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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, 2014

OR

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

For the transition period from _____ to _____

Commission file number 001-14895

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

Delaware	**93-0797222**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
215 First Street, Suite 415 Cambridge, MA	**02142**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (617) 274-4000

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller Reporting Company	☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock with $0.0001 par value	**40,923,746**
(Class)	**(Outstanding as of July 31, 2014)**

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

SAREPTA THERAPEUTICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(in thousands, except per share amounts)

	As of June 30, 2014	As of December 31, 2013
Assets		
Current Assets:		
Cash and cash equivalents	$ 102,754	$ 256,965
Short-term investments	176,785	—
Accounts receivable	5,226	3,530
Restricted investments	4,000	7,250
Other current assets	15,906	3,061
Total Current Assets	304,671	270,806
Restricted investments	647	647
Property and equipment, net of accumulated depreciation and amortization of $17,945 and $17,328 as of June 30, 2014 and December 31, 2013, respectively	20,163	15,049
Patent costs, net of accumulated amortization of $1,853 and $1,622 as of June 30, 2014 and December 31, 2013, respectively	5,387	5,042
Other assets	6,441	25
Total Assets	$ 337,309	$ 291,569
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 1,309	$ 8,080
Accrued expenses	13,839	14,601
Current portion of long-term debt	96	92
Warrant liability	9,826	9,006
Deferred revenue	3,303	3,299
Other liabilities	1,031	888
Total Current Liabilities	29,404	35,966
Long-term debt	1,525	1,576
Deferred rent and other long-term liabilities	6,459	6,835
Total Liabilities	37,388	44,377
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, $.0001 par value, 3,333,333 shares authorized; none issued and outstanding	—	—
Common stock, $.0001 par value, 50,000,000 shares authorized; 40,799,692 and 37,751,920 issued and outstanding as of June 30, 2014 and December 31, 2013, respectively	4	4
Additional paid-in capital	905,335	790,424
Accumulated other comprehensive loss	(35)	—
Accumulated deficit	(605,383)	(543,236)
Total Stockholders' Equity	299,921	247,192
Total Liabilities and Stockholders' Equity	$ 337,309	$ 291,569

See accompanying notes to unaudited condensed consolidated financial statements.

SAREPTA THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(unaudited)
(in thousands, except per share amounts)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Revenue from research contracts and other grants	$ 2,583	$ 2,951	$ 8,671	$ 7,425
Operating expenses:				
Research and development	20,641	12,984	41,547	26,746
General and administrative	12,213	7,054	22,516	13,181
Operating loss	(30,271)	(17,087)	(55,392)	(32,502)
Other income (loss):				
Interest income (expense) and other, net	181	(19)	280	218
Loss on change in warrant valuation	(3,784)	(1,945)	(7,035)	(28,851)
Total other loss	(3,603)	(1,964)	(6,755)	(28,633)
Net loss	$ (33,874)	$ (19,051)	$ (62,147)	$ (61,135)
Other comprehensive income (loss):				
Unrealized gain (loss) on available-for-sale securities	24	—	(35)	—
Total other comprehensive income (loss)	24	—	(35)	—
Comprehensive loss	$ (33,850)	$ (19,051)	$ (62,182)	$ (61,135)
Net loss per share — basic and diluted	$ (0.85)	$ (0.60)	$ (1.60)	$ (1.92)
Weighted average number of common stock outstanding for computing basic and diluted net loss per share	39,862	31,984	38,847	31,899

See accompanying notes to unaudited condensed consolidated financial statements.

