice clearance from, and sweeping of, Parking Facilities and driveways which are part of the Property or the Common Facilities;

8.1.7 the maintenance of landscaping which is part of the Property or the Common Facilities;

8.1.8 a perimeter card reader system which permits entry to the Building on a twenty-four hour, seven day a week basis; and

8.1.9 a roving security guard for the Carnegie Center Complex on a twenty-four hour, seven day a week basis.

8.2 The Landlord shall provide or arrange for the provision of:

8.2.1 such maintenance and repair of the Leased Premises as is customarily provided for leased premises in first class office buildings in the immediate area, except for refinishing walls and wall treatments, base, ceilings, floor treatments and doors in

general from time to time or for gouges, spots, marks, damage or defacement caused by anyone other than the Landlord, its employees and other agents, and except for the Tenant's furniture, furnishings, equipment including, without limiting the generality of the foregoing, any supplemental air conditioning equipment installed by or at the request of the Tenant at any time, and other property;

8.2.2 such maintenance and repair of the Other Leased Premises as is customarily provided for leased premises in first class office buildings in the immediate area, except for refinishing walls and wall treatments, base, ceilings, floor treatments and doors in general from time to time or for gouges, spots, marks, damage or defacement caused by anyone other than the Landlord, its employees and other agents, and except for the respective tenants' furniture, furnishings, equipment and other property;

8.2.3 the electricity required for the operation of the Building, the Property and the Common Facilities during Regular Business Hours and, on a reduced service basis, during other than Regular Business Hours, and, at all times, the electricity required for the Leased Premises and Other Leased Premises;

8.2.4 such building standard heat, ventilation and air conditioning for the Building, the Leased Premises and Other Leased Premises as is customarily provided for first class office buildings in the immediate area for the comfortable use of the Building during Regular Business Hours; and

8.2.5 heated water to the Building (except the Leased Premises and Other Leased Premises, unless the appropriate plumbing, fixtures and hot water heating units have been installed therein); and

8.2.6 during other than Regular Business Hours, upon request either (i) using a dial-up procedure provided by the Landlord, or (ii) faxed by the Tenant to the Landlord or submitted to the Landlord using the Landlord’s Internet based service request system, in either case, by (a) 3:00 p.m. on the business day in question, or (b) in the case of any weekend day, Legal Holiday or the morning hours of a business day immediately following a weekend or Legal Holiday, the Tenant shall submit its request by 3:00 p.m. on the business day immediately prior to such day(s) in question, the Landlord shall provide heat, ventilation and air conditioning on a full service basis on such day(s) in question at a cost to the Tenant of $75.00 per hour or partial hour of use per floor.

8.3 Except as specifically set forth in subsections 8.1 and

8.2.1 of this Agreement, the Tenant shall maintain and repair the Leased Premises and any equipment above building standard installed by, or at the request of, the Tenant and keep the Leased Premises and the foregoing in as good condition and repair, reasonable wear and use excepted, as the Leased Premises are upon the respective completion of any improvements contemplated by sections 5 or 12 of this Agreement.

8.4 Notwithstanding anything contained in this Agreement to the contrary, if the Landlord or any Affiliate of the Landlord has elected to qualify as a real estate investment trust ("REIT"), any service required or permitted to be performed by the Landlord pursuant to this Agreement, the charge or cost of which may be treated as impermissible tenant service income under the laws governing a REIT, may be performed by a taxable REIT subsidiary that is affiliated with either the Landlord or the Landlord's property manager, an independent contractor of the Landlord or the Landlord's property manager (the "Service Provider"). If the Tenant is subject to a charge under this Agreement for any such service, then, at the Landlord's direction, the Tenant shall pay such charge either to the Landlord for further payment to the Service Provider or directly to the Service Provider, and, in either case, (i) the Landlord shall credit such payment against Additional Rent due from the Tenant under this Agreement for such service, and (ii) such payment to the Service Provider shall not relieve the Landlord from any obligation under this Agreement concerning the provisions of such service.

9 Allocation of the Expense of Utilities, Services, Maintenance, Repairs and Taxes.

9.1 All Tenant Electric Charges shall be borne by the Tenant.

9.2 Between the Commencement Date and the end of the No Pass Through Period, the Tenant's Share of all Operational Expenses and Taxes incurred during such period shall be borne by the Landlord.

9.3 Between the day after the end of the No Pass Through Period and the end of the Term, the Tenant's Share of Operational Expenses and Taxes incurred during each annual or shorter period ending on (a) December 31 of each year and (b) the end of the Term shall be borne as follows:

9.3.1 the Tenant's Share of: Operational Expenses and Taxes incurred during each such period of twelve (12) months (or shorter period), up to the amounts of Base Year Operational Expenses and Base Year Taxes, respectively (or proportional amount thereof for periods shorter than twelve (12) months), shall be borne by the

Landlord; and

9.3.2 the Tenant's Share of: the amounts by which Operational Expenses and Taxes incurred during each such period of twelve (12) months (or shorter period) exceed Base Year Operational Expenses and Base Year Taxes, respectively (or proportional amount thereof for periods shorter than twelve (12) months) shall be allocated to, and borne by, the Tenant as more specifically set forth in section 10 of this Agreement.

10 Computation and Payment of Allocated Expenses of Utilities, Services, Maintenance, Repairs, Taxes and Capital Expenditures.

10.1 The Tenant shall promptly pay the following additional amounts to the Landlord at the respective times set forth below:

10.1.1 commencing with the first day after the end of the No Pass Through Period, and on the first day of each month thereafter during the Term, one-twelfth (1/12) of the Tenant's Share of the amount by which Taxes for the then current calendar year exceeds Base Year Taxes, computed in accordance with subsection 10.5 of this Agreement;

10.1.2 within twenty (20) days of the Landlord's giving notice to the Tenant after the close of each calendar year closing during the Term, commencing with the first calendar year closing after the close of the No Pass Through Period, and after the end of the Term, the Tenant's Share of the difference between the Landlord's previously projected amount of Taxes for such period and the actual amount of Taxes for such period, in either case in excess of Base Year Taxes, computed in accordance with subsection 10.6 of this Agreement (unless such difference is a negative amount, in which case the Landlord shall credit such difference against any amounts next due from the Tenant under subsections 10.1.1 and 10.5 of this Agreement);

10.1.3 commencing with the first day after the end of the No Pass Through Period, and on the first day of each month thereafter during the Term, one-twelfth (1/12) of the Tenant's Share of the amount by which Operational Expenses for the then current calendar year exceed Base Year Operational Expenses, computed in accordance with subsection 10.7 of this Agreement;

10.1.4 within twenty (20) days of the Landlord's giving notice to the Tenant after the close of each calendar year closing during the Term, commencing with the first calendar year closing after the close of the No Pass Through Period, and after the end of

the Term, the Tenant's Share of the difference between the Landlord's previously projected amount of Operational Expenses for such period and the actual amount of Operational Expenses for such period, in either case in excess of Base Year Operational Expenses, computed in accordance with subsection 10.8 of this Agreement (unless such difference is a negative amount, in which case the Landlord shall credit such difference against any amounts next due from the Tenant under subsections 10.1.3 and 10.7 of this Agreement);

10.1.5 commencing with the first day of the first month after the Landlord gives any notice contemplated by subsection 10.9 of this Agreement to the Tenant and continuing on the first day of each month thereafter until the earlier of (a) the end of the Term or (b) the last month of the useful life set forth in the respective notice, one-twelfth (1/12) of the Tenant's Share of any Annual Amortized Capital Expenditure, computed in accordance with subsection 10.9 of this Agreement;

10.1.6 on the first day of each month during the Term, the monthly Tenant Electric Charges, computed in accordance with subsection 10.10 of this Agreement; and

10.1.7 promptly as and when billed therefor by the Landlord, the amount of any expense which would otherwise fall within the definition of Operational Expenses, but which is specifically paid or incurred by the Landlord for operation and maintenance of the Building, the Common Facilities or the Property outside Regular Business Hours at the specific request of the Tenant or the amount of any expenditure incurred for maintenance or repair of damage to the Building, the Common Facilities, the Property, the Leased Premises or the Other Leased Premises caused directly or indirectly, in whole or in part, by the active or passive negligence or intentional act of the Tenant or any of its employees, other agents or guests.

10.2 “Operational Expenses" means all expenses paid or incurred by the Landlord in connection with the Property, the Building, the Common Facilities and any other improvements on the Property, provided such improvement does not serve only the Landlord or a specific Other Tenant individually, and their operation and maintenance, adjusted in the manner described in the definition of Base year Operational Expenses set forth in Exhibit E attached hereto during the Base year and each subsequent year to assume ninety-five (95%) percent occupancy of the Building at any time when the Building is less than ninety-five (95%) percent occupied (other than Taxes (which are separately allocated to the Tenant in accordance with subsections 10.1.1 and 10.1.2 of this Agreement), Capital

Expenditures (which are separately allocated to the Tenant in accordance with subsection 10.1.5 of this Agreement) and those expenses contemplated by subsections 10.6 and 10.8 of this Agreement)) including, without limiting the generality of the foregoing:

10.2.1 Utilities Expenses;

10.2.2 the reasonable and customary expense of providing the services, maintenance and repairs contemplated by subsections 8.1, 8.2.1 and 8.2.2 of this Agreement, whether furnished by the Landlord's employees or by independent contractors or other agents;

10.2.3 wages, salaries, fees and other compensation and payments and payroll taxes and contributions to any social security, unemployment insurance, welfare, pension or similar fund and payments for other fringe benefits required by law or union agreement (or, if the employees or any of them are not represented by a union, then payments for benefits comparable to those generally required by union agreement in first class office buildings in the immediate area which are unionized) made to or on behalf of any employees of the Landlord performing services rendered in connection with the operation and maintenance of the Building, the Common Facilities and the Property, including, without limiting the generality of the foregoing, elevator operators, elevator starters, window cleaners, porters, janitors, maids, miscellaneous handymen, watchmen, persons engaged in patrolling and protecting the Building, the Common Facilities and the Property, carpenters, engineers, firemen, mechanics, electricians, plumbers, other tradesmen, other persons engaged in the operation and maintenance of the Building, Common Facilities and Property, Building superintendent and assistants, Building manager, and clerical and administrative personnel, provided all such costs are allocated fairly across the Building, Common Facilities and Property;

10.2.4 the uniforms of all employees and the cleaning, pressing and repair thereof;

10.2.5 premiums and other charges incurred by the Landlord with respect to all insurance relating to the Building, the Common Facilities and the Property and the operation and maintenance thereof, including, without limitation: property and casualty, fire and extended coverage insurance, including windstorm, flood, hail, explosion, other casualty, riot, rioting attending a strike, civil commotion, aircraft, vehicle and smoke insurance; public liability insurance; elevator, boiler and machinery insurance; excess liability coverage insurance; use and occupancy insurance; workers'

compensation and health, accident, disability and group life insurance for all employees; and casualty rent insurance;

10.2.6 sales and excise taxes and the like upon any Operational Expenses and Capital Expenditures;

10.2.7 management fees of any independent managing agent for the Property, the Building or the Common Facilities; and if there shall be no independent managing agent, or if the managing agent shall be a person affiliated with the Landlord, the management fees that would customarily be charged for the management of the Property, the Building and the Common Facilities by an independent, first class managing agent in the immediate area, that the management fee shall initially be at the rate of four percent (4%), and which percentage shall not exceed six percent (6%) during the balance of the Initial Term of this Agreement and provided further there shall be no increase in the percentage until after the Base Year and thereafter no increase of more than one percent (1%) in the percentage during the first three Lease Year and no more then one percent (1%) thereafter;

10.2.8 the cost of replacements for tools, supplies and equipment used in the operation, service, maintenance, improvement, inspection, repair and alteration of the Building, the Common Facilities and the Property, provided all such costs are allocated fairly across the Building, Common Facilities and Property;

10.2.9 the cost of repainting or otherwise redecorating any part of the Building or the Common Facilities;

10.2.10 decorations for the lobbies and other Common Facilities in the Building;

10.2.11 the cost of licenses, permits and similar fees and charges related to operation, repair and maintenance of the Building, the Property and the Common Facilities;

10.2.12 an allocable share of service, replacement, repair, maintenance and other charges assessed from time to time by the Carnegie Center Owners Association II to the Building;

10.2.13 all costs of applying and reporting for the Building or any part thereof to seek or maintain certification under the U.S. EPA’s Energy Star® rating system, the U.S. Green Building Council’s Leadership in Energy and Environmental Design (LEED) rating system or a similar system or standard; and

10.2.14 any and all other expenditures of the Landlord in

connection with the operation, alteration, repair or maintenance of the Property, the Common Facilities or the Building as a first-class office building and facilities in the immediate area which are properly treated as an expense fully deductible as incurred in accordance with generally applied real estate accounting practice.

10.3 "Capital Expenditures" means the following expenditures incurred or paid by the Landlord in connection with the Property, the Building, the Common Facilities and any other improvements on the Property, which in each case shall be amortized over the full estimate useful life of the capital asset acquired in accordance with the schedule attached hereto as Exhibit I:

10.3.1 all costs and expenses incurred by the Landlord in connection with retro-fitting the entire Building or the Common Facilities, or any portion thereof, to comply with any change in Federal, state or local statute, rule, regulation, order or requirement, which change takes effect after the one year anniversary date of the Commencement Date;

10.3.2 all costs and expenses incurred by the Landlord to replace and improve components of or within the Property, the Building or the Common Facilities or portions thereof for the purpose of cost efficiency for the continued operation of the Property, the Building and the Common Facilities as a first class office complex in the immediate area, which change takes effect after the one year anniversary date of the Commencement Date; and

10.3.3 all costs and expenses incurred by the Landlord in connection with the installation of any energy, labor or other cost saving or life safety device or system on the Property or in the Building or the Common Facilities, which change takes effect after the one year anniversary date of the Commencement Date.

10.4 Neither "Operational Expenses" nor "Capital Expenditures" shall include any of the following:

10.4.1 principal or interest on indebtedness, debt amortization or ground rent paid by the Landlord in connection with any mortgages, deeds of trust or other financing encumbrances, or ground leases of the Building or the Property;

10.4.2 any capital expenditure, or amortized portion thereof, other than those included in the definition of Capital Expenditures set forth in subsection 10.3 above;

10.4.3 expenditures for any leasehold improvement which

is made in connection with the preparation of any portion of the Building for occupancy by any tenant or which is not made generally to or for the benefit of the Building or the Property;

10.4.4 the cost of repairs or replacements incurred by reason of fire or other casualty, or condemnation (other than costs not in excess of the deductible on any insurance maintained by the Landlord which provides a recovery for such repair or replacement), to the extent the Landlord actually receives proceeds of property and casualty insurance policies or condemnation awards or would have received such proceeds had the Landlord maintained the insurance required to be maintained by the Landlord under this Agreement;

10.4.5 legal fees, space planner’s fees, architect’s fees, leasing and brokerage commissions, advertising and promotional expenditures and any other marketing expense incurred in connection with the leasing of space in the Building (including new leases, lease amendments, lease terminations and lease renewals);

10.4.6 expenditures for the salaries and benefits of the executive officers, if any, of the Landlord; and

10.4.7 depreciation for the Building, the Common Facilities and any other improvement on the Property.

10.5 As soon as practicable after the close of the No Pass Through Period and December 31 of each year thereafter, any portion of which is during the Term, the Landlord shall furnish the Tenant with a notice setting forth:

10.5.1 Taxes billed, or if a bill has not then been received for the entire period, the Landlord's projection of Taxes to be billed, for the then current calendar year;

10.5.2 the amount of Base Year Taxes;

10.5.3 the amount, if any, by which item 10.5.1 above exceeds item 10.5.2 above; and

10.5.4 the Tenant's Share of item 10.5.3 above.

10.6 As soon as practicable after December 31 of each year during the Term and after the end of the Term, the Landlord shall furnish the Tenant with a notice setting forth:

10.6.1 the actual amount of Taxes for the preceding calendar year in excess of Base Year Taxes (or proportional amount

thereof for shorter periods during the Term);

10.6.2 the Landlord's previously projected amount of Taxes for the preceding calendar year in excess of Base Year Taxes (or proportional amount thereof for shorter periods during the Term);

10.6.3 the difference obtained by subtracting item 10.6.2 above from item 10.6.1 above; and

10.6.4 the Tenant's Share of item 10.6.3 above.

10.7 As soon as practicable after the close of the No Pass Through Period and December 31 of each year thereafter, any portion of which is during the Term, the Landlord shall furnish the Tenant with a notice setting forth:

10.7.1 the Landlord's projection of annual Operational Expenses for the current period (if any portion thereof is during the Term);

10.7.2 the amount of the Base Year Operational Expenses;

10.7.3 the amount, if any, by which item 10.7.1 above exceeds item 10.7.2 above; and

10.7.4 the Tenant's Share of item 10.7.3 above.

10.8 As soon as practicable after December 31 of each year during the Term and after the end of the Term, the Landlord shall furnish the Tenant with a notice setting forth:

10.8.1 the actual amount of Operational Expenses for the preceding calendar year in excess of Base Year Operational Expenses (or proportional amount thereof for shorter periods during the Term);

10.8.2 the Landlord's previously projected amount of Operational Expenses for the preceding calendar year in excess of Base Year Operational Expenses (or proportional amount thereof for shorter periods during the Term);

10.8.3 the difference obtained by subtracting item 10.8.2 above from item 10.8.1 above; and

10.8.4 the Tenant's Share of item 10.8.3 above.

10.9 As soon as practicable after incurring any Capital Expenditure, the Landlord shall furnish the Tenant with a notice

setting forth:

10.9.1 a description of the Capital Expenditure and the subject thereof;

10.9.2 the date the subject of the respective Capital Expenditure was first placed into service and the period of useful life selected by the Landlord in connection with the determination of the Annual Amortized Capital Expenditure;

10.9.3 the amount of the Annual Amortized Capital Expenditure; and

10.9.4 the Tenant’s Share of item 10.9.3 above.

10.10 Tenant Electric Charges shall be initially charged at the rate of $1.75 per rentable square foot per year. From time to time, whenever the Landlord’s estimate of Tenant Electric Charges changes, the Landlord shall furnish the Tenant with a notice setting forth its estimate of Tenant Electric Charges per month. Unless the Tenant desires to question the Landlord's then most recent estimate of Tenant Electric Charges exclusively in the manner set forth below, the Landlord's then most recent estimate shall be binding and shall continue in effect until any question raised by the Tenant is otherwise resolved in accordance with this subsection 10.10 of this Agreement. If the Tenant desires to question the Landlord's estimate of Tenant Electric Charges, provided that the Tenant has completed its initial build-out of the Leased Premises, has fully staffed the Leased Premises and is utilizing such quantity of utility service which the Tenant reasonably projects will be the average quantity of utility service which the Tenant will use throughout the Term, the Tenant shall give notice to the Landlord of its desire. Upon receipt of the Tenant's notice, the Landlord shall obtain, at the Tenant's expense, a reputable, independent electrical engineer's formal written estimate and computation of the Tenant Electric Charges. The engineer's estimate and computation of Tenant Electric Charges shall thereupon control for a twelve (12) month period commencing with the date as of which it is given effect as to Tenant Electric Charges, and until the Landlord furnishes the Tenant with a subsequent notice setting forth its estimate of Tenant Electric Charges per month, except to the extent that the Landlord may increase them in proportion to increases in Utilities Expenses during the same period. Alternatively, if feasible, Tenant may elect to have a meter or sub-meter installed at Tenant’s sole cost and expense, including any cost to remove or replace same, to measure Tenant’s actual utility usage for each month. In which event, Tenant’s Electric Charge shall be at the utility rate for electricity actually used.

10.11 Subject to the provisions of this subsection 10.11 and provided that no Event of Default exists, the Tenant shall have the right to examine the correctness of the Landlord's statement of the actual amount of Operational Expenses and Taxes as set forth in the notices required by subsections 10.6 and 10.8 or any item contained therein:

10.11.1 Any request for examination with respect to any calendar year during the Term may be made by notice from the Tenant to the Landlord no more than ninety (90) days after the date (the "Operational Expenses and Taxes Statement Date") on which the Landlord provides to the Tenant a statement of the actual amount of the Operational Expenses and Taxes with respect to such calendar year and only if the Tenant shall have fully paid such amount. Such notice shall set forth in reasonable detail the matters questioned. Any such examination must be completed and the results communicated to the Landlord no more than one hundred eighty (180) days after the Operational Expenses and Taxes Statement Date; provided Landlord has provided Tenant and its representative prompt access to all books and records requested by them to complete such examination.