SAREPTA THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	For the Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities:		
Net loss	$ (62,147)	$ (61,135)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	1,483	711
Amortization of premium on available-for-sale securities	1,127	—
Loss on abandonment of patents	52	334
Stock-based compensation	9,929	3,989
Loss on change in warrant valuation	7,035	28,851
Changes in operating assets and liabilities, net:		
Net (increase) decrease in accounts receivable and other assets	(20,957)	549
Net decrease in accounts payable, accrued expenses and other liabilities	(4,291)	(294)
Net cash used in operating activities	(67,769)	(26,995)
Cash flows from investing activities:		
Release and maturity of restricted investments	3,250	—
Purchase of restricted investments	—	(7,807)
Purchase of property and equipment	(9,841)	(435)
Patent costs	(628)	(931)
Purchase of available-for-sale securities	(226,616)	—
Maturity of available-for-sale securities	48,669	—
Net cash used in investing activities	(185,166)	(9,173)
Cash flows from financing activities:		
Proceeds from exercise of options and warrants and the sale of common stock, net of offering costs	98,771	4,915
Repayments of long-term debt	(47)	(45)
Other financing activities, net	—	(178)
Net cash provided by financing activities	98,724	4,692
Decrease in cash and cash equivalents	(154,211)	(31,476)
Cash and cash equivalents:		
Beginning of period	256,965	187,661
End of period	$ 102,754	$ 156,185
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 40	$ 102
Supplemental schedule of non-cash investing activities and financing activities:		
Issuance of common stock in satisfaction of warrants and other liabilities	$ 6,215	$ 14,928
Tenant improvements paid by landlord	$ 65	$ —
Property and equipment included in accrued expenses	$ 422	$ —
Receivable for warrants exercised	$ —	$ 2,624

See accompanying notes to unaudited condensed consolidated financial statements.

SAREPTA THERAPEUTICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BUSINESS AND BASIS OF PRESENTATION

Business

Sarepta Therapeutics, Inc. and its wholly-owned subsidiaries ("Sarepta" or the "Company") is a biopharmaceutical company focused on the discovery and development of unique RNA-based therapeutics for the treatment of rare and infectious diseases. Applying its proprietary platform technologies, the Company is able to target a broad range of diseases and disorders through distinct RNA-based mechanisms of action. The Company is focused on advancing the development of its Duchenne muscular dystrophy ("DMD") drug candidates, including its lead product candidate, eteplirsen, for which the Company is currently conducting an ongoing open label extension study following completion of its initial Phase IIb clinical trials. The Company is also developing therapeutics for the treatment of infectious diseases.

The Company has not generated any material revenue from product sales to date and there can be no assurance that revenue from product sales will be achieved. Even if the Company does achieve revenue from product sales, it is likely to continue to incur operating losses in the near term.

As of June 30, 2014, the Company had $284.2 million of cash, cash equivalents and investments, consisting of $102.8 million of cash and cash equivalents, $176.8 million of short-term investments and $4.6 million of restricted investments. The Company believes that its balance of cash, cash equivalents and investments is sufficient to fund its current operational plan for the next twelve months. The government contract under which the Marburg drug candidate was being developed expired in July 2014 and the Company is currently evaluating options to continue advancing its Marburg candidate and other infectious disease research and development efforts. The Company may pursue additional cash resources through public or private financings, seek additional government contracts and establish collaborations with or license its technology to other companies.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), reflect the accounts of Sarepta Therapeutics, Inc. and its wholly-owned subsidiaries. All intercompany transactions between and among its consolidated subsidiaries have been eliminated. Management has determined that the Company operates in one segment: the development of pharmaceutical products on its own behalf or in collaboration with others. The information included in this quarterly report on Form 10-Q should be read in conjunction with the Company's consolidated financial statements and the accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Estimates and Uncertainties

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, equity, revenue, expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the valuation of stock-based awards and liability classified warrants, research and development expenses and revenue recognition.

Reclassification

The Company has revised the presentation as well as the caption of certain current liabilities within the unaudited condensed consolidated balance sheets to conform to the current period presentation. "Accrued liabilities" of $9.6 million as of December 31, 2013 is reclassified from "accounts payable" and grouped with "accrued employee compensation" of $5.0 million. "Accrued liabilities" and "accrued employee compensation" are presented as "accrued expenses" on the unaudited condensed consolidated balance sheets. This revision had no impact on total current liabilities or total liabilities.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-12 which requires that companies that issue stock-based awards treat a performance target that affects vesting and that could be achieved after the requisite service period as a performance condition. ASU No. 2014-12 is effective for fiscal years after December 15, 2015, with early adoption permitted. The Company has elected to adopt this ASU early but does not expect the adoption of this guidance to have a material effect on its consolidated financial statements as the performance targets of the Company's stock-based awards with performance conditions must be achieved prior to the end of the requisite service period.

In June 2014, the FASB issued ASU No. 2014-10, which eliminates the concept of a development stage entity ("DSE"), in its entirety from U.S. GAAP. Under existing guidance, DSEs are required to report incremental information, including inception-to-date financial information, in their financial statements. A DSE is an entity devoting substantially all of its efforts to establishing a new business and for which either planned principal operations have not yet commenced or have commenced but there have been no significant revenues generated from that business. Entities classified as DSEs will no longer be subject to these incremental reporting requirements after adopting ASU No. 2014-10. ASU No. 2014-10 is effective for fiscal years beginning after December 15, 2014, with early adoption permitted. Retrospective application is required for the elimination of incremental DSE disclosures. Prior to the issuance of ASU No. 2014-10, the Company had met the definition of a DSE since its inception. The Company has elected to adopt this ASU early and, therefore, has eliminated the incremental disclosures previously required of DSEs, starting with this Quarterly Report on Form 10-Q.

In May 2014, the FASB issued ASU No. 2014-09, which amends the guidance for accounting for revenue from contracts with customers. This ASU supersedes the revenue recognition requirements in Accounting Standards Codification Topic 605, *Revenue Recognition,* and creates a new Topic 606, *Revenue from Contracts with Customers*. Under the new guidance, a company is required to recognize revenue when it transfers goods or renders services to customers at an amount that it expects to be entitled to in exchange for these goods or services. This guidance is effective for fiscal years beginning after December 15, 2016, with early adoption not permitted. Two adoption methods are permitted: retrospectively to all prior reporting periods presented, with certain practical expedients permitted; or retrospectively with the cumulative effect of initially adopting the ASU recognized at the date of initial application. The Company has not yet determined which adoption method it will utilize or the effect that the adoption of this guidance will have on its

consolidated financial statements.

In April 2014, the FASB issued ASU No. 2014-08, which amends guidance for reporting discontinued operations and disposals of components of an entity. The amended guidance requires that a disposal representing a strategic shift that has (or will have) a major effect on an entity's operations and financial results or a business activity classified as held for sale should be reported as discontinued operations. The amendments also expand the disclosure requirements for discontinued operations and add new disclosure requirements for individually significant dispositions that do not qualify as discontinued operations. This guidance is effective prospectively for fiscal years beginning after December 15, 2014 (early adoption is permitted only for disposals that have not been previously reported). The Company does not expect the adoption of this guidance to have a material effect on its consolidated financial statements.

3. ACCOUNTS RECEIVABLE

The Company's accounts receivable primarily arise from government research contracts and other grants. They are generally stated at invoiced amount and do not bear interest. Because the accounts receivable are primarily from government agencies and historically no amounts have been written off, an allowance for doubtful accounts receivable is not considered necessary. As of June 30, 2014 and December 31, 2013, the accounts receivable balance included unbilled receivables of $3.9 million and $2.4 million, respectively. Approximately $2.5 million of the unbilled receivables as of June 30, 2014 are subject to government audit and will not be collected until the completion of the audit.

4. FAIR VALUE MEASUREMENTS

The Company has certain financial assets and liabilities that are recorded at fair value which have been classified as Level 1, 2 or 3 within the fair value hierarchy as described in the accounting standards for fair value measurements.

- Level 1 — quoted prices for identical instruments in active markets;
- Level 2 — quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and
- Level 3 — valuations derived from valuation techniques in which one or more significant value drivers are unobservable.