10.11.2 The Tenant hereby acknowledges and agrees that the Tenant's sole right to contest an Operational Expenses and Taxes statement shall be as expressly set forth in this subsection 10.11. The Tenant hereby waives any and all other rights pursuant to applicable law to inspect the Landlord's books and records and/or to contest such Operational Expenses and Taxes statement. If the Tenant shall fail to timely exercise the Tenant's right to inspect the Landlord's books and records as provided in this subsection 10.11 with respect to any calendar year, or if the Tenant shall fail to timely communicate to the Landlord the results of the Tenant's examination as provided in this subsection 10.11 with respect to any calendar year, the Landlord's statement of Operational Expenses and Taxes with respect to such calendar year shall be conclusive and binding on the Tenant.

10.11.3 So much of the Landlord's books and records pertaining to the Operational Expenses and Taxes for the specific matters questioned by the Tenant for the calendar year included in the Landlord's statement shall be made available to the Tenant either electronically or during normal business hours at the offices where the Landlord keeps such books and records or at another location, as determined by the Landlord, within a reasonable time after the Landlord timely receives the notice from the Tenant to make such examination pursuant to this subsection 10.11.

10.11.4 The Tenant shall have the right to make such examination no more than once with respect to any calendar year for which the Landlord has given the Tenant a statement of the Operational Expenses and Taxes.

10.11.5 Such examination may be made only by a qualified employee of the Tenant or a qualified independent certified public accounting firm approved by the Landlord, which approval will not be unreasonably withheld or delayed. No examination shall be conducted by an examiner who is to be compensated, in whole or in part, on a contingent fee basis.

10.11.6 As a condition to performing any such examination, the Tenant and its examiners shall be required to execute and deliver to the Landlord an agreement, in form acceptable to the Landlord, agreeing to keep confidential any information which it discovers about the Landlord, the Property, the Building or the Leased Premises in connection with such examination.

10.11.7 No subtenant shall have any right to conduct any such examination and no assignee may conduct any such examination with respect to any period during which the assignee was not in possession of the Leased Premises.

10.11.8 All costs and expenses of any such examination shall be paid by the Tenant. In the event the examination by Tenant—shows that Tenant has overpaid any amount, Landlord shall promptly credit Tenant an amount equal to such overpayment against any Rent becoming due under this Lease, or if the amount exceeds the remaining rent due, promptly reimburse Tenant such excess amount.

10.12 The mere enumeration of an item within the definitions of Operational Expenses and Capital Expenditures in subsections 10.2 and 10.3 of this Agreement, respectively, shall not be deemed to create an obligation on the part of the Landlord to provide such item unless the Landlord is affirmatively required to provide such item elsewhere in this Agreement.

10.13 In the event that there is located in the Leased Premises a data center containing high density computing equipment, as defined in the U.S. EPA’s Energy Star® rating system (“Energy Star”), the Landlord may require the installation in accordance with Energy Star of separate metering or check metering equipment, the Tenant being responsible for the costs of any such meter or check meter and the installation and connectivity thereof. The Tenant shall directly

pay to the utility all electric consumption on any such meter and shall pay to the Landlord, as Additional Rent, all electric consumption on any such check meter within thirty (30) days after being billed thereof by the Landlord, in addition to other electric charges payable by the Tenant under this Agreement.

10.14 In the event that the Tenant purchases any utility service directly from the provider, the Tenant shall promptly provide to the Landlord either permission to access the Tenant’s usage information from the utility service provider or copies of the utility bills for the Tenant’s usage of such services in a format reasonably acceptable to the Landlord.

11 Leasehold Improvements, Fixtures and Trade Fixtures. All leasehold improvements to the Leased Premises, fixtures installed in the Leased Premises and the blinds and floor treatments or coverings shall be the property of the Landlord, regardless of when, by which party or at which party's cost the item is installed. Movable furniture, furnishings, trade fixtures and equipment of the Tenant which are in the Leased Premises shall be the property of the Tenant, except as may otherwise be set forth in section 23 of this Agreement.

12 Alterations, Improvements and Other Modifications by the Tenant.

12.1 The Tenant shall not make any alterations, improvements or other modifications to the Leased Premises which effect structural changes in the Building or any portion thereof, change the functional utility or rental value of the Leased Premises or, except as may be contemplated by section 5 of this Agreement prior to the Commencement Date, affect the mechanical, electrical, plumbing or other systems installed in the Building or the Leased Premises.

12.2 The Tenant shall not make any alterations, improvements or modifications to the Leased Premises, the Building or the Property or make any boring in the ceiling, walls or floor of the Leased Premises or the Building unless the Tenant shall have first:

12.2.1 furnished to the Landlord detailed, New Jersey architect-certified construction drawings, construction specifications and, if they pertain in any way to the heating, ventilation and air conditioning or other systems of the Building, related engineering design work and specifications regarding, the proposed alterations, improvements or other modifications and, (i) if the Tenant elects to perform the work through contractors of its own, paid the Landlord a drawings, specifications and design review fee equal to five (5%) percent of the cost of the work and, during the course of the work, a construction inspection fee equal to five

(5%) percent of the cost of the work (the Tenant shall furnish to the Landlord, within fifteen (15) days after the substantial completion of such work, a copy of the contractor's Application and Certification for Payment (AIA Document 702) and Continuation Sheet (s) (AIA Document 703) for the total cost of such work and receipted, detailed invoices therefor), and (ii) if the Landlord performs the work, paid the Landlord a drawings, specifications and design review fee equal to five (5%) percent of the cost of the work and, during the course of the work, a construction supervision fee equal to ten (10%) percent of the cost of the work;

12.2.2 not received a notice from the Landlord objecting thereto in any respect within thirty (30) days of the furnishing thereof (which shall not be deemed the Landlord's affirmative consent for any purpose);

12.2.3 obtained any necessary or appropriate building permits or other approvals from the Municipality and, if such permits or other approvals are conditional, satisfied all conditions to the satisfaction of the Municipality; and

12.2.4 met, and continued to meet, all the following conditions with regard to any contractors selected by the Tenant and any subcontractors, including materialmen, in turn selected by any of them:

12.2.4.1 the Tenant shall have sole responsibility for payment of, and shall pay, such contractors;

12.2.4.2 the Tenant shall have sole responsibility for coordinating, and shall coordinate, the work to be supplied or performed by such contractors, both among themselves and with any contractors selected by the Landlord;

12.2.4.3 the Tenant shall not permit or suffer the filing of any mechanic's notice of intention or other lien or prospective lien by any such contractor or subcontractor with respect to the Property, the Common Facilities, the Building or any other improvements on the Property; and if any of the foregoing should be filed by any such contractor or subcontractor, the Tenant shall forthwith obtain and file the complete discharge and release thereof or provide such payment bond(s) from a reputable, financially sound institutional surety as will, in the opinions of the Landlord, the holders of any mortgage indebtedness on, or other interest in, the Property, the Building, the Common Facilities or any other improvements on the Property, or any portions thereof, and their respective title insurers, be adequate to assure the complete

discharge and release thereof;

12.2.4.4 prior to any such contractor's entering upon the Property, the Building or the Leased Premises or commencing work the Tenant shall have delivered to the Landlord (a) all the Tenant's certificates of insurance set forth in section 14 of this Agreement, conforming in all respects to the requirements of section 14 of this Agreement, except that the effective dates of all such insurance policies shall be prior to any such contractor's entering upon the Property, the Building or the Leased Premises or commencing work (if any work is scheduled to begin before the Commencement Date) and (b) similar certificates of insurance from each of the Tenant's contractors providing for coverage in equivalent amounts, together with their respective certificates of workers' compensation insurance, employer's liability insurance and products-completed operations insurance, the latter providing coverage in at least the amount required for the Tenant's commercial general liability and excess insurance, for the benefit of, and shall name, the Landlord, the Landlord's managing agent and mortgagees and ground lessors known to the Tenant, if any, of the Building, the Common Facilities, the Property or any interest therein, their successors and assigns as additional persons insured, and (c) certificates of insurance from each of the Tenant's contractors providing for builders' risk insurance coverage from financially sound and reputable insurers, licensed by the State of New Jersey to provide such insurance and acceptable to the Landlord, that is written on an "all risk" of physical loss or damage basis, for the full replacement cost value, which insurance policy shall be maintained in full force and effect until final completion of the respective work, and none of which insurance policies shall contain a "co-insurance" clause;

12.2.4.5 each such contractor shall be a party to collective bargaining agreements with those unions that are certified as the collective bargaining agents of all bargaining units of such contractor, of which all such contractor's workpersons shall be members in good standing;

12.2.4.6 each such contractor shall perform its work in a good and workpersonlike manner and shall not interfere with or hinder the Landlord or any other contractor in any manner;

12.2.4.7 there shall be no labor dispute of any nature whatsoever involving any such contractor or any workpersons of such contractor or the unions of which they are members with anyone; and if such a labor dispute exists or comes into existence the Tenant shall forthwith, at the Tenant's sole cost and expense, remove all such contractors and their workpersons from the Building, the Common

Facilities and the Property; and

12.2.4.8 the Tenant shall have the sole responsibility for the security of the Leased Premises and all contractors' materials, equipment and work, regardless of whether their work is in progress or completed.

12.3 After the Commencement Date, the Tenant shall not apply any wall covering or other treatment to the walls of the Leased Premises without the prior written consent of the Landlord.

13 Landlord's Rights of Entry and Access. The Landlord and its authorized agents shall have the following rights of entry and access to the Leased Premises:

13.1 In case of any emergency or threatened emergency, at any time for any purpose which the Landlord reasonably believes under such circumstances will serve to prevent, eliminate or reduce the emergency, or the threat thereof, or damage or threatened damage to persons and property.

13.2 Upon at least one business day's prior verbal advice to the Tenant, at any time for the purpose of erecting or constructing improvements, modifications, alterations and other changes to the Building or any portion thereof, including, without limiting the generality of the foregoing, the Leased Premises, the Common Facilities or the Property or for the purpose of repairing, maintaining or cleaning them, whether for the benefit of the Landlord, the Building, all tenants of Other Leased Premises in the Building, or one or more tenants of Other Leased Premises, the Carnegie Center Complex or others. In connection with any such improvements, modifications, alterations, other changes, repairs, maintenance or cleaning, the Landlord may close off such portions of the Property, the Building and the Common Facilities and interrupt such services as may be necessary to accomplish such work, without liability to the Tenant therefor and without such closing or interruption being deemed an eviction or constructive eviction or requiring an abatement of Rent. However, in accomplishing any such work, the Landlord shall endeavor not to materially interfere with the Tenant's use and enjoyment of the Leased Premises or the conduct of the Tenant's business and to minimize interference, inconvenience and annoyance to the Tenant.

13.3 At all reasonable hours for the purpose of operating, inspecting or examining the Building, including the Leased Premises, or the Property.

13.4 At any time after the Tenant has vacated the Leased Premises, for the purpose of preparing the Leased Premises for another tenant or prospective tenant.

13.5 If practicable by appointment with the Tenant, at all reasonable hours for the purpose of showing the Building to prospective purchasers, mortgagees and prospective mortgagees and prospective ground lessees and lessors.

13.6 If practicable by appointment with the Tenant, at all reasonable hours during the last twelve (12) months of the Term for the purpose of showing the Leased Premises to prospective tenants thereof.

13.7 The mere enumeration of any right of the Landlord within this section 13 of the Agreement shall not be deemed to create an obligation on the part of the Landlord to exercise any such right unless the Landlord is affirmatively required to exercise such right elsewhere in this Agreement.

14 Liabilities and Insurance Obligations.

14.1 The Tenant shall maintain in full force on or before the earlier of (i) the date on which any Tenant Party first enters the Leased Premises for any reason, or (ii) the Commencement Date, and thereafter throughout and until the end of the Term, and after the end of the Term for so long after the end of the Term as any of the Tenant's Property remains in the Leased Premises, or the Tenant or anyone acting by, through or under the Tenant may use, be in occupancy of any part of, or have access to the Leased Premises or any portion thereof, a policy of commercial general liability insurance, on an occurrence basis, issued on a form at least as broad as Insurance Services Office ("ISO") Commercial General Liability Coverage "occurrence" form CG 00 01 10 01 or another Commercial General Liability "occurrence" form providing equivalent coverage. Such insurance shall include contractual liability coverage, specifically covering but not limited to the indemnification obligations undertaken by the Tenant in this Agreement. The minimum limits of liability of such insurance shall be $5,000,000 per occurrence. In addition, in the event the Tenant hosts a function in the Leased Premises, the Tenant agrees to obtain, and cause any persons or parties providing services for such function to obtain, the appropriate insurance coverages as determined by the Landlord (including liquor liability coverage, if applicable) and provide the Landlord with evidence of the same.

14.2 The Tenant shall maintain at all times during the Term, and during such earlier or later time as the Tenant may be performing work in or to the Leased Premises or have property, fixtures, furniture, equipment, machinery, goods, supplies, wares or merchandise in the Leased Premises, and continuing thereafter so long as any of the Tenant's Property, remains in the Leased Premises, or the Tenant or anyone acting by, through or under the Tenant may use, be in occupancy of or have access to, any part of the Leased Premises, business interruption insurance and insurance against loss or damage covered by the so-called "all risk" or equivalent type insurance coverage with respect to (i) the Tenant's property, fixtures, furniture, equipment, machinery, goods, supplies, wares and merchandise, and other property of the Tenant located at the Leased Premises, (ii) all additions, alterations and improvements made by or on behalf of the Tenant in the Leased Premises or are existing in the Leased Premises as of the date of this Agreement ("Leasehold Improvements"), and (iii) any property of third parties, including, but not limited to, leased or rented property, in the Leased Premises in the Tenant's care, custody, use or control, provided that such insurance in the case of (iii) may be maintained by such third parties (collectively the "Tenant's Property"). The business interruption insurance required by this section shall be in minimum amounts typically carried by prudent tenants engaged in similar operations, but in no event shall be in an amount less than the Basic Rent then in effect during any Lease Year, plus any Additional Rent due and payable for the immediately preceding Lease Year. The "all risk" insurance required by this section shall be in an amount at least equal to the full replacement cost of the Tenant's Property. In addition, during such time as the Tenant is performing work in or to the Leased Premises, the Tenant, at the Tenant's sole cost and expense, shall also maintain, or shall cause its contractor(s) to maintain, builder's risk insurance for the full insurable value of such work. The Landlord and such additional persons or entities as the Landlord may reasonably request, including but not limited to the entities listed on Exhibit G-1, shall be named as loss payees, as their interests may appear, on the policy or policies required by this section for Leasehold Improvements. In the event of loss or damage covered by the "all risk" insurance required by this section, the responsibilities for repairing or restoring the loss or damage shall be determined in accordance with section 15 of this Agreement. To the extent that the Landlord is obligated to pay for the repair or restoration of the loss or damage covered by the policy, the Landlord shall be paid the proceeds of the "all risk" insurance covering the loss or damage. To the extent the Tenant is obligated to pay for the repair or restoration of the loss or damage, covered

by the policy, the Tenant shall be paid the proceeds of the “all risk” insurance covering the loss or damage. If both the Landlord and the Tenant are obligated to pay for the repair or restoration of the loss or damage covered by the policy, the insurance proceeds shall be paid to each of them in the pro rata proportion of their obligations to repair or restore the loss or damage. If the loss or damage is not repaired or restored (for example, if this Agreement is terminated pursuant to section 15 of this Agreement), the insurance proceeds shall be paid to the Landlord and the Tenant in the pro rata proportion of their relative contributions to the cost of the leasehold improvements covered by the policy.

14.3 The Tenant agrees to maintain in full force on or before the earlier of (i) the date on which any Tenant Party first enters the Leased Premises for any reason, or (ii) the Commencement Date, and thereafter throughout the end of the Term, and after the end of the Term for so long after the end of the Term that any of the Tenant’s Property remains in the Leased Premises or as the Tenant or anyone acting by, through or under the Tenant may use, be in occupancy of, or have access to the Leased Premises or any portion thereof, (a) automobile liability insurance (covering any automobiles owned or operated by the Tenant at the Carnegie Center Complex); (b) worker's compensation insurance as required by law; and (c) employer's liability insurance. Such automobile liability insurance shall be in an amount not less than One Million Dollars ($1,000,000) for each accident. Such employer's liability insurance shall be in an amount not less than One Million Dollars ($1,000,000) for each accident, One Million Dollars ($1,000,000) disease-policy limit, and One Million Dollars ($1,000,000) disease-each employee.

14.4 All insurance required to be maintained by the Tenant pursuant to this Agreement shall be maintained with responsible companies that are admitted to do business, and are in good standing, in the State of New Jersey and that have a rating of at least “A” and are within a financial size category of not less than “Class X” in the most current Best’s Key Rating Guide or such similar rating as may be reasonably selected by the Landlord. All such insurance shall: (1) be acceptable in form and content to the Landlord; and (2) contain a clause requiring the insurer to provide the Landlord thirty (30) days’ prior written notice of cancellation. All commercial general liability, excess/umbrella liability and automobile liability insurance policies shall be primary and noncontributory. No liability insurance policy shall contain any self-insured retention greater than $25,000 and no property insurance policy shall contain any self-insured retention greater than $100,000. Any deductibles and such self-insured retentions shall be deemed to be “insurance” for purposes of the waiver in

subsection 14.12 below. The Landlord reserves the right from time to time to require the Tenant to obtain higher minimum amounts of insurance based on such limits as are customarily carried with respect to similar properties in the area in which the Leased Premises are located. The minimum amounts of insurance required by this Agreement shall not be reduced by the payment of claims or for any other reason. In the event the Tenant shall fail to obtain or maintain any insurance meeting the requirements of this section 14, or to deliver such policies or certificates as required by this section 14, the Landlord may, at its option, on five (5) days notice to the Tenant, procure such policies for the account of the Tenant, and the cost thereof shall be paid to the Landlord within five (5) days after delivery to the Tenant of invoices therefor.

14.5 To the fullest extent permitted by law, the commercial general liability and auto insurance carried by the Tenant pursuant to this Agreement, and any additional liability insurance carried by the Tenant pursuant to subsection 14.1 of this Agreement, shall name the Landlord, the Landlord's managing agent, and such other persons as the Landlord may reasonably request from time to time as additional insureds, including but not limited to those entities identified on Exhibit G-1 (collectively “Additional Insureds”) with respect to liability arising out of or related to this Agreement or the operations of the Tenant. Such insurance shall provide primary coverage without contribution from any other insurance carried by or for the benefit of the Landlord, the Landlord's managing agent, or other Additional Insureds. Such insurance shall also waive any right of subrogation against each Additional Insured. For the avoidance of doubt, each primary policy and each excess/umbrella policy through which the Tenant satisfies its obligations under this section 14 must provide coverage to the Additional Insureds that is primary and non-contributory.

14.6 On or before the earlier of (i) the date on which any Tenant Party first enters the Leased Premises for any reason or (ii) the Commencement Date, the Tenant shall furnish the Landlord with certificates evidencing the insurance coverage required by this Agreement, and renewal certificates shall be furnished to the Landlord at least annually thereafter, and at least thirty (30) days prior to the expiration date of each policy for which a certificate was furnished. Acceptable forms of such certificates for liability and property insurance, respectively, as of the date hereof, are attached hereto as Exhibit G-2 and Exhibit G-3. Failure by the Tenant to provide the certificates required by this subsection 14.6 shall not be deemed to be a waiver of the requirements in this subsection 14.6. Upon request by the Landlord, a true and complete copy of any insurance policy required by this Agreement shall be delivered to

the Landlord within ten (10) days following the Landlord’s request.

14.7 The Tenant shall require its subtenants and other occupants (other than Tenant’s employees and guests visiting the Leased Premises in the ordinary course of Tenant’s business) of the Leased Premises to provide written documentation evidencing the obligation of such subtenant or other occupant to indemnify the Landlord Parties to the same extent that the Tenant is required to indemnify the Landlord Parties pursuant to section 27 of this Agreement, and to maintain insurance that meets the requirements of this section 14, and otherwise to comply with the requirements of this section 14, provided that the terms of this subsection 14.7 shall not relieve the Tenant of any of its obligations to comply with the requirements of this section 14. The Tenant shall require all such subtenants and occupants to supply certificates of insurance evidencing that the insurance requirements of this section 14 have been met and shall forward such certificates to the Landlord on or before the earlier of (i) the date on which the subtenant or other occupant first enters the Leased Premises or (ii) the commencement date of the sublease. The Tenant shall be responsible for identifying and remedying any deficiencies in such certificates or policy provisions.