The tables below present information about the Company's financial assets and liabilities that are measured and carried at fair value and indicate the level within the fair value hierarchy of the valuation techniques it utilizes to determine such fair value:

	Fair Value Measurement as of June 30, 2014			
	Total	Level 1	Level 2	Level 3
	(in thousands)			
Money market funds	$ 277	$ 277	$ —	$ —
Commercial paper	20,650	—	20,650	
Government and government agency bonds	92,178	—	92,178	—
Corporate bonds	71,207	—	71,207	—
Certificates of deposit	4,647	4,647	—	—
Total assets	$ 188,959	$ 4,924	$ 184,035	$ —

	Fair Value Measurement as of December 31, 2013			
	Total	Level 1	Level 2	Level 3
	(in thousands)			
Money market funds	$ 185,000	$ 185,000	$ —	$ —
Certificates of deposit	7,897	7,897	—	—
Total assets	$ 192,897	$ 192,897	$ —	$ —

	Fair Value Measurement as of June 30, 2014			
	Total	Level 1	Level 2	Level 3
	(in thousands)			
Warrants	$ 9,826	$ —	$ —	$ 9,826
Total liabilities	$ 9,826	$ —	$ —	$ 9,826

	Fair Value Measurement as of December 31, 2013			
	Total	Level 1	Level 2	Level 3
	(in thousands)			
Warrants	$ 9,006	$ —	$ —	$ 9,006
Total liabilities	$ 9,006	$ —	$ —	$ 9,006

The Company's assets with fair value categorized as Level 1 within the fair value hierarchy include money market funds and certificates of deposit. Money market funds are publicly traded mutual funds.

The Company's assets with fair value categorized as Level 2 within the fair value hierarchy consist of commercial paper, government and government agency bonds and corporate bonds. These assets have been initially valued at the transaction price and subsequently valued, at the end of each reporting period, through income-based approaches utilizing market observable data.

The Company's liabilities with fair value categorized as Level 3 within the fair value hierarchy consist of warrants issued in January and August 2009. The fair value of these liabilities is determined using the Black-Scholes-Merton option-pricing model, which requires the use of significant judgment and estimates for the inputs in the model. For additional information related to the determination of fair value of warrants and a reconciliation of changes in fair value, please read *Note 6, Warrants* of the unaudited condensed consolidated financial statements.

The carrying amounts reported in the unaudited condensed consolidated balance sheets for cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amounts reported for long-term debt approximate fair value based on market activity for other debt instruments with similar characteristics and comparable risk.

5. CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

It is the Company's policy to mitigate credit risk in its financial assets by maintaining a well-diversified portfolio that limits the amount of exposure as to maturity and investment type. The following tables summarize the Company's cash, cash equivalents and short-term investments for each of the periods indicated:

	As of June 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
	(in thousands)			
Cash and money market funds	$ 95,504	$ —	$ —	$ 95,504
Commercial paper	20,649	1	—	20,650
Government and government agency bonds	92,198	3	(23)	92,178
Corporate bonds	71,223	5	(21)	71,207
Total	$279,574	$ 9	$ (44)	$279,539
As reported:				
Cash and cash equivalents	102,754	—	—	102,754
Short-term investments	176,820	9	(44)	176,785
Total	$279,574	$ 9	$ (44)	$279,539

	As of December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
	(in thousands)			
Cash and money market funds	$256,965	$ —	$ —	$256,965
Total	$256,965	$ —	$ —	$256,965
As reported:				
Cash and cash equivalents	$256,965	$ —	$ —	$256,965
Total	$256,965	$ —	$ —	$256,965

6. WARRANTS

The Company has periodically issued warrants in connection with certain common stock offerings. The warrants issued in January and August 2009 are classified as liabilities as opposed to equity due to their settlement terms which require settlement in registered shares. These warrants are non-cash liabilities and the Company is not required to expend any cash to settle these liabilities.

The outstanding warrants classified as liabilities are recorded on the unaudited condensed consolidated balance sheets and are adjusted to fair value at each financial reporting period, with changes in the fair value being recorded as "Loss on change in warrant valuation" in the unaudited condensed consolidated statements of operations and comprehensive loss. Fair value is determined using the Black-Scholes-Merton option-pricing model, which requires the use of significant judgment and estimates for the inputs used in the model.