14.8 The Tenant shall not commit or permit any violation of the policies of fire, boiler, sprinkler, water damage or other insurance covering the Building and/or the fixtures, equipment and property therein carried by the Landlord, or do or permit anything to be done, or keep or permit anything to be kept, in the Leased Premises, which in case of any of the foregoing (i) would result in termination of any such policies, (ii) would adversely affect the Landlord's right of recovery under any of such policies, or (iii) would result in reputable and independent insurance companies refusing to insure the Building or the property of the Landlord in amounts reasonably satisfactory to the Landlord.

14.9 If, because of anything done, caused or permitted to be done, or omitted by the Tenant (or its subtenant or other occupants of the Leased Premises), the rates for liability, fire, boiler, sprinkler, water damage or other insurance on the Building or the Property or on the property and equipment of the Landlord or any other tenant or subtenant in the Building shall be higher than they otherwise would be, the Tenant shall reimburse the Landlord and/or the other tenants and subtenants in the Building for the additional insurance premiums thereafter paid by the Landlord or by any of the other tenants and subtenants in the Building which shall have been charged because of the aforesaid reasons, such reimbursement to be made from time to time on the Landlord's demand.

14.10 Any or all of the Landlord's insurance may be provided by blanket coverage maintained by the Landlord or any Affiliate of the Landlord under its insurance program for its portfolio of properties, or by the Landlord or any Affiliate of the Landlord under a program of self insurance, and in such event Operational Expenses shall include the portion of the reasonable cost of blanket insurance or self insurance that is allocated to the Building.

14.11 The Landlord shall not be obligated to insure and shall not assume any liability of risk of loss for the Tenant's Property, including any such property or work of the Tenant's subtenants or occupants. The Landlord shall also have no obligation to carry insurance against, nor be responsible for, any loss suffered by the Tenant, subtenants or other occupants due to interruption of the Tenant's or any subtenant's or occupant's business.

14.12 To the fullest extent permitted by law, and notwithstanding any term or provision of this Agreement to the contrary, the parties hereto waive and release any and all rights of recovery against the other, and agree not to seek to recover from the other or to make any claim against the other, and in the case of the Landlord, against all Tenant Parties, and in the case of the Tenant, against all Landlord Parties, for any loss or damage incurred by the waiving/releasing party to the extent such loss or damage is insured under any insurance policy required by this Agreement or which would have been so insured had the party carried the insurance it was required to carry hereunder. The Tenant shall obtain from its subtenants and other occupants (other than Tenant's employees and guests visiting the Leased Premises in the ordinary course of Tenant's business) of the Leased Premises a similar waiver and release of claims against any or all of the Tenant or the Landlord. In addition, the parties hereto (and in the case of the Tenant, its subtenants and other occupants of the Leased Premises) shall procure an appropriate clause in, or endorsement on, any insurance policy required by this Agreement pursuant to which the insurance company waives subrogation so long as no material additional premium is charged for such waiver. The insurance policies required by this Agreement shall contain no provision that would invalidate or restrict the parties' waiver and release of the rights of recovery in this section. The parties hereto covenant that no insurer shall hold any right of subrogation against the parties hereto by virtue of such insurance policy.

14.13 During such times as the Tenant is performing work or having work or services performed in or to the Leased Premises, the

Tenant shall require its contractors, and their subcontractors of all tiers, to obtain and maintain commercial general liability, automobile, workers compensation, employer's liability, builder's risk, and equipment/property insurance in such amounts and on such terms as are customarily required of such contractors and subcontractors on similar projects. The amounts and terms of all such insurance are subject to the Landlord's written approval, which approval shall not be unreasonably withheld. The commercial general liability and auto insurance carried by the Tenant's contractors and their subcontractors of all tiers pursuant to this section shall name the Additional Insureds as additional insureds with respect to liability arising out of or related to their work or services. Such insurance shall provide primary coverage without contribution from any other insurance carried by or for the benefit of the Landlord, the Landlord's managing agent, or other Additional Insureds. Such insurance shall also waive any right of subrogation against each Additional Insured. The Tenant shall obtain and submit to the Landlord, prior to the earlier of (i) the entry onto the Leased Premises by such contractors or subcontractors or (ii) commencement of the work or services, certificates of insurance evidencing compliance with the requirements of this section.

15 Casualty Damage to Building or Leased Premises.

15.1 In the event of any damage to the Building or any portion thereof by fire or other casualty, with the result that the Leased Premises are rendered unusable, in whole or in part, or not reasonably accessible to and from the Building's Common Facilities, within thirty (30) business days of the occurrence of the casualty the Landlord shall determine and give notice of its determination to the Tenant whether, due to the extent of damage and the Landlord's analysis of the economic feasibility of rebuilding or restoring, the Landlord intends not to rebuild or restore the Building or, if the Landlord shall not have made that determination, the Landlord's reasonable opinion of the period of time required to restore the Building and the Leased Premises to their condition immediately prior to the occurrence of the respective casualty (exclusive of any improvements constructed, installed or added in the Leased Premises as contemplated by sections 5 or 12 of this Agreement).

15.1.1 If the Landlord gives timely notice of its determination that it does not intend to rebuild or restore, due to the extent of damage and the Landlord's analysis of the economic feasibility of rebuilding or restoring, then this Agreement and the Term shall terminate effective as of the date of the subject casualty with respect to those portions of the Leased Premises rendered unusable by the subject casualty and as of the date of the Tenant's

surrender with respect to those portions of the Leased Premises which were not rendered unusable by the subject casualty.

15.1.2 Otherwise, if, in the Landlord’s reasonable opinion, the restoration contemplated by subsection 15.1 of this Agreement will take more than two hundred forty (240) days (inclusive of a reasonable period for adjustment of the Landlord’s insurance claim, but exclusive of any period for resort to a formal dispute resolution forum with the insurer), or the casualty event occurs in the final year of the Term, or extended Term if Tenant has exercised the option to extend, then either the Landlord or the Tenant may elect to terminate the Term and this Agreement (effective as of the date of the subject casualty with respect to those portions of the Leased Premises rendered unusable by the subject casualty and as of the date of the Tenant's giving notice with respect to those portions of the Leased Premises which were not rendered unusable by the subject casualty) by timely notice of its election to the other. Notice of the Landlord's election to terminate, if any, shall be given to the Tenant within the thirty (30) business day period contemplated by subsection 15.1 of this Agreement. If the Landlord shall not timely elect to terminate the Term and this Agreement, notice of the Tenant’s election to terminate, if any, shall be given to the Landlord within the thirty (30) day period immediately succeeding the Landlord’s giving notice to the Tenant of the Landlord’s estimated period to rebuild or restore.

15.1.3 If (a) in the Landlord’s reasonable opinion, the restoration contemplated by subsection 15.1 of this Agreement will take more than two hundred forty (240) days (inclusive of a reasonable period for adjustment of the Landlord’s insurance claim, but exclusive of any period for resort to a formal dispute resolution forum with the insurer) and neither the Landlord nor the Tenant shall have timely exercised their respective rights to terminate contemplated by subsection 15.1.2 of this Agreement or (b) in the Landlord’s reasonable opinion, the restoration contemplated by subsection 15.1 of this Agreement will take two hundred forty (240) days or less (inclusive of a reasonable period for adjustment of the Landlord’s insurance claim, but exclusive of any period for resort to a formal dispute resolution forum with the insurer), then, unless the casualty event occurred in the final year of the Term, or extended Term if Tenant has exercised the option to extend, Tenant elected to terminate the this Agreement, this Agreement shall remain in effect and the Landlord shall restore the Building and the Leased Premises as contemplated by subsection 15.1 of this Agreement to the extent the Landlord shall have received (and no mortgagee of the Property or the Building shall have received) proceeds of any property, casualty or liability insurance on the damaged portions,

causing the restoration to proceed diligently and expediently. Under the circumstances contemplated by clause (b) of this subsection 15.1.3, if the Landlord shall not have timely restored the Building and the Leased Premises as contemplated by subsection 15.1 of this Agreement to the extent the Landlord shall have received proceeds of any property or liability insurance on the damaged portions, the Term shall terminate upon the expiration of ninety (90) additional days (without the Landlord's completion of its restoration obligation in the interim) after the Tenant shall have given prompt notice that the Landlord has not completed its restoration obligations on a timely basis and that the Tenant desires termination of the Term (which termination shall be effective as of the date of the subject casualty with respect to those portions of the Leased Premises rendered unusable by the subject casualty and as of the date of the Tenant's giving notice with respect to those portions of the Leased Premises which were not rendered unusable by the subject casualty).

15.2 Under the circumstances contemplated by subsection 15.1 of this Agreement, Rent shall abate from the date of the casualty until such time as the Building and the Leased Premises are again restored by the Landlord as contemplated by subsection 15.1 of this Agreement by the amount which bears the same proportion to the Rent otherwise payable during such period as the gross rentable floor space of the Leased Premises which are rendered unusable or not reasonably accessible to and from the Common Facilities of the Building bears to the gross rentable floor space of the Leased Premises.

15.3 The restoration of the improvements constructed or installed in the Leased Premises as contemplated by sections 5 or 12 of this Agreement shall be the Tenant’s responsibility. The Tenant shall make reasonable, good faith efforts to integrate the restoration which is its responsibility with the restoration which is the Landlord’s responsibility. To the extent such integration is not feasible, the Tenant shall be allowed an additional, reasonable interval to complete its work, not to exceed thirty (30) days after the completion of the Landlord's restoration work, and Rent shall continue to abate until the earlier of (i) the expiration of such additional interval or (ii) the completion of the Tenant’s work, to the same extent contemplated by subsection 15.2. The Landlord shall cooperate with the Tenant to integrate the restoration of such improvements during the reconstruction period.

15.4 In the event either the Landlord shall make any election to cancel contemplated by subsection 15.1.1 of this Agreement or either the Landlord or the Tenant shall make any election to cancel

contemplated by subsection 15.1.2 of this Agreement, then the Landlord may proceed with restoration (or non-restoration) in any manner it chooses, without any liability to the Tenant.

15.5 The Tenant shall promptly advise the Landlord by the quickest means of communication of the occurrence of any casualty damage to the Building or the Leased Premises of which the Tenant becomes aware.

16 Condemnation.

16.1 This section 16 of the Agreement shall apply if the power of eminent domain (or private purchase by any public or quasi-public body in lieu thereof for any public or quasi-public purpose) shall be exercised with the result that:

16.1.1 all or substantially all the Property or the Leased Premises is taken during the Term for at least the balance of the Term;

16.1.2 less than substantially all the Property, the Building or the Common Facilities (but none of the Leased Premises) is taken during the Term for at least the balance of the Term, but the Landlord reasonably promptly determines in good faith that it is not economically feasible for the Landlord to make any necessary alterations and continue to operate the portions not so taken, as they may be altered, as a first class Building and facility in the vicinity for the balance of the Term;

16.1.3 less than substantially all the Leased Premises is taken during the Term for at least the balance of the Term, but the Tenant reasonably promptly determines in good faith that it cannot continue to use and enjoy the portions not so taken for the conduct of its business in the ordinary course during the balance of the Term; or

16.1.4 so much of the Property or the Common Facilities is taken during the Term for at least the balance of the Term that the Leased Premises are not reasonably accessible to and from the Common Facilities and reasonable alternate access is not provided by the Landlord.

16.2 Under the circumstances contemplated by subsections 16.1.1 and subsections 16.1.4 of this Agreement, then either the Landlord or the Tenant may elect to terminate the Term by notice to the other given within thirty (30) days after, and effective as of, the later of the date (i) that the condemnor acquires title to the portions

taken or (ii) that possession of the portions taken is required to be delivered or surrendered to the condemning authority. Under the circumstances contemplated by subsection 16.1.2 of this Agreement the Landlord, and under the circumstances contemplated by subsection 16.1.3 of this Agreement the Tenant, respectively, may elect to terminate the Term by notice to the other given within thirty (30) days after, and effective as of, the later of the date (i) that the condemnor acquires title to the portions taken or (ii) that possession of the portions taken is required to be delivered or surrendered to the condemning authority.

16.3 Under the circumstances contemplated by subsection 16.1 of this Agreement, if no party with any right to elect to terminate the Term under subsection 16.2 of this Agreement shall have given timely notice to the other of exercise of its election to terminate the Term, this Agreement shall continue in full force and effect, but Rent shall abate, effective as of the later of the date (i) that the condemnor acquires title to the portions taken or (ii) that possession of the portions taken is required to be delivered or surrendered to the condemning authority, by the amount which bears the same proportion to the Rent otherwise payable during any period as the gross rentable floor space, if any, of the Leased Premises which is taken bears to the gross rentable floor space of the Leased Premises.

16.4 Under any of the circumstances contemplated by this section 16 of the Agreement, the Tenant hereby waives any claim against the Landlord, the condemning authority for anything of value, tangible or intangible, including, without limiting the generality of the foregoing, the putative value of any leasehold interest or the loss of the use of same, except for any right the Tenant might have to make a claim, independent of, and without reference to or having any effect on, any claim, award or settlement of the Landlord, against the condemning authority regarding the value of the Tenant's installed trade fixtures and other installed equipment which are not removable from the Leased Premises or for ordinary and necessary moving and relocation expenses occasioned by the taking.

17 Assignment or Subletting by Tenant.

17.1 Except as may be specifically set forth in this section 17 of the Agreement, the Tenant shall not, by operation of law or otherwise:

17.1.1 assign, or purport to assign, this Agreement or any of the Tenant's rights hereunder;

17.1.2 sublet, or purport to sublet, the Leased Premises or any portion thereof;

17.1.3 license, or purport to license, the use or occupancy of the Leased Premises or any portion thereof;

17.1.4 otherwise transfer, or attempt to transfer any interest including, without limiting the generality of the foregoing, a mortgage, pledge or security interest, in this Agreement, the Leased Premises or the right to the use and occupancy of the Leased Premises; or

17.1.5 indirectly accomplish, or permit or suffer the accomplishment of, any of the foregoing by merger or consolidation with another entity, by acquisition or disposition of assets or liabilities outside the ordinary course of the Tenant's business or by acquisition or disposition, by the Tenant's equity owners or subordinated creditors, of any of their respective interests in the Tenant.

17.2 The Tenant shall not assign this Agreement or any of the Tenant's rights hereunder or sublet the Leased Premises or any portion thereof without first giving one (1) months' prior notice to the Landlord of its desire to assign or sublet and requesting the Landlord's consent and without first receiving the Landlord's prior written consent, except as permitted under section 17.6 of this Lease. The Tenant's notice to the Landlord shall include:

17.2.1 the full name, address and telephone number of the proposed assignee or sublessee;

17.2.2 a description of the type(s) of business in which the proposed assignee or sublessee is engaged and proposes to engage;

17.2.3 a description of the precise use to which the proposed assignee or sublessee intends to put the Leased Premises or portion thereof;

17.2.4 the proposed assignee's or subtenant's most recent quarterly and annual financial statements prepared in accordance with generally accepted accounting principles and any other evidence of financial position and responsibility that the Tenant or proposed assignee or sublessee may desire to submit;

17.2.5 by diagram and measurement of the actual square feet of floor space, the precise portion of the Leased Premises proposed to be subject to the assignment of this Agreement or to be sublet;

17.2.6 a complete, accurate and detailed description of the terms of the proposed assignment or sublease including, without limiting the generality of the foregoing, all consideration paid or given, or proposed to be paid or to be given, by the proposed assignee, sublessee or other person to the Tenant and the respective times of payment or delivery;

17.2.7 a payment to the Landlord of an administrative processing fee in the amount of Five Hundred ($500.00) Dollars; and

17.2.8 any other information reasonably requested by the Landlord.

17.3 By the expiration of the notice period contemplated by subsection 17.2 of this Agreement, the Landlord, in its sole discretion, shall take one of the following actions by notice to the Tenant:

17.3.1 grant consent on the terms and conditions set forth in subsection 17.4 of this Agreement and such other reasonable terms and conditions set forth in the Landlord's notice;

17.3.2 refuse to grant consent for any of the reasons set forth in subsection 17.5 of this Agreement or for any other reasonable reason set forth in the Landlord's notice; or

17.3.3 elect to terminate the Term for that portion of the Leased Premises to be assigned or subleased as of (a) the end of the month after the Tenant has given notice of the Tenant's desire to assign or sublet or (b) the proposed effective date of the proposed assignment or sublease, provided in either case the assignment or sublease is for all or substantially all of the remaining Term of the Lease.

17.4 The Landlord's consent to the Tenant's proposed assignment or sublease, if granted under subsection 17.3.1 of this Agreement, shall be subject to all the following terms and conditions (and to any other terms and conditions permitted by that subsection):

17.4.1 any proposed assignee or sublessee shall, by document executed and delivered forthwith to the Landlord, agree to be bound by all the obligations of the Tenant set forth in this Agreement;

17.4.2 the Tenant shall remain liable under this Agreement, jointly and severally with any proposed assignee or

sublessee, for the timely performance of all obligations of the Tenant set forth in this Agreement;

17.4.3 the Tenant shall forthwith deliver to the Landlord manually executed copies of all documents regarding the proposed assignment or sublease and a written, accurate and complete description, manually executed both by the Tenant and the proposed assignee or sublessee, of any other agreement, arrangement or understanding between them regarding the same;

17.4.4 with respect to any consideration or other thing of value received or to be received by the Tenant in connection with any such assignment or sublease (other than those payable in equal monthly installments each month during the proposed term of any such assignment or sublease), the Tenant shall pay to the Landlord one-half of any such amount and one-half of the fair market value of any other thing of value within ten (10) days of receipt of same; and

17.4.5 with respect to any amount payable to the Tenant in equal monthly installments each month during the proposed term of any such assignment or sublease in connection with such assignment or sublease, which amount is in excess of the amount which bears the same ratio to the monthly installment of Rent due from the Tenant as the gross rentable floor space of the Leased Premises subject to the assignment or sublease bears to the gross rentable floor space of the entire Leased Premises, the Tenant shall pay one-half of such excess to the Landlord together with the Tenant's monthly installment of Rent.

17.5 The Landlord's refusal to grant consent under subsection 17.3.2 of this Agreement shall not be deemed an unreasonable withholding of consent if based upon any of the following reasons (or any other reason permitted by that subsection):

17.5.1 the Landlord desires to take one of the other actions enumerated in subsection 17.3 of this Agreement;

17.5.2 there are already two or more assignees, sublessees or licensees of all or a portion of the Leased Premises;

17.5.3 the proposed sublease is for a term of less than one year;

17.5.4 the proposed sublease is for a term which would expire after the Term;

17.5.5 less than one year remains in the Term as of the proposed effective date of the proposed assignment or sublease;

17.5.6 the general reputation, financial position or ability or type of business of, or the anticipated use of the Leased Premises by, the proposed assignee or proposed sublessee is unsatisfactory to the Landlord or is inconsistent with those of tenants of Other Leased Premises or of the Carnegie Center Complex or inconsistent with any commitment made by the Landlord to any such other tenant;

17.5.7 the Tenant shall not market, advertise or otherwise promote the availability of the Leased Premises or any portion thereof for consideration during any period of twelve (12) months that is less than the amount of the Market Rental Rate divided by the gross rentable floor space of the Leased Premises and multiplied by that portion of the gross rentable floor space of the Leased Premises proposed to be subject to the proposed assignment or sublease;

17.5.8 the gross rentable floor space of the portion of the Leased Premises proposed to be sublet is less than one-quarter of the gross rentable floor space of the Leased Premises;

17.5.9 the proposed assignee or sublessee is a tenant, sublessee or other occupant of Other Leased Premises or other premises in the Carnegie Center Complex; or

17.5.10 any part of the rent payable under the proposed assignment or sublease shall be based in whole or in part on the income or profits derived from the Leased Premises or if any proposed assignment or sublease shall potentially have any adverse effect on the real estate investment trust qualification requirements applicable to the Landlord and its affiliates.