The following table reflects the assumptions for each of the periods indicated:

	As of June 30, 2014	As of December 31, 2013
Risk-free interest rate (1)	Less than 0.1%	0.1%
Expected dividend yield (2)	0%	0%
Expected lives (3)	0.1 – 0.2 years	0.6 – 0.7 years
Expected volatility (4)	48.2 – 62.1%	95.5%
Shares underlying warrants classified as liabilities	501,494	791,508
Market value of stock at beginning of the period	$20.37	$25.80
Market value of stock at end of the period	$29.79	$20.37

(1) The risk-free interest rate is estimated using an average of U.S. Treasury bill interest rates that correlate to the prevailing interest rates at the valuation date.
(2) The expected dividend yield is zero as the Company has not paid any dividends to date and does not expect to pay dividends prior to the expiration of the warrants.
(3) The expected lives are based on the remaining contractual lives of the related warrants at the valuation date.
(4) The expected volatility is estimated using implied volatility in exchange-traded options associated with the Company's common stock.

The amounts estimated according to the Black-Scholes-Merton option-pricing model may not be indicative of the actual values realized upon the exercise of these warrants by the holders.

The following table summarizes the reconciliation of the change in value of the Company's liability classified warrants for each of the periods indicated:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013

	(in thousands)			
Balance at beginning of the period	$ 9,213	$ 91,077	$ 9,006	$ 65,193
Increase in value of warrants	3,784	1,945	7,035	28,851
Reclassification to stockholders' equity upon exercise of warrants	(3,171)	(13,906)	(6,215)	(14,928)
Balance at end of the period	$ 9,826	$ 79,116	$ 9,826	$ 79,116

The following table summarizes the Company's warrant activity for each of the periods indicated:

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2014		2013		2014		2013	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Warrants outstanding at beginning of the period	633,740	$ 9.92	3,093,676	$ 8.49	791,508	$ 10.50	3,127,618	$ 8.48
Exercised	(132,246)	8.87	(464,753)	8.94	(290,014)	9.80	(498,695)	8.89
Warrants outstanding at end of the period	501,494	$ 10.20	2,628,923	$ 8.41	501,494	$ 10.20	2,628,923	$ 8.41
Warrants exercisable at end of the period	501,494	$ 10.20	2,628,923	$ 8.41	501,494	$ 10.20	2,628,923	$ 8.41

The following table summarizes the Company's warrants outstanding at June 30, 2014:

Issue Date	Exercise Price	Outstanding Warrants	Expiration Date
1/30/2009	$ 6.96	65,325	7/30/2014
8/25/2009	$ 10.68	436,169	8/31/2014

7. ACCRUED EXPENSES

The following table summarizes the Company's accrued expenses for each of the periods indicated:

	As of June 30, 2014	As of December 31, 2013
	(in thousands)	
Accrued contract manufacturing costs	$ 2,941	$ 1,414
Accrued facility-related costs	556	2,843
Accrued contract research costs	2,240	2,785
Accrued employee compensation costs	3,932	5,048
Accrued professional fees	3,440	1,235
Others	730	1,276
Total accrued expenses	$13,839	$ 14,601

8. EQUITY FINANCING

On April 29, 2014, the Company sold 2,650,000 shares of common stock at an offering price of $38.00 per share. The Company received aggregate net proceeds of approximately $94.5 million, after deducting the underwriting discounts and offering related transaction costs.

In January 2013, the Company sold approximately 87,000 shares of common stock through its At-The-Market offering that originally commenced in September 2012 (the "2012 ATM"). The sales in January 2013 generated $2.1 million in net proceeds and fully exhausted the sales of stock available under the 2012 ATM sales agreement.