17.6 Notwithstanding anything to the contrary set forth in section 17 of this Agreement, the Landlord hereby consents to the Tenant's assignment of this Agreement or subletting the Leased Premises or portion thereof specified below if:

17.6.1 at or prior to the respective dates of exercise and effectiveness thereof (a)(i) no Event of Default shall have occurred or (ii) if an Event of Default shall have occurred, the Tenant shall have previously cured it in full or the Landlord shall have waived it and (b) there shall not have been a History of Recurring Events of Default; and

17.6.2 the Tenant and the proposed assignee or sublessee comply with all the conditions set forth in subsections 17.4.1 through 17.4.3 of this Agreement; and

17.6.3 at the date of effectiveness of the proposed assignment or sublet there is not already more than two other assignee, sublessee or licensee of the Leased Premises or any portions thereof; and

17.6.4 one of the following is applicable:

17.6.4.1 the proposed assignee or sublessee is, and continues to be, an Affiliate of the Tenant, provided that the proposed assignee or sublessee shall also have and shall continue to have a net worth at least as great as that of the Tenant on the Commencement Date; or

17.6.4.2 the proposed assignee or sublessee is a person (a) resulting from the merger or consolidation of the Tenant with or into such person or (b) purchasing substantially all the assets (subject to substantially all the liabilities) of the Tenant and succeeding to the business of the Tenant, provided either the Tenant or the proposed assignee or sublessee shall have and shall continue to have a net worth at least as great as that of the Tenant on the Commencement Date.

17.7 No person other than the Tenant shall have any assignment or sublet rights under this Agreement.

18 Signs, Displays and Advertising.

18.1 The Tenant shall have one sign identifying the Landlord's assigned number for the Leased Premises at the principal entrance to the Leased Premises. The Tenant may identify itself in or on each of: the sign at the principal entrance to the Leased Premises, the Building directory and the directory, if any, on the floor of the Building on which the Leased Premises is located. All such signs, and the method and materials used in mounting and dismounting them, shall be in accordance with the Landlord's specifications. All such signs shall be provided and mounted by the Landlord at the Landlord's expense, except that the Tenant shall bear any expense of identifying itself on the sign at the principal entrance to the Leased Premises.

18.2 No other sign, advertisement, fixture or display shall be used by the Tenant on the Property or in the Building or the Common

Facilities. Any signs other than those specifically permitted under subsection 18.1 of this Agreement shall be removed promptly by the Tenant or by the Landlord at the Tenant's expense.

18.3 During the Term, so long as the Tenant leases and occupies for the conduct of its own business leased premises consisting of that amount of square feet of gross rentable floor space which is at least the third largest amount of square feet of gross rentable floor space in the Building as compared to the gross rentable floor space of tenants of Other Leased Premises in the Building, the Tenant shall have the right to require the Landlord, at the Tenant’s sole cost and expense, in accordance with the Landlord’s specifications, to add and maintain (or to continue to maintain, as the case may be) the name of the Tenant on the monument sign located at the entrance to the Property near the access road leading to the Property, for so long as such sign is maintained by the Landlord. Upon the Tenant no longer having any rights to require the Landlord to maintain said name on said sign, the Landlord shall, at the Tenant’s sole cost and expense, remove said name from such sign. The rights granted under this subsection 18.3 shall be personal to the original Tenant, ACADIA Pharmaceuticals Inc., and any successor by merger or acquisition of all or substantially all of its assets. All signage of Tenant in each location shall be of substantially equal magnitude, location and quality as the signage provided for any comparably sized office tenant in the Building.

19 Quiet Enjoyment. The Landlord is the owner of the Building, the Property and those Common Facilities located on the Property. The Landlord has the right and authority to enter into and execute and deliver this Agreement with the Tenant. So long as an Event of Default shall not have occurred, the Tenant shall and may peaceably and quietly have, hold and enjoy the Leased Premises during the Term in accordance with this Agreement.

20 Relocation. At any time and from time to time during the Term (but not in the first Lease Year and no more than once during the Initial Term and no more than once during the Renewal Term), on at least one hundred twenty (120) days’ prior notice to the Tenant, the Landlord shall have the right to move the Tenant out of the Leased Premises and into premises located on any floor above the first floor of a 500 Series Building having (i) equal or better lobby exposure, and (ii) a substantially similar layout to the Leased Premises, for the duration of the Term. The Landlord shall use its best efforts to ensure that the amount of square feet of gross rentable floor space in the substitute new premises approximately equals the amount of square feet of gross rentable floor space in the Leased Premises. In the event the Landlord exercises this right of relocation, the

Landlord shall decorate the new premises similarly to the Leased Premises and remove, relocate and reinstall the Tenant's furniture, trade fixtures, furnishings and equipment (including electrical, telephone and computer cabling and wiring), and replace the then existing inventory of letterhead stationery, envelopes and business cards, with such revised stationery and business cards indicating the new address of the Tenant, all at the sole cost and expense of the Landlord. The Landlord shall also reimburse the Tenant for its reasonable third party moving expenses from the Leased Premises to the substitute new premises. Any and all alterations, modifications and improvements to the substitute new premises shall be of equal or greater quality and substantially similar to Tenant's alterations, modifications and improvements to the Leased Premises immediately preceding such relocation. When the substitute new premises are ready, the Tenant shall surrender the Leased Premises. Following any such relocation, this Agreement shall continue in full force and effect except for the description of the Leased Premises, the Building and the Property which, upon completion of such relocation, shall be deemed amended to describe the substitute new premises, building and property, respectively, to which the Tenant shall have been relocated in accordance with this section 20 of the Agreement. Notwithstanding anything to the contrary contained herein, following any such relocation, neither the amount of Basic Rent payable by the Tenant hereunder during the Expiring Term nor the Tenant's Share of Taxes, Operational Expenses or Annual Amortized Capital Expenditures payable by the Tenant hereunder during the Expiring Term shall be increased in the event that the gross rentable square footage of the substitute new premises is greater than that of the original Leased Premises. Notwithstanding anything to the contrary contained herein, following any such relocation, in the event that the gross rentable square footage of the substitute new premises is less than that of the Leased Premises, the amount of Basic Rent payable by the Tenant hereunder during the Expiring Term and the Tenant's Share of Taxes, Operational Expenses and Annual Amortized Capital Expenditures during the Expiring Term shall be decreased proportionately; and the Landlord and the Tenant shall enter into an amendment of this Agreement reflecting same.

21 Surrender. Upon termination of the Term, or at any other time at which the Landlord, by virtue of any provision of this Agreement or otherwise has the right to re-enter and re-take possession of the Leased Premises, the Tenant shall surrender possession of the Leased Premises; remove from the Leased Premises all property owned by the Tenant or anyone else other than the Landlord; if installed by or on behalf of Tenant, remove all cabling, hardware and equipment from the ceiling plenum spaces, and/or concealed in wall cavities, including cabling related to the Tenant's movable wall systems or

partition office furniture and IT and telecommunications systems, without damaging existing infrastructure and pathways that may support fire alarm systems, lighting systems, electrical systems, fire protection systems, and/or HVAC systems, that the Landlord may request by notice (electrical receptacles shall remain in place in all full height partition walls); remove from the Leased Premises or any Common Facilities any alterations, improvements or other modifications made to the Leased Premises or in the Common Facilities by or on behalf of the Tenant that the Landlord may request by notice; upon such removal restore the Leased Premises to its condition prior to the installation of such alterations, improvements or other modifications and repair any damage occasioned by such removal and restoration; clean the Leased Premises; leave the Leased Premises in as good order and condition as it was upon the completion of any improvements contemplated by section 5 of this Agreement, ordinary wear and use excepted (subject to the right of the Landlord, as stated above, to require the Tenant to remove from the Leased Premises any alterations, improvements or other modifications to the Leased Premises and perform any restoration and repairs); return all copies of all keys and passes to the Leased Premises, the Common Facilities and the Building to the Landlord; and receive the Landlord's written acceptance of the Tenant's surrender. The Landlord shall not be deemed to have accepted the Tenant's surrender of the Leased Premises unless and until the Landlord shall have executed and delivered the Landlord's written acceptance of surrender to the Tenant, which shall not be unreasonably withheld or delayed.

22 Events of Default. The occurrence of any of the following events shall constitute an Event of Default under this Agreement:

22.1 the Tenant's failure to pay any installment of Basic Rent or any amount of Additional Rent, provided that Tenant shall be granted one opportunity in any twelve (12) month period to cure a failure to pay any installment of Basic Rent or any amount of Additional Rent, where such payment was made after same was first due;

22.2 the Tenant's failure to perform any of its obligations under this Agreement if such failure has caused, or may cause, loss or damage that cannot promptly be cured by subsequent act of the Tenant;

22.3 the Tenant's failure to complete performance of any of the Tenant's obligations under this Agreement (other than those contemplated by subsections 22.1 and 22.2 of this Agreement) within ten (10) days after the Landlord shall have given notice to the Tenant specifying which of the Tenant's obligations has not been performed

and in what respects, unless completion of performance within such period of ten (10) days is not possible using diligence and expedience, then within a reasonable time of the Landlord's notice so long as the Tenant shall have commenced substantial performance within the first three (3) days of such period of ten (10) days and shall have continued to provide substantial performance, diligently and expediently, through to completion of performance;

22.4 the discovery of any intentional misrepresentation of material fact made by the Tenant in this Agreement, which shall have been inaccurate or incomplete in any material respect either on the date it was made or the date as of which it was made;

22.5 the sale, transfer or other disposition of any interest of the Tenant in the Leased Premises by way of execution or other legal process;

22.6 with the exception of those of the following events to which section 365 of the Bankruptcy Code shall apply in the context of an office lease (in which case subsection 22.7 of this Agreement shall apply):

22.6.1 the Tenant's becoming a "debtor," as that term is defined in section 101 of the Bankruptcy Code;

22.6.2 any time when either the value of the Tenant's liabilities exceed the value of the Tenant's assets or the Tenant is unable to pay its obligations as and when they respectively become due in the ordinary course of business;

22.6.3 the appointment of a receiver or trustee of the Tenant's Property or affairs; or

22.6.4 the Tenant's making an assignment for the benefit of, or an arrangement with or among, creditors or filing a petition in insolvency or for reorganization or for the appointment of a receiver;

22.7 in the event of the occurrence of any of the events enumerated in subsection 22.6 of this Agreement to which section 365 of the Bankruptcy Code shall apply in the context of an office lease, the earlier of the bankruptcy trustee's rejection or deemed rejection (as those terms are used in section 365 of the Bankruptcy Code) of this Agreement; or

22.8 the Tenant's abandoning the Leased Premises before expiration of the Term without the prior written consent of the

Landlord.

23 Rights and Remedies.

23.1 Upon the occurrence of an Event of Default the Landlord shall have all the following rights and remedies:

23.1.1 to elect to terminate the Term by giving notice of such election, and the effective date thereof, to the Tenant and to receive Termination Damages;

23.1.2 to elect to re-enter and re-take possession of the Leased Premises, without thereby terminating the Term, by giving notice of such election, and the effective date thereof, to the Tenant and to receive Re-Leasing Damages;

23.1.3 if the Tenant remains in possession of the Leased Premises after the Tenant's obligation to surrender the Leased Premises shall have arisen, to remove the Tenant and the Tenant's and any others' possessions from the Leased Premises by any of the following means without any liability to the Tenant therefor, any such liability to the Tenant therefor which might otherwise arise being hereby waived by the Tenant: legal proceedings (summary or otherwise), writ of dispossession and any other means and to receive Holdover Damages and, except in the circumstances contemplated by section 20 of this Agreement, to receive all expenses incurred in removing the Tenant and the Tenant's and any others' possessions from the Leased Premises, and of storing such possessions if the Landlord so elects;

23.1.4 to be awarded specific performance, temporary restraints and preliminary and permanent injunctive relief regarding Events of Default where the Landlord's rights and remedies at law may be inadequate, without the necessity of proving actual damages or the inadequacy of the rights and remedies at law;

23.1.5 to receive all expenses incurred in securing, preserving, maintaining and operating the Leased Premises during any period of vacancy, in making repairs to the Leased Premises, in preparing the Leased Premises for re-leasing and in re-leasing the Leased Premises including, without limiting the generality of the foregoing, any brokerage commissions;

23.1.6 to receive all legal expenses, including without limiting the generality of the foregoing, attorneys' fees incurred in connection with pursuing any of the Landlord's rights and remedies, including indemnification rights and remedies;

23.1.7 if the Landlord, in its sole discretion, elects to perform any obligation of the Tenant under this Agreement (other than the obligation to pay Rent) which the Tenant has not timely performed, to receive all expenses incurred in so doing;

23.1.8 to elect to pursue any legal or equitable right and remedy available to the Landlord under this Agreement or otherwise; and

23.1.9 to elect any combination, or any sequential combination of any of the rights and remedies set forth in subsection 23.1 of this Agreement.

23.2 In the event the Landlord elects the right and remedy set forth in subsection 23.1.1 of this Agreement, Termination Damages shall be equal to the amount which, at the time of actual payment thereof to the Landlord, is the sum of:

23.2.1 all accrued but unpaid Rent;

23.2.2 the present value (calculated using the most recently available (at the time of calculation) published weekly average yield on United States Treasury securities having maturities comparable to the balance of the then remaining Term) of the sum of all payments of Rent remaining due (at the time of calculation) until the date the Term would have expired (had there been no election to terminate it earlier) less the present value (similarly calculated) of all payments of rent to be received through the end of the Term (had there been no election to terminate it earlier) from a lessee, if any, of the Leased Premises at the time of calculation (and it shall be assumed for purposes of such calculations that (i) the amount of future Additional Rent due per year under this Agreement will be equal to the average Additional Rent per month due during the twelve (12) full calendar months immediately preceding the date of any such calculation, increasing annually at a rate of eight (8%) percent compounded annually, (ii) if any calculation is made before the first anniversary of the end of the No Pass Through Period, the average Additional Rent due for any month after the end of the No Pass Through Period will be equal to nine (9%) percent of the sum of the Base Year Operating Expenses, Base Year Taxes, Annual Amortized Capital Expenditures and Tenant Electric Charges (considered on an annual basis), (iii) if any calculation is made before the beginning of the Base Year, the sum of Base Year Taxes and Base Year Operational Expenses shall be assumed to be $5.00 per gross rentable square foot and (iv) if any calculation is made before the end of the Base Year,

Base Year Taxes and Base Year Operational Expenses may be extrapolated based on the year to date experience of the Landlord);

23.2.3 the Landlord's reasonably estimated cost of demolishing any leasehold improvements to the Leased Premises; and

23.2.4 that amount, which as of the occurrence of the Event of Default, bears the same ratio to the costs, if any, incurred by the Landlord (and not paid by the Tenant) in building out the Leased Premises in accordance with section 5 of this Agreement as the number of months remaining in the Term (immediately before the occurrence of the Event of Default) bears to the number of months in the entire Term (immediately before the occurrence of the Event of Default).

23.3 In the event the Landlord elects the right and remedy set forth in subsection 23.1.2 of this Agreement, Re-Leasing Damages shall be equal to the Rent less any rent actually and timely received by the Landlord from any lessee of the Leased Premises or any portion thereof, payable at the respective times that Rent is payable under the Agreement plus the cost, if any, to the Landlord of building out or otherwise preparing the Leased Premises for, and leasing the Leased Premises to, any such lessee.

23.4 In the event the Landlord elects the right and remedy set forth in subsection 23.1.3 of this Agreement, Holdover Damages shall mean damages at the rate per month or part thereof equal to double the average amount of all payments of Rent due under this Agreement during each of the last twelve (12) full calendar months prior to the Landlord's so electing or, in the event the Term shall have terminated by expiration under subsection 24.1.1 of this Agreement, the last full twelve (12) calendar months of the Term, in either case payable in full on the first day of each holdover month or part thereof. The Tenant’s obligations under this subsection 23.4 shall survive the expiration or earlier termination of this Agreement.

23.5 In connection with any summary proceeding to dispossess and remove the Tenant from the Leased Premises under subsection 23.1.3 of this Agreement, the Tenant hereby waives:

23.5.1 any notices for delivery of possession thereof, of termination, of demand for removal therefrom, of the cause therefor, to cease, to quit and all other notices that might otherwise be required pursuant to 2A N.J.S.A. 18-53 et seq.;

23.5.2 any right the Tenant might otherwise have to cause a termination of the action or proceeding by paying to the Landlord or into court or otherwise any Rent in arrears;

23.5.3 any right the Tenant might otherwise have to a period of waiting between issuance of any warrant in execution of any judgment for possession obtained by the Landlord and the execution thereof;

23.5.4 any right the Tenant might otherwise have to transfer or remove such proceeding from the court (or the particular division or part of the court) or other forum in which it shall have been instituted by the Landlord to another court, division or part;

23.5.5 any right the Tenant might otherwise have to redeem the Tenant's former leasehold interest between the entry of any judgment and the execution of any warrant issued in connection therewith by paying to the Landlord or into Court or otherwise any Rent in arrears; and

23.5.6 any right the Tenant might otherwise have to appeal any judgment awarding possession of the Leased Premises to the Landlord.

23.6 The enumeration of rights and remedies in this section 23 of the Agreement is not intended to be exhaustive or exclusive of any rights and remedies which might otherwise be available to the Landlord, or to force an election of one or more rights and remedies to the exclusion of others, concurrently, consecutively or sequentially. On the contrary, each right and remedy enumerated in this section 23 of the Agreement is intended to be cumulative with each other right and remedy enumerated in this section 23 of the Agreement and with each other right and remedy that might otherwise be available to the Landlord; and the selection of one or more of such rights and remedies at any time shall not be deemed to prevent resort to one or more others of such rights and remedies at the same time or a subsequent time, even with regard to the same occurrence sought to be remedied.

23.7 Notwithstanding anything to the contrary contained in this Agreement the Landlord shall in each case of an Event of Default use commercially reasonable efforts to mitigate its damages.

24 Termination of the Term.

24.1 The Term shall terminate upon the earliest of the following events to occur:

24.1.1 expiration of the Term;

24.1.2 in connection with a transaction contemplated by section 16 of this Agreement and under the circumstances contemplated by subsection 16.2 of this Agreement, the effective date of termination of the Term as set forth in subsection 16.2;

24.1.3 upon the respective effective dates of termination set forth in the various subsections (whichever may be applicable) of subsection 15.1 of this Agreement providing for termination of the Term under various circumstances;

24.1.4 the effective date of any election by the Landlord under subsection 17.3.3 of this Agreement in response to the Tenant's notice of the Tenant's desire to assign this Agreement or to sublet all or a portion of the Leased Premises; or

24.1.5 the effective date of any election by the Landlord to terminate the Term under subsection 23.1.1 of this Agreement.

24.2 No termination of the Term shall have the effect of releasing the Tenant from any obligation or liability theretofore or thereby incurred and, until the Tenant shall have surrendered the Leased Premises in accordance with section 21 of this Agreement, from any obligation or liability thereafter incurred.

24.3 Any items of Tenant’s Property (except money, securities and valuables) which remain in the Leased Premises after the expiration or earlier termination of the Term may, at the option of the Landlord, be deemed to have been abandoned and in such case may either be retained by the Landlord as its property or may be disposed of without accountability, at the Tenant’s expense, in such manner as the Landlord may see fit.

25 Mortgage and Underlying Lease Priority. Subject to the provisions of section 26.6, this Agreement and the estate, interest and rights hereby created for the benefit of the Tenant are, and shall always be, subordinate to any mortgage (other than a mortgage created by the Tenant or a sale, transfer or other disposition by the Tenant in the nature of a security interest in violation of subsections 17.1.4 and 22.5, respectively, of this Agreement) already or afterwards placed on the Carnegie Center Complex, the Property, the Common Facilities, the Building or any estate or interest therein, including, without limiting the generality of the foregoing, any new mortgage or any mortgage extension, renewal, modification, consolidation, replacement, supplement or substitution. This Agreement and the estate, interest and rights hereby created for the benefit of the Tenant are, and shall always be, subordinate to any

ground lease already or afterwards made with regard to the Carnegie Center Complex, the Property, the Common Facilities, the Building or any estate or interest therein, including, without limiting the generality of the foregoing, any new ground lease or any ground lease extension, renewal, modification, consolidation, replacement, supplement or substitution. The provisions of this section 25 shall be self-effecting; and no further instrument shall be necessary to effect any such subordination. Nevertheless, the Tenant hereby consents that any mortgagee or mortgagee's successor in interest may, at any time and from time to time, by notice to the Tenant, subordinate its mortgage to the estate and interest created by this Agreement; and upon the giving of such notice, the subject mortgage shall be deemed subordinate to the estate and interest created by this Agreement regardless of the respective times of execution or delivery of either or of recording the subject mortgage.

26 Transfer by Landlord.

26.1 The Landlord shall have the right at any time and from time to time to sell, transfer, lease or otherwise dispose of the Carnegie Center Complex, the Property, the Common Facilities or the Building or any of the Landlord's interests therein, or to assign this Agreement or any of the Landlord's rights thereunder.

26.2 Upon giving notice of the occurrence of any transaction contemplated by subsection 26.1 of this Agreement, the Landlord shall thereby be relieved of any obligation that might otherwise exist under this Agreement with respect to periods subsequent to the effective date of any such transaction. If, in connection with any transaction contemplated by subsection 26.1 of this Agreement the Landlord transfers, or makes allowance for, any Security Deposit of the Tenant and gives notice of that fact to the Tenant, the Landlord shall thereby be relieved of any further obligation to the Tenant with regard to any such Security Deposit; and the Tenant shall look solely to the transferee with respect to any such Security Deposit.

26.3 In the event of the occurrence of any transaction contemplated by subsection 26.1 of this Agreement the Tenant, upon written request therefor from the transferee, shall attorn to and become the tenant of such transferee upon the terms and conditions set forth in this Agreement.

26.4 Notwithstanding anything to the contrary that may be set forth in subsections 26.1, 26.2 and 26.3 of this Agreement, in the event any mortgage contemplated by section 25 of this Agreement is enforced by the respective mortgagee pursuant to remedies provided in the mortgage or otherwise provided by law or equity and any person

succeeds to the interest of the Landlord as a result of, or in connection with, any such enforcement, the Tenant shall, upon the request of such successor in interest, automatically attorn to and become the Tenant of such successor in interest without any change in the terms or provisions of this Agreement, except that such successor in interest shall not be bound by: (a) any payment of Basic Rent or Additional Rent (exclusive of prepayments in the nature of a Security Deposit) for more than one month in advance or (b) any amendment or other modification of this Agreement which was made without the consent of such mortgagee or such successor in interest; and, upon the request of such successor in interest, the Tenant shall execute, acknowledge and deliver any instrument(s) confirming such attornment.

26.5 If this Agreement and the estate, interest and rights hereby created for the benefit of the Tenant are ever subject and subordinate to any ground lease contemplated by section 25 of this Agreement:

26.5.1 upon the expiration or earlier termination of the term of any such ground lease before the termination of the Term under this Agreement, the Tenant shall attorn to, and become the Tenant of, the lessor under any such ground lease and recognize such lessor as the Landlord under this Agreement for the balance of the Term; and

26.5.2 such expiration or earlier termination of the term of any such ground lease shall have no effect on the Term under this Agreement.

26.5.3 notwithstanding the foregoing, Landlord represents that there is presently no ground lease or mortgage encumbering the Property or the Leased Premises.

26.6 Notwithstanding anything to the contrary that may be set forth in section 25 of this Agreement, with respect to any mortgages or ground leases contemplated by section 25 of this Agreement, the Landlord shall use reasonable commercial efforts to obtain from each such mortgagee and ground lessor its respective standard form of non-disturbance, attornment and subordination agreement which includes a provision to the effect that, in the event of enforcement of any remedies provided in the respective mortgage or ground lease, respectively, or otherwise, so long as an Event of Default shall not have occurred, the Tenant shall not be disturbed in its possession of the Leased Premises in accordance with this Agreement and which does not include any provision increasing the Tenant’s obligations otherwise due, or diminishing the Tenant’s

rights otherwise available, in either case in accordance with this Agreement. Any processing or other fee that the mortgagee or ground lessor may charge and any reasonable legal expense that the Landlord may incur in connection with performing its obligations under this subsection shall be at the sole cost of Landlord.

27 Indemnification.

27.1 To the fullest extent permitted by law and to the extent not resulting from any act, omission, fault, negligence or misconduct of the Landlord or its contractors, licensees, invitees, servants or employees, the Tenant waives any right to contribution against the Landlord Parties and agrees to indemnify and save harmless the Landlord Parties from and against all claims of whatever nature by a third party arising from or claimed to have arisen from (i) any act, omission or negligence of the Tenant Parties; (ii) any accident, injury or damage whatsoever caused to any person, or to the property of any person, occurring in the Leased Premises from the earlier of (a) the date on which any Tenant Party first takes possession the Leased Premises for any reason or (b) the Commencement Date, and thereafter throughout and until the end of the Term, and after the end of the Term for so long after the end of the Term as any of the Tenant's Property remains in the Leased Premises, or the Tenant or anyone acting by, through or under the Tenant may be in possession of any part of, or have access to the Leased Premises or any portion thereof; (iii) any accident, injury or damage whatsoever occurring outside the Leased Premises but within the Building, within the Common Facilities, on the Property or within the Carnegie Center Complex, where such accident, injury or damage results, or is claimed to have resulted, from any act, omission or negligence on the part of any of the Tenant Parties; or (iv) any breach of this Agreement by the Tenant. The Tenant shall pay such indemnified amounts as they are incurred by the Landlord Parties. This indemnification shall not be construed to deny or reduce any other rights or obligations of indemnity that a Landlord Party may have under this Agreement. The indemnification rights of the Landlord Parties provided in this Agreement are their exclusive indemnification rights with respect to this Agreement. The Landlord Parties waive any additional rights to indemnification they may have against the Tenant Parties with respect to this Agreement under common law.

27.2 In the event that the Tenant breaches any of its indemnity obligations hereunder: (i) the Tenant shall pay to the Landlord Parties all liabilities, loss, cost, or expense (including reasonable attorney's fees) incurred as a result of said breach, and the reasonable value of time expended by the Landlord Parties as a result of said breach; and (ii) the Landlord Parties may deduct and

offset from any amounts due to the Tenant under this Agreement any amounts owed by the Tenant pursuant to this section 27.

27.3 The indemnification obligations under this section 27 shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for the Tenant or any subtenant or other occupant of the Leased Premises under workers' compensation acts, disability benefit acts, or other employee benefit acts. The Tenant waives any immunity from or limitation on its indemnity or contribution liability to the Landlord Parties based upon such acts.

27.4 The Tenant shall require its subtenants and other occupants (other than employees and guests of Tenant visiting the Leased Premises in the ordinary course of Tenant’s business) of the Leased Premises to provide similar indemnities to the Landlord Parties in a form reasonably acceptable to the Landlord.

27.5 The terms of this section 27 shall survive any termination or expiration of this Agreement.

27.6 The foregoing indemnity and hold harmless agreement shall include indemnity for all costs, expenses and liabilities (including, without limitation, attorneys’ fees and disbursements) incurred by the Landlord Parties in connection with any such claim or any action or proceeding brought thereon, and the defense thereof. In addition, in the event that any action or proceeding shall be brought against one or more Landlord Parties by reason of any such claim, the Tenant, upon request from the Landlord Party, shall resist and defend such action or proceeding on behalf of the Landlord Party by counsel appointed by the Tenant’s insurer (if such claim is covered by insurance without reservation) or otherwise by counsel reasonably satisfactory to the Landlord Party. The Landlord Parties shall not be bound by any compromise or settlement of any such claim, action or proceeding without the prior written consent of such Landlord Parties.

27.7 The Tenant agrees to use and occupy the Leased Premises, and to use such other portions of the Building, the Property and the Carnegie Center Complex as the Tenant is given the right to use by this Agreement, at the Tenant’s own risk. The Landlord Parties shall not be liable to the Tenant Parties for any damage, injury, loss, compensation, or claim (including, but not limited to, claims for the interruption of or loss to a Tenant Party’s business) based on, arising out of or resulting from any cause whatsoever, including, but not limited to, repairs to any portion of the Leased Premises, the Building, the Property or the Carnegie Center Complex, any fire,

robbery, theft, mysterious disappearance, or any other crime or casualty, the actions of any tenants of Other Leased Premises or of any other person or persons, or any leakage in any part or portion of the Leased Premises, the Common Facilities, the Building or the Property, or from water, rain or snow that may leak into, or flow from any part of the Leased Premises, the Common Facilities, the Building or the Property, or from drains, pipes or plumbing fixtures in the Building or on the Property. Any goods, property or personal effects stored or placed in or about the Leased Premises shall be at the sole risk of the Tenant Party, and neither the Landlord Parties nor their insurers shall in any manner be held responsible therefor. The Landlord Parties shall not be responsible or liable to a Tenant Party, or to those claiming by, through or under a Tenant Party, 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 connecting with the Leased Premises or any part of the Building or otherwise. The provisions of this section shall be applicable to the fullest extent permitted by law, and until the expiration or earlier termination of the Term, and during such further period as any of the Tenant's Property remains in the Leased Premises, or the Tenant or anyone acting by, through or under the Tenant may use, or be in occupancy of any part of, or have access to the Leased Premises or of the Building.

28 Parties' Liability.

28.1 None of the following occurrences shall constitute a breach of this Agreement by the Landlord, a termination of the Term, an active or constructive eviction or an occurrence requiring an abatement of Rent:

28.1.1 the inability of the Landlord to provide any utility or service to be provided by the Landlord, as described in section 8 of this Agreement which is due to causes beyond the Landlord's control, or to necessary or advisable improvements, maintenance, repairs or emergency, so long as the Landlord uses reasonable efforts and diligence under the circumstances to restore the interrupted service or utility. Any interruption of utilities caused by Landlord's or it's agents negligence or willful misconduct, continuing for more than five (5) consecutive business days, and Landlord has not commenced cure, and such interruption renders all or substantially all of the Leased Premises untenantable, and the Tenant actually vacates such portion of the Leased Premises, then Tenant shall be entitled to a prorated abatement of Rent from the sixth (6th) consecutive business day until such portion of the Leased Premises is tenantable.

28.1.2 any improvement, modification, alteration or other change made to the Carnegie Center Complex, the Property, the Building or the Common Facilities by the Landlord consistently with the Landlord's obligations set forth in subsection 13.2 of this Agreement; and

28.1.3 any change in any Federal, state or local law or ordinance.

28.2 Except for the commencement, duration or termination of the Term (other than under the circumstances contemplated by subsection 15.1 of this Agreement), the Tenant's obligation to make timely payments of Rent, the Tenant's obligation to maintain certain insurance coverage in effect, the Tenant's failure to perform any of its other obligations under this Agreement if such failure has caused loss or damage that cannot promptly be cured by subsequent act of the Tenant and the period within which any type of option or optional right exercisable by the Tenant must be exercised, any period of time during which the Landlord or the Tenant is prevented from performing any of its respective obligations under this Agreement because of fire, any other casualty or catastrophe, strikes, lockouts, civil commotion, acts of God or the public enemy, governmental prohibitions or preemptions, embargoes or inability to obtain labor or material due to shortage, governmental regulation or prohibition or any other cause beyond the Landlord's control, shall be added to the time when such performance is otherwise required under this Agreement.

28.3 In the event the Landlord is an individual, partnership, joint venture, association or a participant in a joint tenancy or tenancy in common, the Landlord, the partners, venturers, members and joint owners shall not have any personal liability or obligation under or in connection with this Agreement or the Tenant's use and occupancy of the Leased Premises; but recourse shall be limited exclusively to the Landlord's interest in the Building.

28.4 If, at any time during the Term, the payment or collection of any Rent otherwise due under this Agreement shall be limited, frozen or otherwise subjected to a moratorium by applicable law, and such limitation, freeze or other moratorium shall subsequently be lifted, whether before or after the termination of the Term, such aggregate amount of Rent as shall not have been paid or collected during the Term on account of any such limitation, freeze or other moratorium, shall thereupon be due and payable at once. There shall be added to the maximum period of any otherwise applicable statute of limitation the entire period during which any such limitation,

freeze or other moratorium shall have been in effect.

28.5 If this Agreement is executed by more than one person as the Tenant, their liability under this Agreement and in connection with the use and occupancy of the Leased Premises shall be joint and several.

28.6 In the event any rate of interest, or other charge in the nature of interest, calculated as set forth in this Agreement would lead to the imposition of a rate of interest in excess of the maximum rate permitted by applicable usury law, only the maximum rate permitted shall be charged and collected.

28.7 The rule of construction that any ambiguities that may be contained in any contract shall be construed against the party drafting the contract shall be inapplicable in construing this Agreement.

29 Security Deposit.

29.1 The Tenant shall pay to the Landlord upon execution and delivery of this Agreement a sum equal to $286,076.25 as a security deposit, in the form of a letter of credit as described in subsection 29.2 of this Agreement, to be held by the Landlord as security for the Tenant's performance of all the Tenant's obligations under this Agreement. The Tenant shall not encumber the Security Deposit. If there has been no Event of Default, within thirty (30) days after termination of the Term the Landlord shall return the entire balance of the Security Deposit to the Tenant. The Tenant will not look to any foreclosing mortgagee of the Property, the Building, the Common Facilities or any interest therein for such return of the balance of the Security Deposit, unless the mortgagee has expressly assumed the Landlord's obligations under this Agreement or has actually received the balance of the Security Deposit.

29.2 The Security Deposit contemplated by subsection 29.1 of this Agreement shall be in the form of an irrevocable letter of credit in the amount of the Security Deposit for the benefit of the Landlord. The letter of credit shall (i) be issued by and drawn on a reputable commercial bank operating in the United States reasonably satisfactory to the Landlord and at a minimum having a long term issuer credit rating from Standard and Poor's Professional Rating Service of A or a comparable minimum rating from Moody's Professional Rating Service, (ii) permit one or more draws thereunder to be made which are conditioned only on the Landlord’s certification of the

occurrence of an Event of Default that, at the time of the draw, shall not have been cured in full by the Tenant, (iii) permit transfers at any time without charge, and (iv) provide that any notices to the Landlord be sent to the notice address provided for the Landlord in this Agreement. If the credit rating for the issuer of such letter of credit falls below the standard set forth in (i) above, or if the financial condition of such issuer changes in any other material adverse way, or if the issuer is placed in receivership by the Federal Deposit Insurance Corporation or other governmental entity, the Landlord shall have the right to require that the Tenant provide a substitute letter of credit that complies in all respects with the requirements of this subsection, and the Tenant's failure to provide the same within ten (10) days following the Landlord's written demand therefor shall entitle the Landlord to immediately draw 100% of the then current letter of credit and hold the proceeds as a cash Security Deposit in accordance with subsection 29.1 of this Agreement. In the case of the issuer being placed in receivership by the Federal Deposit Insurance Corporation or other governmental entity, the failure of the Federal Deposit Insurance Corporation or other governmental entity to honor the presentation of documentation by the Landlord to draw 100% of the then current letter of credit shall be an Event of Default under this Agreement. The letter of credit shall be held by the Landlord as a Security Deposit for the Tenant's performance of all the Tenant's obligations under this Agreement. The Landlord, in its sole discretion, may draw upon the Security Deposit to cure any Event of Default under this Agreement. If any such application is made, upon notice by the Landlord to the Tenant, the Tenant shall promptly replace the amount so applied in the form of an additional letter of credit with otherwise similar terms. The letter of credit shall be for a term equal to the Term or, if the issuer of the letter of credit regularly and customarily only issues letters of credit for shorter terms, for the longest of such shorter regular and customary terms, but in no event for a term shorter than one year. If the letter of credit is issued for a term shorter than the Term, the letter of credit shall contain an "evergreen clause" which shall provide for automatic renewals, without written amendment, for successive terms each of which is equal to such term, unless the issuer gives to the Landlord at least sixty (60) days' written notice of cancellation or non-renewal of the letter of credit prior to the expiration date of the letter of credit. In the event that the issuer gives such notice, the Tenant shall obtain and deliver to the Landlord a substitute letter of credit that complies in all respects with the requirements of this subsection, no later than thirty (30) days prior to expiration of the term of the then current letter of credit. If the Tenant shall fail to obtain and deliver to the Landlord on a timely basis any such conforming substitute letter of credit, the Landlord shall have the right to draw 100% of

the then current letter of credit and hold the proceeds as a cash Security Deposit in accordance with subsection 29.1 of this Agreement.

30 Representations. The Tenant hereby represents and warrants that:

30.1.1 no broker or other agent has shown the Leased Premises or the Building to the Tenant, or brought either to the Tenant's attention, except CBRE, Inc., whose entire commission therefor is set forth in a separate document and which commission the Tenant understands will be paid by the Landlord directly to the person named;

30.1.8 the execution and delivery of, the consummation of the transactions contemplated by and the performance of all its obligations under, this Agreement by the Tenant have been duly and validly authorized by its general partners, to the extent required by their partnership agreement and applicable law, if the Tenant is a partnership or, if the Tenant is a limited liability company, by its representative(s) and members to the extent required by their operating agreement and applicable law or, if the Tenant is a corporation, by its board of directors and, if necessary, by its stockholders at meetings duly called and held on proper notice for that purpose at which there were respective quorums present and voting throughout; and no other approval, partnership, corporate, governmental or otherwise, is required to authorize any of the foregoing or to give effect to the Tenant's execution and delivery of this Agreement;

30.1.9 the execution and delivery of, the consummation of the transactions contemplated by and the performance of all its obligations under, this Agreement by the Tenant will not result in a breach or violation of, or constitute a default under, the provisions of any statute, charter, certificate of incorporation or bylaws or partnership agreement of the Tenant or any affiliate of the Tenant, as presently in effect, or any indenture, mortgage, lease, deed of trust, other agreement, instrument, franchise, permit, license, decree, order, notice, judgment, rule or order to or of which the Tenant or any affiliate of the Tenant is a party, a subject or a recipient or by which the Tenant, any affiliate of the Tenant or any of their respective properties and other assets is bound; and

30.1.4 (i) the Tenant is not, nor is it owned or controlled directly or indirectly by, any person, group, entity or nation named on any list issued by the Office of Foreign Assets Control of the United States Department of the Treasury (“OFAC”) pursuant to

Executive Order 13224 or any similar list or any law, order, rule or regulation or any Executive Order of the President of the United States as a terrorist, "Specially Designated National and Blocked Person" or other banned or blocked person (any such person, group, entity or nation being hereinafter referred to as a "Prohibited Person"); (ii) the Tenant is not (nor is it owned or controlled, directly or indirectly, by any person, group, entity or nation which is) acting directly or indirectly for or on behalf of any Prohibited Person; and (iii) neither Tenant (nor any person, group, entity or nation which owns or controls the Tenant, directly or indirectly) has conducted or will conduct business or has engaged or will engage in any transaction or dealing with any Prohibited Person, including without limitation any assignment of this Agreement or any subletting of all or any portion of the Leased Premises or the making or receiving of any contribution of funds, goods or services to or for the benefit of a Prohibited Person. In connection with the foregoing, is expressly understood and agreed that (x) any breach by the Tenant of the foregoing representations and warranties shall be deemed a default by the Tenant under subsection 22.2 of this Agreement and shall be covered by the indemnity provisions of section 27 of this Agreement, and (y) the representations and warranties contained in this subsection 30.4 shall be continuing in nature and shall survive the expiration or earlier termination of this Agreement.

30.2 The Landlord hereby represents and warrants that:

30.2.1. to the Best of the Landlord's knowledge, the Building and the Property comply with all applicable Laws as of the date of this Agreement; and

30.2.2. The Landlord shall be responsible for causing the Property and the Building, including the Leased Premises, to comply with all applicable Laws at all times during the Term, as the same may be extended as provided herein, except to the extent of any alterations, improvements or other modifications to the Leased Premises made by the Tenant or required solely as a result of the Tenant's unique and specific use of the Leased Premises, which shall be the Tenant's responsibility, at the Tenant's sole cost and expense.

30.2.3. to the best of the Landlord's knowledge, the Building and the Leased Premises are free of asbestos and any hazardous waste or toxic materials that shall have been identified by the scientific community or by any Federal, state or local statute (including, without limiting the generality of the foregoing, the Spill Compensation and Control Act (58 N.J.S.A. 23.11 et seq.) and the Industrial Site Recovery Act (13 N.J.S.A. 1 K-6 et seq.)

(collectively, “Hazardous Materials”), as they may be amended), ordinance, rule, regulation or order as toxic or hazardous to health or to the environment, except deminimus quantities of janitorial and property management supplies in accordance with all applicable laws, rules and regulations;

30.2.4. There is no Ground Lease, Mortgage or other encumbrance on the Leased Premises or the Property, which would prohibit Landlord from leasing the Leased Premises to Tenant or for Tenant to leased the Leased Premises from Landlord. No Other Tenants have a right of first refusal or other right with respect to the Leased Premises.

31 Reservation in Favor of Tenant. Neither the Landlord's forwarding a copy of this document to any prospective tenant nor any other act on the part of the Landlord prior to execution and delivery of this Agreement by the Landlord shall give rise to any implication that any prospective tenant has a reservation, an option to lease or an outstanding offer to lease any premises.

32 Tenant's Certificates and Mortgagee Notice Requirements.

32.1 Promptly upon request of the Landlord at any time or from time to time, but in no event more than five (5) days after the Landlord's respective request, the Tenant shall execute, acknowledge and deliver to the Landlord or its designee an estoppel or other certificate, satisfactory in form and substance to the Landlord and any of its mortgagees, ground lessors or lessees or transferees or prospective mortgagees, ground lessors or lessees or transferees, with respect to any of or all the following matters:

32.1.1 whether this Agreement is then in full force and effect;

32.1.2 whether this Agreement has not been amended, modified, superseded, canceled, repudiated or revoked;

32.1.3 whether the Landlord has satisfactorily completed all construction work, if any, required of the Landlord or contractors selected and retained by the Landlord in connection with readying the Leased Premises for occupancy by the Tenant in accordance with section 5 of this Agreement;

32.1.4 whether the Tenant is then in actual possession of the Leased Premises;

32.1.5 whether the Tenant then has any known defenses or

counterclaims under this Agreement or otherwise against the Landlord or with respect to the Leased Premises;

32.1.6 whether to Tenant’s knowledge the Landlord is then in breach of this Agreement in any respect;

32.1.7 whether the Tenant then has no knowledge of any assignment of this Agreement, the pledging or granting of any security interest in this Agreement or in Rent due and to become due under this Agreement;

32.1.8 whether Rent is not then accruing under this Agreement in accordance with its terms;

32.1.9 whether any Rent is not then in arrears;

32.1.10 whether Rent due or to become due under this Agreement has not been prepaid by more than one month;

32.1.11 if the response to any of the foregoing matters is in the negative, a specification of all the precise reasons that necessitated the negative response in each instance; and

32.1.12 any other matter reasonably requested by the Landlord or any of its mortgagees, ground lessors or lessees or transferees or prospective mortgagees, ground lessors or lessees or transferees, including, without limiting the generality of the foregoing, such information as the Landlord may request for purposes of assuring compliance with the Industrial Site Recovery Act (13 N.J.S.A. 1K-6 et seq.), as it may be amended, and any other applicable Federal, state or local statute, ordinance, rule, regulation or order concerned with environmental matters.

32.2 If, in connection with the Landlord's or a prospective transferee's obtaining financing or refinancing of the Carnegie Center Complex, the Property, the Building, the Common Facilities, any portion thereof or any interest therein, the Landlord or a prospective lender shall so request, the Tenant shall furnish to the requesting party within fifteen (15) days of the request:

32.2.1 its written consent to any requested modifications of this Agreement provided that, in each such instance, the requested modification does not increase the Rent otherwise due or, in the reasonable judgment of the Tenant, otherwise materially increase the obligations of the Tenant under this Agreement or materially adversely affect the Tenant's leasehold interest created hereby or the Tenant's use and enjoyment of the Leased Premises (except in the

circumstances contemplated by section 16 of this Agreement); and

32.2.2 summary financial information regarding its financial position as of the close of its most recently completed fiscal year and its most recently completed interim fiscal period and regarding its results of operations for the periods then ended and comparable year earlier periods, certified by the Tenant's chief financial officer to be a complete, accurate and fair presentation of the summary financial information purporting to be set forth therein.

32.3 If the Landlord or any of its mortgagees gives notice to the Tenant of any of their respective names and addresses from time to time, the Tenant shall give notice to each such mortgagee of any notice of breach or default previously or afterwards given by the Tenant to the Landlord under this Agreement and provide in such notice that if the Landlord has not cured such breach or default within any permissible cure period then such mortgagee shall have the greater of (a) an additional period of thirty (30) days or (b) if such default cannot practically be cured within such period, such additional period as is reasonable under the circumstances, within which to cure such default. Upon request of the Landlord at any time or from time to time, the Tenant shall execute, acknowledge and deliver to the Landlord or its designee an acknowledgment of receipt of any such notice, an acknowledgment of receipt of any notice of assignment of this Agreement or rights hereunder by the Landlord to any of its mortgagees and the Tenant's agreement to the foregoing effect on the respective forms, if any, furnished by the Landlord or the respective mortgagees.

33 Appraisal, Waiver of Jury Trial and Arbitration.

33.1 If the Landlord and the Tenant are unable, at any time of reference, to agree on the Market Rental Rate whenever a determination of the Market Rental Rate is required under this Agreement (other than in the context of Holdover Damages), within 15 days after this appraisal procedure is invoked by either party, each shall appoint one qualified appraiser of its choice which two appraisers shall then together choose a third qualified appraiser within 10 days after their appointment. Within 20 days after the appointment of the third appraiser, each of the three appraisers shall submit his or her opinion of the Market Rental Rate, as defined in, and at the time specified by, the definition of Market Rental Rate set forth in Exhibit E attached hereto, by notice to the Landlord and the Tenant. The Market Rental Rate shall be the arithmetic mean of the two closest appraisers’ opinions, unless the absolute difference between the middle opinion and the highest and lowest

opinion, respectively, is equal, in which case the middle opinion shall be the Market Rental Rate. Any determination of the Market Rental Rate in accordance with this subsection 33.1 of the Agreement shall be final and binding on, and not appealable by, the Landlord and the Tenant with respect to the respective instance in which the appraisal procedure was invoked. An appraiser shall be qualified, as that phrase is used in this subsection 33.1 of the Agreement, if he is independent, a member in good standing of the Appraisal Institute (successor to the American Institute of Real Estate Appraisers), has substantial prior experience appraising the market rental values of leased offices in office buildings located in central New Jersey and is not named in subsection 30.1 of this Agreement. The expense of the third appraiser shall be borne equally by the Landlord and the Tenant; otherwise each party shall bear the expense of its respective appraiser.

33.2 The parties hereby waive any right they might otherwise have to a trial by jury in connection with any dispute arising out of or in connection with this Agreement or the use and occupancy of the Leased Premises; and, except as otherwise set forth in subsection 33.1 of this Agreement, they hereby consent to arbitration of any such dispute in Princeton, New Jersey, in accordance with the rules for commercial arbitration of the American Arbitration Association or a successor organization, except that the Landlord, in its sole discretion, may, with respect to any dispute involving either (i) the Landlord's right to re-enter and re-take possession of the Leased Premises or (ii) the determination of money damages following the occurrence of an Event of Default under this Agreement, elect to pursue any of or all its rights in any court of competent jurisdiction. Judgment upon any arbitration award may be entered in any court of competent jurisdiction.

34 Severability. If any term or provision of this Agreement, including, but not limited to, any waiver of contribution or claims, indemnity obligation, or limitation of liability or of damages, or the application of any such term or provision to any person or circumstance shall to any extent be conclusively determined by a court of competent jurisdiction to be illegal, invalid or otherwise unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

35 Notices. All notices contemplated by, permitted or required by this Agreement shall be in writing. All notices required by this Agreement shall be personally delivered or forwarded by certified

mail--return receipt requested, or by a nationally recognized overnight delivery service provided confirmation can be readily obtained of delivery on the next business day, addressed as follows:

If to the Landlord:

Boston Properties Limited Partnership
c/o Boston Properties
101 Carnegie Center
Suite 104
Princeton, New Jersey 08540
Attention: Lease Administration

with a copy to:

Boston Properties Limited Partnership
c/o Boston Properties
101 Carnegie Center
Suite 104
Princeton, New Jersey 08540
Attention: Gregory S. Ricciardi, Associate Counsel

If to the Tenant:

Acadia Pharmaceuticals
3611 Valley Centre Drive
Suite 300
San Diego, California 92130
Attention:_____

with a copy to:

Blanchard, Krasner & French
800 Silverado Street
2nd Floor
La Jolla, California 92037
Attention: Robert W. Blanchard, Esq.

Either party may from time to time change the address prescribed in this Agreement for notices to it by notice to the other. All notices required under this Agreement shall be deemed given upon their deposit, properly addressed and postage prepaid, in a postal depository or upon personal delivery to the intended party or the next business day after delivery to an overnight courier as described above provided confirmation of delivery on the next business day is obtained, in either case, regardless of whether delivery shall be refused.

36 Captions. Captions have been inserted at the beginning of each section of this Agreement for convenience of reference only and such captions shall not affect the construction or interpretation of any such section of this Agreement.

37 Counterparts. This Agreement may be executed in more than one counterpart, each of which shall constitute an original of this Agreement but all of which, taken together, shall constitute one and the same Agreement.

38 Applicable Law. This Agreement and the obligations of the parties hereunder shall be governed by and construed in accordance with the laws of the State of New Jersey.

39 Exclusive Benefit. Except as may be otherwise specifically set forth in this Agreement, this Agreement is made exclusively for the benefit of the parties hereto and their permitted assignees and no one else shall be entitled to any right, remedy or claim by reason of any provision of this Agreement.

40 Successors. This Agreement shall be binding upon the parties hereto and their respective successors and assigns.

41 Amendments. This Agreement contains the entire agreement of the parties hereto, subsumes all prior discussions and negotiations and, except as may otherwise be specifically set forth in this Agreement, this Agreement may not be amended or otherwise modified except by a writing signed by all the parties to this Agreement.

42 Waiver. Except as may otherwise be specifically set forth in this Agreement, the failure of any party at any time or times to require performance of any provision of this Agreement shall in no manner affect the right at a later time to enforce the same. No waiver by any party of any condition, or of the breach of any term, covenant, representation or warranty set forth in this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed to be or construed as a further or continuing waiver of any such condition or breach, or as a waiver of any other condition or of the breach of any other term, covenant, representation or warranty set forth in this Agreement. The Landlord's acceptance of, or endorsement on, any partial payment of Rent or any late payment of Rent from the Tenant shall not operate as a waiver of the Landlord's right to the balance of the Rent due on a timely basis regardless of any writing to the contrary on, or accompanying, the Tenant's partial payment or the Landlord's putative acquiescence therein.

43 Course of Performance. No course of dealing or performance by the parties, or any of them, shall be admissible for the purpose of obtaining an interpretation or construction of this Agreement at variance with the express language of the Agreement itself.

44 Landlord's Concessions.

44.1 If, (a)(i) no Event of Default shall have occurred or (ii) if any Event of Default shall have occurred, the Tenant shall have previously cured it in full or the Landlord shall have waived it and (b) if there shall not have been a History of Recurring Events of Default, the Landlord hereby grants to the Tenant a non-exclusive license (the "Antenna License"):

44.1.1 during the Term, at its sole cost and expense, to install, maintain and replace a single antenna and associated equipment (the "Antenna") on the roof of the Building and in other Common Facilities in the Building, at such locations to be approved by the Landlord in its sole discretion (the "Antenna Licensed Area") in accordance with plans to be submitted by the Tenant to the Landlord regarding the installation (or, when applicable, the replacement) of the Antenna, which shall include Antenna specifications, an electrical/cabling routing diagram, and the location of the devices the Antenna is intended to serve (the "Antenna Plan"); and

44.1.1.1 during the Term to use and operate the Antenna exclusively for the Antenna Licensed Use (as hereinafter defined); and

44.1.1.2 have such access to the Antenna Licensed Area as may be necessary to accomplish the foregoing.

44.1.2 The Landlord is making the Antenna Licensed Area available to the Tenant under the Antenna License granted hereby in the Antenna Licensed Area's present "AS IS" condition. The Landlord makes no warranty or representation that the Antenna Licensed Area is suitable for the Antenna Licensed Use. The Tenant shall make whatever examination and study it deems necessary or appropriate to ascertain whether the Antenna Licensed Area is suitable for the Antenna Licensed Use. The Antenna License granted hereby is not exclusive; and the Landlord hereby reserves the right to grant, renew or extend similar or dissimilar licenses to any and all other persons. The Tenant's availing itself of any rights or incurring any obligations under or in connection with the Antenna License granted hereby shall be exclusively at the Tenant's expense and risk. The Tenant shall use the Antenna exclusively for telecommunications

purposes to serve the Leased Premises (the “Antenna Licensed Use”). During the Antenna License, the Tenant shall: (i) maintain and repair both the Antenna and the Antenna Licensed Area; (ii) not damage the electrical or other systems or the structure of the Building or the Property or that of any tenant of Other Leased Premises in the course of installation, maintenance, operation, replacement, or removal of the Antenna; (iii) not permit or suffer the Antenna to interfere with the communications, data or video wires or cables of any other person or the signals carried thereby or by electromagnetic broadcast or with the computer equipment of any other person; and (iv) comply with all applicable Federal, state and local statutes, rules, regulations and ordinances and with rulings and orders of any governmental authority with jurisdiction regarding the Antenna or its installation, replacement, maintenance, removal or use. Prior to installation, the Tenant shall provide the Landlord with one complete copy of each of the Antenna’s full specifications, installation manual, operational manual and any other manual provided by the manufacturer or installer and intended for the end user.

44.1.3 The Tenant shall utilize the Landlord’s supplied common antenna junction box and wireway conduit located on the roof of the Building for the installation of the Antenna.

44.1.4 Notwithstanding anything to the contrary set forth in this subsection 44.1, the Tenant shall:

44.1.4.1 not install any Antenna of such a size and weight that, in the reasonable opinion of the Landlord’s structural engineer, would require any structural reinforcement of the Building or any of its components; and

44.1.4.2 pay the Landlord, in addition to all other Rent due under this Agreement the following amount(s) per month of the Term: (i) $100.00 for a satellite dish antenna up to 18 inches in diameter or width or for any other type of antenna up to 18 inches in length, (ii) $200.00 for a satellite dish antenna over 18 inches and not more than 36 inches in diameter or width or for any other type of antenna over 18 inches and not more than 36 inches in length, or (iii) $500.00 for a satellite dish antenna over 36 inches in diameter or width or for any other type of antenna over 36 inches in length.

44.1.5 Upon termination of the Term, the Tenant shall, at its sole cost and expense, remove the Antenna and related wiring from the Antenna Licensed Area and the Leased Premises and restore: (i) any portions of the Antenna Licensed Area, the Leased Premises, the Building and the Property damaged in the process and (ii) the Antenna

Licensed Area and the Leased Premises substantially to their condition immediately prior to the commencement of the installation of the Antenna, reasonable wear and use excepted.

44.2 If, prior to the respective date of exercise thereof, (a)(i) no Event of Default shall have occurred or (ii) if any Event of Default shall have occurred, the Tenant shall have previously cured it in full or the Landlord shall have waived it, (b) there shall not have been a History of Recurring Events of Default, and (c) the Tenant is then leasing and occupying at least 25,429 square feet of gross rentable floor space in the Building, exercisable exclusively at the time and in the manner set forth below in subsection 44.2.2 of this Agreement, to require that the Landlord (subject to any similar obligations of the Landlord to any tenants of the Carnegie Center Complex at the time such notice is received and provided that the Landlord is not negotiating with another prospective tenant or existing tenant of the Carnegie Center Complex for such space at the time that such notice is received) whenever the Landlord becomes aware of Available Space in the Building, give notice to the Tenant offering to lease such Available Space to the Tenant at the Market Rental Rate then in effect (and specifying same) for a term commencing on the date set forth in the Landlord's notice and continuing for the greater of (a) the balance of the Initial Term, or (b) five (5) years, and the Tenant shall have the right, exercisable exclusively at the time and in the manner set forth below in subsection 44.2.2 of this Agreement, to accept such Available Space at the Market Rental Rate so specified for a term commencing on the date set forth in the Landlord's notice and continuing for the greater of (a) the balance of the Initial Term, or (b) five (5) years. Such requirement on the Landlord shall commence on the tenth (10th) day after the Tenant shall have timely and otherwise properly given such notice to the Landlord and shall continue in effect until the earlier of: (i) the Tenant's timely and otherwise proper acceptance of any such offer made by the Landlord, (ii) the Tenant's failure to timely and otherwise properly accept any such offer made by the Landlord, or (iii) six (6) months after the Tenant shall have timely and otherwise properly given such notice to the Landlord provided that during such six (6) month period, there was no Available Space in the Building. This is the "Right to Lease Additional Space". The Right to Lease Additional Space may not be exercised by any person other than the original Tenant, ACADIA Pharmaceuticals Inc., or by an assignee of the Tenant to which the Tenant has assigned this Agreement in accordance with the terms of subsection 17.6 of this Agreement. In the event the Tenant assigns this Agreement or sublets, or licenses the use or occupancy of, the Leased Premises or any portions thereof other than in accordance with subsection 17.6 of this Agreement, or attempts to do so, (i) the Right to Lease Additional Space shall thereupon expire, and (ii) if the

Right to Lease Additional Space has theretofore been properly exercised, but the commencement date with respect to such additional space has not yet actually occurred, the Right to Lease Additional Space shall be rescinded, if the Landlord so elects by notice to the Tenant, to the same extent as if it had not been exercised at all.

44.2.1. The Tenant shall exercise its right to require the Landlord to give the notices and make the offers contemplated by subsection 44.2 of this Agreement by giving timely and otherwise proper notice to the Landlord of its desire to lease additional space.

44.2.2. The Tenant shall exercise its right to accept the Landlord's offer of additional space contemplated by subsection 44.2 of this Agreement, by giving notice of acceptance to the Landlord within five (5) days after the Landlord gives notice of the offer to the Tenant. All additional space leased by the Tenant pursuant to the exercise of the Right to Lease Additional Space shall be taken AS IS. If the Tenant fails timely to accept any such offer of the Landlord pursuant to section 44.2 of this Agreement, its Right to Lease Additional Space shall thereupon terminate and be of no further force and effect.

44.2.3. If Tenant exercises this "Right to Lease Additional Space" in accordance with this section 44.2 within the first twelve (12) months of the Initial Term, the Market Rental Rate shall be $33.75 per rentable square foot. In addition, Tenant shall be entitled to a prorated period of free rent and a prorated Landlord Contribution with respect to Fitout of Tenant's Additional Space.

44.3 If, prior to the date of exercise thereof and the date of effectiveness thereof, (i) no Event of Default shall have occurred or (ii) if an Event of Default shall have occurred, the Tenant shall have previously cured it in full or the Landlord shall have waived it, the Tenant shall have one option, exercisable exclusively at the time and in the manner set forth below in this subsection 44.3, to terminate the Term effective sixty-three (63) months from the Rent Commencement Date (the "Early Termination Date". This is the "Option to Terminate Early". In the event the Tenant desires to exercise the Option to Terminate Early, the Tenant shall give timely notice of its exercise to the Landlord twelve (12) months prior to the Early Termination Date and enclosing with such notice full payment of that amount which is equal to the sum of: (x) the unamortized portion of (i) the total amount credited, reimbursed or paid by the Landlord as contemplated by section 5 of this Agreement, (ii) the total brokerage commission paid to the broker named in subsection 30.1.1 of this Agreement, and (iii) the total amount of the Basic Rent concession during the Rent Concession Period. Said sum shall be

in addition to all Rent otherwise due under this Agreement during the Term. The Tenant's giving such notice shall thereby rescind any Right to Lease Additional Space which the Tenant has theretofore timely and otherwise properly exercised regarding Additional Leased Premises whose respective commencing date has not yet occurred, if the Landlord so elects by notice to the Tenant, to the same extent as if it had been properly exercised at all and cancel any Right to Leased Additional Space not theretofore properly exercised by the Tenant. The Option to Terminate Early may not be exercised by any Person other than the original Tenant, ACADIA Pharmaceuticals Inc.—In the event the Tenant assigns this Agreement or sublets, or licenses the use or occupancy of, the Leased Premises or any portions thereof in accordance with subsection 17 of this Agreement or otherwise, or attempts to do so, the Option to Terminate Early shall thereupon expire.

45 Electronic Signatures. The parties acknowledge and agree that this Agreement may be executed by electronic signature, which shall be considered as an original signature for all purposes and shall have the same force and effect as an original signature. Without limitation, "electronic signature" shall include faxed versions of an original signature or electronically scanned and transmitted versions (e.g., via pdf) of an original signature.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date(s) set forth below.

LANDLORD:

BOSTON PROPERTIES LIMITED PARTNERSHIP, a Delaware limited partnership

By: Boston Properties, Inc., its general partner

By:/s/John K. Brandbergh
Name:John K. Brandbergh
Title:Senior Vice President
Dated:May 29, 2018

TENANT:

ACADIA PHARMACEUTICALS

By:/s/ Todd Young

Name:Todd Young

Title:EVP & CFO

Dated:May 17, 2018

EXHIBIT A

LEASED PREMISES FLOOR SPACE DIAGRAM

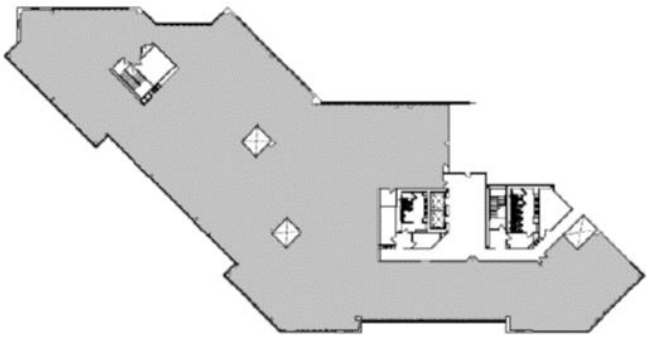

EXHIBIT B

PROPERTY DESCRIPTION

DESCRIPTION OF 502 CARNEGIE CENTER
WEST WINDSOR TOWNSHIP
MERCER COUNTY, NEW JERSEY

Being known and designated as Lot 91 in Block 9, situated in West Windsor Township, Mercer County, New Jersey as shown on a map entitled, "Preliminary/Final, Major Subdivision, Lots 5, 7, 7.01, 7.02, 8, 19, & 20, Block S-9, situated in West Windsor Township, Mercer County, New Jersey, prepared by Lynch, Carmody, Guiliano, and Karol, P.A. dated 10/21/85, revised through 11/25/86, filed in the Mercer County Clerk's office as Map No. 2841 on 5/29/87. Said parcel being more particularly described as follows:

Beginning at a point in the southerly line of Lot 91, Block 9, said point also being formed by the intersection of the southerly corner of Lot 91, Block 9 and the easterly corner of Lot 88, Block 9 and the westerly corner of Lot 87, Block 9; and running thence

1. Along the common property boundary line of Lot 91 with Lot 88 in Block 9 on a course North 02 degrees 11 minutes 38 seconds West, a distance of 70.71 feet to a point; thence

2. Continuing along same, on a course North 47 degrees 11 minutes 38 seconds West, a distance of 335.00 feet to a point; thence

3. Along the common property boundary line of Lot 91 with Lot 89 in Block 9, North 42 degrees 48 minutes 22 seconds East a distance of 120.00 feet to a point; thence

4. Continuing along same, on a course North 02 degrees 11 minutes 38 seconds West, a distance of 526.66 feet to a point; thence

5. Along the common property boundary line of Lot 91 with Lot 90 in Block 9 on a course North 87 degrees 48 minutes 22 seconds East, a distance of 325.96 feet to a point; thence

6. Along the common property boundary line of Lot 91 with Lot 84 in Block 9 on a course South 02 degrees 11 minutes 38 seconds East, a distance of 161.67 feet to a point of curvature; thence

7. Continuing along same, on a curve to the left having a radius of 200.00 feet, a central angle of 45 degrees 00 minutes 00 seconds,

an arc distance of 157.08 feet, a chord bearing of South 24 degrees 41 minutes 38 seconds East and distance of 153.07 feet to a point; thence

8. Continuing along same on a course South 47 degrees 11 minutes 38 seconds East, a distance of 336.19 feet to a point; thence

9. Along the common property boundary line of Lot 91 with Lot 86 in Block 9 on a course south 42 degrees 48 minutes 22 seconds West, a distance of 600.00 feet to a point; thence

10. Along the common property boundary line of Lot 91 with Lot 87 in Block 9, on a course North 47 degrees 11 minutes 38 seconds West, a distance of 65.00 feet to the point or place of beginning.

Containing 371,887 square feet of land (8.537 acres).

Subject to easements of records all as shown on a survey of the property prepared by T&M Associates, Richard A. Moralle, P.E., P.L.S., dated April 22, 2011.

EXHIBIT C

BUILDING DESCRIPTION

The following is the Building Description referred to in the Agreement of which this exhibit is a part.

The Building's structure is a three-story office building of Construction Type 2C with a steel frame, a metal deck floor system, a brick masonry exterior facade and aluminum and insulated glass. The floors will sustain a live load of 80 pounds per square foot of floor space and will have a typical bay size of 30 feet by 30 feet.

Among other Common Facilities, the Building will contain one men's and one women's bathroom on each floor, two drinking fountains on each floor and two hydraulic elevators with a capacity of 3,500 pounds each and will have Parking Facilities with approximately 355 lined parking spaces.

"Building standard" shall mean the type and grade of material, equipment, device or service designated by the Landlord as standard for leased premises in the Building.

The Tenant will include the following information as part of its Tenant Plan:

1. The location and extent of floor loading, if any, in excess of the building standard specified above.

2. Special air conditioning requirements, if any, in excess of building standard.

3. Plumbing requirements, if any.

4. Estimated total electrical load, including lighting requirements, lighting switch requirements and electrical outlet requirements, if any, in excess of building standard, setting forth the amount of the load, locations and types.

EXHIBIT D

BUILDING RULES AND REGULATIONS

The following are the Building Rules and Regulations adopted in accordance with subsection 7.2.3 of the Agreement of which this exhibit is a part; and the Tenant and the Tenant's employees, other agents and Guests shall comply with these Building Rules and Regulations:

1. The sidewalks, driveways, entrances, passages, courts, lobby, esplanade areas, plazas, elevators, vestibules, stairways, corridors, halls and other Common Facilities shall not be obstructed or encumbered or used for any purpose other than ingress and egress to and from the Leased Premises. The Tenant shall not permit or suffer any of its employees, other agents or Guests to congregate in any of the said areas. No door mat of any kind whatsoever shall be placed or left in any public hall or outside any entry door of the Leased Premises.

2. No awnings or other projections shall be attached to the outside walls of the Building. No curtains, drapes, blinds, shades or screens shall be attached to, hung in or used in connection with any window or door of the Leased Premises without the prior written consent of the Landlord. If such consent is given, such curtains, drapes, blinds, shades or screens shall be of a quality, type, design and color, and attached in the manner, approved by the Landlord.

3. Except as otherwise specifically provided in subsection 18.1 of the Agreement, no sign, insignia, advertisement, object, notice or other lettering shall be exhibited, inscribed, painted or affixed so as to be visible from outside the Leased Premises or the Building. In the event of the violation of the foregoing by the Tenant, the Landlord may remove same without any liability and may charge the expense incurred in such removal to the Tenant.

4. The sashes, doors, skylights, windows, and doors that reflect or admit light and air into the halls, passageways or other public places in the Building shall not be covered or obstructed and no bottles, parcels or other articles shall be placed on the window sills.

5. No showcase or other articles shall be placed in front of or affixed to any part of the Building or the Common Facilities.

6. The lavatories, water and wash closets and other plumbing fixtures shall not be used for any purposes other than those for which they were designed and constructed, and no sweepings, rubbish, rags, acids or other substances shall be thrown or deposited therein. All damages resulting from any misuse thereof shall be repaired at the expense of the Tenant that permitted or suffered the violation hereof by the Tenant, the Tenant's employees, other agents or Guests.

7. The Tenant shall not mark, paint, drill into or in any way deface any part of the Leased Premises, the Building, the Common Facilities or the Property. No boring, cutting or stringing of wires shall be permitted, except with the prior written consent of the Landlord, and as the Landlord may direct. Linoleum and other resilient floor coverings shall be laid so that the same shall not come in direct contact with the floor of the Leased Premises; and if linoleum or other resilient floor coverings are desired, an interlining of builder's deadening felt shall be first affixed to the floor by a paste or other material that is, and will remain, soluble in water. The use of cement or other adhesive material that either is not, or will not remain, soluble in water is prohibited.

8. No bicycles, vehicles, animals, reptiles, fish or birds of any kind shall be brought into or kept in or about the Leased Premises.

9. No noise including, without limiting the generality of the foregoing, music or the playing of musical instruments, recordings, radio or television which, in the reasonable judgment of the Landlord, might disturb tenants of Other Leased Premises shall be made or permitted by the Tenant. Nothing shall be done or permitted in the Leased Premises by the Tenant which would impair or interfere with the use or enjoyment of Other Leased Premises by any tenant thereof. Nothing shall be thrown out of the doors, windows or skylights or down the passageways of the Building.

10. The Tenant shall not manufacture any commodity, or prepare or dispense any foods or beverages, tobacco, flowers or other commodities or articles without the prior written consent of the Landlord. The Tenant shall not permit the installation or use of vending machines in the Leased Premises.

11. Duplicates of keys and passes distributed to the Tenant by the Landlord shall not be made. The Tenant shall provide appropriate security for keys. Nothing shall be done to render any lock inoperable by the Building Grand Master Key. No lock shall be installed without the Landlord's prior written consent; and any lock so installed shall be operable by the Building Grand Master Key. Upon termination of the Term, all keys, passes and duplicates provided by the Landlord to the Tenant, or otherwise procured by the Tenant, shall be returned to the Landlord. Any failure to comply with the foregoing which requires changes in locks, new or additional keys, passes or duplicates or other services of a locksmith shall be paid by the Tenant.

12. All deliveries and removals, and the carrying in or out of any safes, freight, furniture, packages, boxes, crates or any other object or matter of any description shall take place during such hours, in such manner and in such elevators and passageways as the Landlord may determine from time to time. The Landlord reserves the right to inspect all objects and matter being brought into the Building or the Common Facilities and to exclude from the Building and the Common Facilities all objects and matter that violates any of these Building Rules and Regulations or that are contraband. The Landlord may (but shall not be obligated to) require any person leaving the Building or the Common Facilities with any package or object or matter from the Leased Premises to establish his authority from the Tenant to do so. The establishment and enforcement of such a requirement shall not impose any responsibility on the Landlord for the protection of the Tenant against the removal of property from the Leased Premises. The Landlord shall not be liable to the Tenant for damages or loss arising from the admission, exclusion or ejection of any person to or from the Leased Premises or the Building or the Common Facilities under this rule.

13. The Tenant shall not place any object in any portion of the Building that is in excess of the safe carrying or designed load capacity of the structure.

14. The Landlord shall have the right to prohibit any advertising or display of any identifying sign by the Tenant which in the Landlord's judgment tends to impair the reputation of the Building or its desirability; and, on notice from the Landlord, the Tenant shall refrain from or discontinue such advertising or display of such identifying sign.

15. The Landlord reserves the right to exclude from the Building and the Common Facilities during hours other than Regular Business Hours all persons who do not present a pass thereto signed by both the Landlord and the Tenant. All persons entering or leaving the Building or the Common Facilities during hours other than Regular Business may be required to sign a register. The Landlord will furnish passes to persons for whom the Tenant requests same in writing. The establishment and enforcement of such a requirement shall not impose any responsibility on the Landlord for the protection of the Tenant against unauthorized entry of persons.

The Tenant, before closing and leaving the Leased Premises at any time shall see that all lights and appliances generating heat (other than the heating system) are turned off. All entrance doors to the Leased Premises shall be left locked by the Tenant when the Leased Premises are not in use. At any time when the Building or the Common Facilities are locked during hours other than Regular Business Hours, the Building and the Common Facilities locks shall not be defeated by any means, such as by leaving a door ajar.

17. No person shall go upon the roof of the Building without the prior written consent of the Landlord.

18. Any requirements of the Tenant may be attended to only upon application at the office of the Building. The Landlord and its agents shall not perform any work or do any work or do anything outside of the Landlord's obligations under the Agreement except upon special instructions from the Landlord on terms acceptable to the Landlord and the Tenant.

19. Canvassing, soliciting and peddling in the Building and the Common Facilities are prohibited and the Tenant shall cooperate to prevent same.

20. There shall not be used in any space, or in the public halls or other Common Facilities of the Building, in connection with the moving or delivery or receipt of safes, freight, furniture, packages, boxes, crates, paper, office material, or any other matter or thing, any hand trucks or dollies except those equipped with rubber tires, side guards and such other safeguards as the Landlord shall require. No hand trucks shall be used in passenger elevators, and no passenger elevators shall be used for the moving, delivery or receipt of the aforementioned articles. In connection with moving in or out any furniture, furnishings, equipment, heavy articles and heavy packages, the Tenant shall take such precautions as may be necessary to prevent excessive wear and tear in the Building's Common Facilities and the Leased Premises

including, without limiting the generality of the foregoing, floor and wall treatments.

21. The Tenant shall not cause or permit any odors of cooking or other processes or any unusual or objectionable odors to emanate from the Leased Premises which might constitute a Nuisance. No cooking shall be done in the Leased Premises other than as specifically permitted in the Agreement.

22. The Landlord reserves the right not to enforce any Building Rule or Regulation against any tenants of Other Leased Premises. The Landlord reserves the right to rescind, amend or waive any Building Rule and Regulation when, in the Landlord's reasonable judgment, it appears necessary or desirable for the reputation, safety, care or appearance of the Building or the preservation of good order therein or the operation of the Building or the comfort of tenants or others in the Building. No rescission, amendment or waiver of any Building Rule and Regulation in favor of one tenant shall operate as a rescission, amendment or waiver in favor of any other tenant.

EXHIBIT E
DEFINITIONS AND INDEX OF DEFINITIONS

In accordance with section 1 of the Agreement of which this exhibit is a part, throughout the Agreement the following terms and phrases shall have the meanings set forth or referred to below:

1 "Additional Leased Premises" means any portion of the interior of the Building (as viewed from the interior of the respective Additional Leased Premises) bounded by the interior sides of the unfinished floor and the finished ceiling on the applicable floor of the Building, the centers of all Common Walls and the exterior sides of all walls other than Common Walls that the Tenant may lease (other than the Leased Premises) in the Building pursuant to the Tenant's exercise of the Right to Lease Additional Space.

2 "Additional Rent" means all amounts, other than Basic Rent and any Security Deposit, required to be paid by the Tenant to the Landlord in accordance with this Agreement.

3 “Affiliate” of any person means a person controlling, controlled by, or under common control with, that person.

4 "Agreement" means this Lease and Lease Agreement (including exhibits), as it may have been amended.

5 "Annual Amortized Capital Expenditure" means the payment amount determined as an annuity in arrears using the cost incurred by the Landlord for any Capital Expenditure as the present value, the number of years of its useful life (not exceeding ten (10) years) selected by the Landlord in accordance with generally applied real estate accounting practice as the number of periods and the Base Rate in effect when the respective improvement is first placed into service plus two (2) additional percentage points as the annual rate of interest; provided, however, if the Landlord reasonably concludes that a particular Capital Expenditure will effect savings in Operational Expenses, including, without limitation, energy, labor or other cost savings (“Projected Savings”), and if the “Projected Payback Period”, as hereinafter defined, will be less than the useful life of the Capital Expenditure as determined above, then the Landlord shall amortize the Capital Expenditure based upon the Projected Payback Period, together with interest thereon at the interest rate as stated above in equal monthly payments. For the purpose herein, the “Projected Payback Period” shall be defined as the number of months or portion thereof required for the Projected Savings in Operational Expenses to equal the cost incurred by the Landlord for such Capital Expenditure.

6 “Available Space” means, when used in the context of the Right to Lease Additional Space, Other Leased Premises located on the 3rd Floor of 502 Carnegie Center which is adjacent to the Leased Premises that will become available for lease to others, generally and without limitation or restriction, due to the termination of the term of the lease with its then present tenant and the tenant's unwillingness to renew or otherwise extend the term, regardless of whether any such renewal or other extension is pursuant to a renewal or extension right or option set forth in the then present tenant's lease, or not.

7 "Base Rate" means the prime commercial lending rate per year as announced from time to time by JP Morgan Chase Bank (National Association) at its principal office in New York City.

8 "Base Year" means the full calendar year 2019 with respect to Operational Expenses and Taxes.

9 "Base Year Operational Expenses" means actual Operational Expenses incurred by the Landlord with respect to the Base Year adjusted as follows: projected and extrapolated to assume 95% occupancy of the Building at any time when the Building is less than 95% occupied. Base Year Operational Expenses shall not include increases due to extraordinary circumstances, including but not limited to, Force Majeure, boycotts, conservation surcharges, security concerns, embargoes or shortages.

10 "Base Year Taxes" means actual Taxes incurred by the Landlord with respect to the Property and the Building with respect to the Base Year.

11 "Basic Rent" is defined in subsection 3.2 of this Agreement.

12 "Building" means the office building erected on the Property which is commonly known as 502 Carnegie Center, Princeton, New Jersey 08540, as it may, in the Landlord's sole discretion, be increased, decreased, modified, altered or otherwise changed from time to time before, during or after the Term. As the Building is presently constructed it consists of 116,855 gross rentable square feet of floor space.

13 “Building Description” means Exhibit C attached hereto which generally describes the type of construction of the Building.

14 "Building Standard" is defined in Exhibit C of this Agreement.

15 "Capital Expenditure" is defined in subsection 10.3 of this

Agreement.

16 “Carnegie Center Complex” means the office development commonly known as Carnegie Center, Princeton (West Windsor Township), New Jersey, bounded on the north by Alexander Road and on the west by U.S. Route 1.

17 "Commencement Date" is defined in section 4 of this Agreement.

18 "Common Facilities" means the areas, facilities and improvements provided by the Landlord in the Building (except the Leased Premises and the Other Leased Premises) and on the Property, including, without limiting the generality of the foregoing, the Parking Facilities and driveways on the Property, for non-exclusive use by the Tenant in accordance with subsection 2.2 of this Agreement, as they may, in the Landlord's sole discretion, be increased, decreased, modified, altered or otherwise changed from time to time before, during or after the Term.

19 "Common Walls" means those walls which separate the Leased Premises from Other Leased Premises.

20 "Electric Charges" means all the supplying utility's charges for, or in connection with, furnishing electricity including charges determined by actual usage, any seasonal adjustments, demand charges, energy charges, energy adjustment charges and any other charges, howsoever denominated, of the supplying utility, including sales and excise taxes and the like.

21 "Event of Default" is defined in section 22 of this Agreement.

22 "Expiring Term" means, at the time of reference, the Term as it is then scheduled to expire.

23 “Force Majeure” means (i) strikes or other labor troubles, (ii) governmental preemption in connection with a national emergency, (iii) any rule, order or regulation of any government agency or any department or subdivision thereof, whether in connection with a drought, energy shortage or other like event or otherwise, (iv) any fact, condition or circumstance related to war, terrorism or other emergency, (v) fire, casualty or other acts of God (including the time necessary to repair any damage caused thereby), (vi) the inability to obtain labor or material due to shortage, governmental regulation or prohibition, or (vii) any other cause whatsoever beyond Landlord's or Tenant’s reasonable control, as the case may be.

24 The Tenant's "Guests" shall mean the Tenant's licensees,

invitees and all others in, on or about the Leased Premises, the Building, the Common Facilities or the Property, either at the Tenant's express or implied request or invitation or for the purpose of soliciting or visiting the Tenant.

25 A "History of Recurring Events of Default" means the occurrence of three or more Events of Default (whether or not cured by the Tenant) in any period of twelve (12) months.

26 "Holdover Damages" is defined in subsection 23.4 of this Agreement.

27 The "Index" means the "all items" index figure for the New York Northeastern New Jersey average of the Consumer Price Index for all urban wage earners and clerical workers which uses a base period of 1982-84=100, published by the United States Department of Labor, so long as it continues to be published. If the Index is not published for a period of three consecutive months, or if its base period is changed, the term "Index" shall mean that index, as nearly equivalent in purpose, function and coverage as practicable to the original Index, which the Landlord shall have designated by notice to the Tenant.

28 "Initial Term" means the period so designated in subsection 4.1 of this Agreement.

29 "Initial Year" means the first twelve (12) full calendar months immediately following the Rent Commencement Date (if the Rent Commencement Date occurs on other than the first day of a calendar month) or the first 12 full calendar months commencing on the Rent Commencement Date (if the Rent Commencement Date occurs on the first day of a calendar month).

30 "Landlord" means the person so designated at the beginning of this Agreement and those successors to the Landlord's interest in the Property and/or the Landlord's rights and obligations under this Agreement contemplated by section 26 of this Agreement.

31 "Landlord Party" or "Landlord Parties" shall mean the Landlord, any Affiliate of the Landlord, the Landlord's managing agents for the Building, each mortgagee, if any, each ground lessor, if any, and each of their respective direct or indirect partners, officers, shareholders, directors, members, trustees, beneficiaries, servants, employees, principals, contractors, licensees, agents or representatives.

32 “Landlord’s Contribution” is defined in section 5 of this

Agreement.

33 "Lease Year" means the Initial Year and each succeeding period of twelve (12) consecutive calendar months that commences immediately after the end of the immediately preceding Lease Year.

34 "Leased Premises" means that portion of the interior of the Building (as viewed from the interior of the Leased Premises) bounded by the interior sides of the unfinished floor and the finished ceiling on the Third floor (as the floors have been designated by the Landlord) of the Building, the centers of all Common Walls and the exterior sides of all walls other than Common Walls, the outline of which floor space is designated on the diagram set forth in Exhibit A attached hereto, which portion contains 25,429 square feet of gross rentable floor space; and references within this Agreement to the gross rentable floor space of the Leased Premises shall mean the quantity herein specified.

35 "Legal Holidays" means New Year's Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

36 "Market Rental Rate" means, at the time of reference, the gross rentable floor space of the Leased Premises multiplied by the greater of: (a) that annual rate of Basic Rent per square foot of gross rentable floor space which is then being quoted by the Landlord for comparable Other Leased Premises at which the Landlord, or other landlords, as the case may be, are then executing leases for new or renewing tenants for comparable leased space located in buildings in the Carnegie Center Complex and the buildings located at 7-9 Roszel Road, Princeton Overlook and University Square, all in West Windsor Township, New Jersey (or would then be quoted if comparable Other Leased Premises were then available), taking into consideration the following factors, if applicable: (i) the term of such lease, (ii) the terms of any workletter associated therewith, (iii) tenant improvement allowances, (iv) free rent or other concessions, and (v) the subject amount of square feet of gross rentable floor space, or (b) that annual rate of Basic Rent per square foot of gross rentable floor space in effect during the last twelve (12) months of the Expiring Term.

37 "Municipality" means the Township of West Windsor in Mercer County, New Jersey, or any successor municipality with jurisdiction over the Property.

38 "No Pass Through Period" means, in the context of Operational Expenses and Taxes, the period beginning on the Commencement Date and ending on December 31, 2019.

39 "Nuisance" means any condition or occurrence which unreasonably or materially interferes with the authorized use and enjoyment of the Other Leased Premises and the Common Facilities by any tenant of Other Leased Premises or by any person authorized to use any Other Leased Premises or Common Facilities or with the authorized use of any other areas, buildings or other improvements in the Carnegie Center Complex.

40 "Operational Expenses" is defined in subsection 10.2 of this Agreement.

41 “Option to Renew” is defined in subsection 6.1 of this Agreement.

42 “Option to Terminate Early” is defined in section 44 of this Agreement.

43 "Other Leased Premises" means all premises within the Building, with the exception of the Leased Premises, that are, or are available to be, leased to tenants or prospective tenants, respectively.

44 "Parking Facilities" means the parking area located on the Property, containing the approximate number of lined parking spaces set forth in the Building Description, which parking area is provided as Common Facilities.

45 "Person" includes an individual, a corporation, a partnership, a limited liability company, a limited liability partnership, a trust, an estate, an unincorporated group of persons and any group of persons.

46 "Property" means the parcel of land, as it may, in the Landlord's sole discretion, be increased, decreased, modified, altered or otherwise changed from time to time before, during or after the Term, on which the Building is (or is about to be) erected. As the Property is presently constituted, it is more particularly described in Exhibit B attached hereto.

47 “Punchlist” shall mean a single written list prepared by the Landlord at or about the date of achievement of Substantial Completion of the Tenant’s Buildout, setting forth those faults, defects and omissions in the Tenant’s Buildout, which are in the nature of minor or cosmetic faults, defects and omissions.

48 "Regular Business Hours" means 8:00 A.M. to 6:00 P.M., Monday through Friday, except on Legal Holidays.

49 "Re-Leasing Damages" is defined in subsection 23.3 of this Agreement.

50 "Renewal Term" means, at the time of reference, any portion of the Term, other than the Initial Term, as to which the Tenant has properly exercised an Option to Renew.

51 "Rent" means Basic Rent and Additional Rent.

52 “Rent Commencement Date” is defined in section 4 of this Agreement.

53 “Rent Concession Period” is defined in section 4 of this Agreement.

54 “Right to Lease Additional Space” is defined in section 44 of this Agreement.

55 "Security Deposit" is designated in section 29 of this Agreement.

56 “Substantial Completion” means that (i) the Tenant’s Buildout shall have been substantially completed, subject only to the completion or correction of Punchlist items, and (ii) a certificate of occupancy for the Tenant’s Buildout shall have been issued by the Municipality.

57 “Substantial Completion Date” means the date that Substantial Completion of the Tenant’s Buildout shall have been achieved, adjusted to an earlier date to compensate the Landlord for the cumulative number of days of delay attributable to Tenant Delay.

58 “Systems” means the building standard elevator, heating, ventilation and air conditioning, electrical, plumbing and fire alarm and suppression systems installed in the Building.

59 "Taxes" means, in any calendar year, the aggregate amount of real property taxes, assessments and sewer rents, rates and charges, state and local taxes, transit taxes and every other governmental charge, whether general or special, ordinary or extraordinary (except corporate franchise taxes and taxes imposed on, or computed as a function of, net income or net profits from all sources and except taxes charged, assessed or levied exclusively on the Leased Premises or arising exclusively from the Tenant's occupancy of the Leased Premises) charged, assessed or levied by any taxing authority with respect to the Property, the Building, the Common Facilities and any other improvements on the Property and an allocable portion of Taxes with respect to other portions of the Carnegie Center Complex, less

any refunds or rebates (net of expenses incurred in obtaining any such refunds or rebates) of Taxes actually received by the Landlord during such calendar year with respect to any period during the Term for the benefit of the Tenant, tenants of Other Leased Premises and the Landlord. If during the Term there shall be a change in the means or methods of taxing real property generally in effect at the beginning of the Term and another type of tax or method of taxation should be substituted in whole or in part for, or in lieu of, Taxes, the amounts calculated under such other types of tax or by such other methods of taxation shall also be deemed to be Taxes. Until such time as the actual amount of Taxes for any calendar year becomes known, the amount thereof shall be the Landlord's estimate of Taxes for that calendar year.

60 "Tenant" means the person so designated at the beginning of this Agreement.

61 “Tenant Delay” means any period of delay encountered by the Landlord or its general contractor selected to perform the Tenant’s Buildout in achieving Substantial Completion of the Tenant’s Buildout or the issuance of the Municipality’s building permits, that is attributable to the following: (i) if the Tenant elects to have the Landlord’s architect prepare the Tenant Plan for the Tenant’s Buildout, (a) the failure of the Tenant to deliver the Final and Complete Space Plan by the Space Plan Due Date, or (b) any changes made by or at the request of the Tenant to the Final and Complete Space Plan or the Tenant Plan after the Space Plan Due Date; (ii) if the Tenant elects to have its own architect prepare the Tenant Plan for the Tenant’s Buildout, (a) the failure of the Tenant to deliver the final Tenant Plan to the Landlord by the Tenant Plan Due Date; (b) any changes made by or at the request of the Tenant to the Tenant Plan after the Tenant Plan Due Date, (c) the failure of the Tenant to revise and deliver a revised complete Tenant Plan to the Landlord within ten (10) days of the Landlord's giving notice of its objection to the Tenant pursuant to subsection 5.2 of this Agreement, (d) the failure of the Tenant to revise and deliver a revised complete Tenant Plan to the Landlord within ten (10) days of the Landlord's giving notice to the Tenant of the Municipality’s objections to the Tenant Plan pursuant to subsection 5.2 of this Agreement; and (e) any design error or omission in the Tenant Plan; (iii) the failure of the Tenant to give notice to the Landlord of the Tenant’s election to have either the Landlord’s architect or the Tenant’s architect prepare the Tenant Plan for the Tenant’s Buildout by the Space Plan Due Date; (iv) the failure of the Tenant to select the colors of the paint to be applied and the flooring to be installed as part of the Tenant’s Buildout from the Landlord's samples by the Tenant Plan Due Date, (v) any labor dispute or disharmonious labor relations with

the Landlord’s general contractor, any of its subcontractors or any of their sub-subcontractors (of any tier) involving any direct contractor or other agent of the Tenant or any of its subcontractors or any of their sub-subcontractors (of any tier) when performing any preparation of the Initial Leased Premises; (vi) any work performed by or for the Tenant (other than the Tenant's Buildout), or any delay in the commencement or performance or completion of any such work, which impedes the orderly coordination, sequence and progress of the Tenant's Buildout; (vii) any flaw or other deficiency in any work performed by any direct contractor of the Tenant or any of its subcontractors or their sub-subcontractors (of any tier); (viii) any failure of any direct contractor of the Tenant or any of its subcontractors or their sub-subcontractors (of any tier) to properly connect and interface with the Tenant's Buildout including, without limiting the generality of, the foregoing, the installation of the Tenant’s telecommunications and computer cabling and equipment, partitions, furniture and fixtures and other installations not included in the Tenant's Buildout; (ix) any delay in the Tenant's Buildout encountered as a result of attempting to integrate work of the Tenant's direct contractors with the Tenant's Buildout; (x) any suspension or stoppage of the Tenant's Buildout at the request or instance of the Tenant or any of its agents; (xi) the lack of completion or the lack of satisfactory completion of any work performed by any direct contractor of the Tenant or any of its subcontractors or their sub-subcontractors (of any tier) at any time when the Tenant's Buildout (or any portion thereof) is ready for any inspection or test required by the Municipality regarding the Tenant's Buildout; (xii) the existence of any long lead time items in the Tenant’s Buildout of which the Landlord or the Landlord’s architect shall have advised the Tenant or its construction manager in writing prior to the commencement of the construction of the Tenant’s Buildout and which the Tenant elects to retain in the Tenant’s Buildout; (xiii) any delay in the issuance of the Municipality’s Certificate of Occupancy as a result of any alterations, improvements or other modifications made by or on behalf of the Tenant in the Leased Premises (which shall be limited to the installation of voice and data cabling and wiring) other than the Tenant’s Buildout; (xiv) the request by the Tenant for materials, finishes or installations other than Building Standard; and (xv) any other delay caused by the Tenant or its design professionals, engineers, direct contractors, employees or other agents of which the Landlord shall have advised the Tenant or its construction manager which is not cured at once.

62 "Tenant Electric Charges" means Electric Charges attributable to the Tenant's use of electricity in the Leased Premises for purposes other than heating, ventilation and air conditioning provided to the

Leased Premises by the Landlord in accordance with subsection 8.2.3 of this Agreement.

63 "Tenant Party" or "Tenant Parties" means the Tenant, any Affiliate of the Tenant, any permitted subtenant or any other permitted occupant of the Leased Premises, and each of their respective direct or indirect partners, officers, shareholders, directors, members, trustees, beneficiaries, servants, employees, principals, contractors, licensees, agents, invitees or representatives.

64 "Tenant Plan" means construction drawings and related construction specifications regarding the build-out of the Leased Premises (with any construction drawings in a reproducible diazo sepia mylar form) including, without limiting the generality of the foregoing, the information called for by the Building Description attached hereto as Exhibit C, signed and sealed by a New Jersey-licensed architect, and also furnished on AutoCad, complying in all respects with all applicable building and fire codes and regulations and insurance underwriting standards in effect and, to the extent they are not inconsistent with this Agreement, with the Landlord’s tenant construction specifications in effect and in sufficient detail to permit the Municipality to issue any required building permits and to permit skilled contractors to supply and perform the work called for therein.

65 "Tenant Plan Due Date" means June 1, 2018.

66 "Tenant's Property” is defined in subsection 14.2 of this Agreement.

67 "Tenant's Share" of any amount means 21.76 percent.

68 "Term" means the Initial Term plus, at the time of reference, any Renewal Terms.

69 "Termination Damages" is defined in subsection 23.2 of this Agreement.

70 “Utilities Expenses” means Electric Charges (other than Tenant Electric Charges) and all charges for any other fuel that may be used in providing electricity and services powered by electricity that the Landlord provides in accordance with section 8 of this Agreement to the Building, the Leased Premises, Other Leased Premises, the Common Facilities and the Property, including sales and excise taxes and the like.

EXHIBIT F

JANITORIAL SERVICES DESCRIPTION

LEASED PREMISES

Nightly:

1 Vacuum clean carpets and rugs.

2 Empty all wastepaper baskets. Cleaners will not remove and/or clean tea or coffee cups or similar containers; also, if such liquids are spilled in wastebaskets, the wastebaskets will be emptied but not otherwise cleaned. Cartons or refuse in excess of that which can be placed in wastebaskets will not be removed. Tenants are required to make arrangements with the building manager for the disposal of such unusual refuse, for which the Tenant may incur additional charges.

3 Remove waste paper and waste material to a designated area in the building.

4 Dust and wipe clean all desks, furniture, windowsills and chair rails.

5 Wash/clean all water fountains.

Monthly:

1 Do high dusting including all venetian blinds and pictures, frames and similar wall hangings not reached in nightly cleaning.

2 Dust exterior of all wall mounted lighting fixtures.

3 Dust any door louvers.

4 Wash and wax all resilient flooring in office area.

LAVATORIES:

Nightly:

1 Sweep and wash all flooring.

2 Wash and polish all mirrors, powder shelves, etc.

3 Wash both sides of all toilet seats.

4 Dust all partitions, tile walls, dispensers and receptacles.

5 Remove waste paper and refuse to designated area in the building.

6 Fill toilet tissue holders, soap dispensers and towel dispensers.

Monthly:

1 Machine scrub flooring.

2 Wash all partitions, tile walls and enamel surfaces.

3 Dust exterior of all wall mounted lighting fixtures.

4 Do all high dusting.

MAIN LOBBY, ELEVATORS AND CORRIDORS:

Nightly:

1 Vacuum entrance lobby and corridors.

2 Spot for stains.

3 Vacuum elevator floor.

4 Elevator cab to be wiped clean and polished.

DAY CUSTODIAN:

Daily:

1 Clean and sanitize lavatories.

2 Empty and clean paper towel and sanitary disposal receptacles and refill same.

3 Keep public areas in neat and orderly condition at all times.

4 Wash lobby entrance door windows in and out.

5 Keep parking lot area free of papers and general debris.

6 Custodian shall be available for special tasks and shall fix minor problems that arise in the Building as assigned by Boston Properties management personnel, such as cleaning up spills, changing light tubes, etc.

SCHEDULE OF CLEANING SERVICES:

Day Custodian:

1 Day custodian services as listed herein, shall be performed five (5) days per week (Monday through Friday) except on Boston Properties Management's legal Holiday Schedule.

2 Daily working hours: 7:30 a.m. – 4:00 p.m.

Night Cleaners:

1 All night cleaning service, as listed herein, shall be performed five(5) nights per week (Monday through Friday), except on Boston Properties Management's legal Holiday Schedule.

ADDITIONAL INSUREDS

Boston Properties Limited Partnership, a Delaware limited partnership
Boston Properties, Inc., a Delaware corporation
BP Management, L.P., a Delaware limited partnership

EXHIBIT G

FORM OF CERTIFICATE OF LIABILITY INSURANCE

ACORD

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	CONTACT NAME: PHONE (A/C, No, Ext): FAX (A/C, No): E-MAIL ADDRESS:
	INSURER(S) AFFORDING COVERAGE — NAIC #
INSURED	INSURER A :
	INSURER B :
	INSURER C :
	INSURER D :
	INSURER E :
	INSURER F :

COVERAGES — CERTIFICATE NUMBER: — REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	GENERAL LIABILITY COMMERCIAL GENERAL LIABILITY CLAIMS-MADE OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: POLICY PRO-JECT LOC						EACH OCCURRENCE $ DAMAGE TO RENTED PREMISES (Ea occurrence) $ MED EXP (Any one person) $ PERSONAL & ADV INJURY $ GENERAL AGGREGATE $ PRODUCTS - COMP/OP AGG $ $
	AUTOMOBILE LIABILITY ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS HIRED AUTOS NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) $ BODILY INJURY (Per person) $ BODILY INJURY (Per accident) $ PROPERTY DAMAGE (Per accident) $ $
	UMBRELLA LIAB OCCUR EXCESS LIAB CLAIMS-MADE DED RETENTION $						EACH OCCURRENCE $ AGGREGATE $ $
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y / N / N/A					WC STATU-TORY LIMITS / OTH-ER E.L. EACH ACCIDENT $ E.L. DISEASE - EA EMPLOYEE $ E.L. DISEASE - POLICY LIMIT $

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

CERTIFICATE HOLDER	CANCELLATION
	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE

ACORD 25 (2010/05) — The ACORD name and logo are registered marks of ACORD

EXHIBIT H

FORM OF CERTIFICATOE OF PROPERTY INSURANCE

ACORD

EVIDENCE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY)

THIS EVIDENCE OF PROPERTY INSURANCE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE ADDITIONAL INTEREST NAMED BELOW. THIS EVIDENCE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS EVIDENCE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE ADDITIONAL INTEREST.

AGENCY	PHONE (A/C, No, Ext):	COMPANY
FAX (A/C, No):	E-MAIL ADDRESS:	
CODE:	SUB CODE:	
AGENCY CUSTOMER ID #:		
INSURED		LOAN NUMBER / POLICY NUMBER
		EFFECTIVE DATE / EXPIRATION DATE / ☐ CONTINUED UNTIL TERMINATED IF CHECKED
		THIS REPLACES PRIOR EVIDENCE DATED:

PROPERTY INFORMATION

LOCATION/DESCRIPTION

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS EVIDENCE OF PROPERTY INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

COVERAGE INFORMATION

COVERAGE / PERILS / FORMS	AMOUNT OF INSURANCE	DEDUCTIBLE

REMARKS (Including Special Conditions)

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

ADDITIONAL INTEREST

NAME AND ADDRESS	☐ MORTGAGEE ☐ LOSS PAYEE ☐ ADDITIONAL INSURED
	LOAN #
	AUTHORIZED REPRESENTATIVE

ACORD 27 (2009/12)

Capital Expenditure – Useful Life Schedule

Capital Expenditure Description	**Useful Life**
HVAC – Roof Top Unit Replacement	10 Years
Electrical – Switchgear Replacement	10 Years
Energy Savings Initiatives (e.g. Lighting, HVAC Upgrades, etc.)	5 Years
Life Safety – Fire Sprinkler System Replacements	10 Years
Life Safety – Fire Alarm Replacements	10 Years
General Building – Exterior Building Façade (e.g. recaulking, repointing, etc.)	10 Years
General Building – Significant Exterior Glass Replacements	10 Years
Security – CCTV Surveillance Equipment Installations	7 Years
Parking Lot Resurfacing	15 Years
Restroom & Locker Room Renovations	10 Years
Roof Replacement	15 Years
Trash Dumpster Enclosure	10 Years

Exhibit 31.1

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Stephen Davis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ACADIA Pharmaceuticals Inc.

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

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

4. The registrant's other certifying officer 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: August 8, 2018

/S/ STEPHEN DAVIS
Stephen Davis
President and Chief Executive Officer
(Registrant's Principal Executive Officer)

Exhibit 31.2

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Todd Young, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ACADIA Pharmaceuticals Inc.

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

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

4. The registrant's other certifying officer 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: August 8, 2018

/s/ Todd Young
Todd Young
Executive Vice President and Chief Financial Officer
(Registrant's 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 of ACADIA Pharmaceuticals Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2018, as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Stephen R. Davis, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

(2) the information contained in the Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Report and results of operations of the Company for the period covered by the Report.

Date: August 8, 2018

/s/ Stephen Davis

Stephen Davis
President and Chief Executive Officer
(Registrant's Principal Executive Officer)

This certification shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of Section 18 of the Exchange Act. Such certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Exhibit 32.2

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 of ACADIA Pharmaceuticals Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2018, as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, Todd S. Young, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

(2) the information contained in the Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Report and results of operations of the Company for the period covered by the Report.

Date: August 8, 2018

/S/ TODD YOUNG

Todd Young
Executive Vice President and Chief Financial Officer
(Registrant's Principal Financial and Accounting Officer)

This certification shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of Section 18 of the Exchange Act. Such certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.