9. GOVERNMENT CONTRACTS

The Company recognizes revenue from U.S. and European Union (E.U.) government research contracts and other grants during the period in which the related expenditures are incurred and presents revenue and related expenses gross in the unaudited condensed consolidated statements of operations and comprehensive loss. In the periods presented, substantially all of the revenue generated by the Company was derived from government research contracts.

The following table summarizes the revenue for each of the Company's contracts with the U.S. and E.U. governments for each of the periods indicated:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
July 2010 Contract *(Ebola and Marburg IV)*	$ 1,709	$ 2,076	$ 5,773	$ 4,690
August 2012 Contract (*Intramuscular*)	—	439	—	2,245
November 2012 SKIP-NMD Agreement *(DMD)*	24	9	1,389	63
July 2013 Children's National Medical Center *(DMD)*	—	—	659	—
Carolinas Medical Center Agreement (DMD)	850	—	850	—
Other Agreements	—	427	—	427
Total	$ 2,583	$ 2,951	$ 8,671	$ 7,425

July 2010 Contract (Ebola and Marburg Intravenous administration)

In July 2010, the Company was awarded the Department of Defense ("DoD") contract managed by its Joint Project Manager Medical Countermeasure Systems ("JPM-MCS") program for the advanced development of its hemorrhagic fever virus therapeutic candidates, AVI-6002 and AVI-6003, against Ebola and Marburg viruses, respectively. In February 2012, the Company announced that it received permission from the U.S. Food and Drug Administration ("FDA") to proceed with a single oligomer from AVI-7288, one of the two components that make up AVI-6003, as the lead product candidate against Marburg virus infection. In August 2012, the Company received a stop-work order related to the Ebola virus portion of the contract and, in October 2012, the DoD terminated the Ebola portion of the contract for the convenience of the government due to government funding constraints.

The Marburg portion of the contract is structured into four segments and has an aggregate remaining period of performance spanning approximately four years if the DoD exercises its options for all segments. Activities under the first segment began in July 2010 and included preclinical studies and Phase I studies in healthy volunteers. In February 2014, the Company announced positive safety results from the Phase I multiple ascending dose study of AVI-7288. However, in July 2014, the contract expired.

For the three months ended June 30, 2014 and 2013, the Company recognized $1.7 million and $2.1 million, respectively, as revenue under this agreement. For the six months ended June 30, 2014 and 2013, the Company recognized $5.8 million and $4.7 million, respectively, as revenue under this agreement. Due to the expiration of the contract, only revenue for contract finalization, if any, is expected in the future.

August 2012 Agreement (Intramuscular)

In August 2012, the Company was awarded a contract from the JPM-MCS program. The contract was for approximately $3.9 million to evaluate the feasibility of an intramuscular route of administration using AVI-7288, the Company's candidate for treatment of Marburg virus. The period of performance for this contract concluded in the third quarter of 2013. Accordingly, no revenue was recognized since the conclusion of the contract. For the three and six months ended June 30, 2013, the Company recognized $0.4 million and $2.2 million, respectively, as revenue under this agreement.

European Union SKIP-NMD Agreement (DMD)

In November 2012, the Company entered into an agreement for a collaborative research project partially funded by the E.U. Health Innovation. The agreement provides for approximately $2.5 million for research in certain development and study related activities for a DMD therapeutic. For each of the three months ended June 30, 2014 and 2013, the Company recognized less than $100 thousand as revenue under this agreement. For the six months ended June 30, 2014 and 2013, the Company recognized $1.4 million and less than $100 thousand, respectively, as revenue under this agreement. The majority of the revenue under this contract has been recognized as of June 30, 2014 and only revenue for contract finalization, if any, is expected in the future.

July 2013 Children's National Medical Center ("CNMC") Agreement (DMD)

In July 2013, the Company entered into an agreement totaling $1.3 million to provide drug products to CNMC to conduct research related to one of the Company's DMD programs. No revenue was recognized under this agreement for the three months ended June 30, 2014 or the three and six months ended June 30, 2013. For the six months ended June 30, 2014, the Company recognized revenue of $0.7 million. Revenue under this agreement was fully recognized as of March 31, 2014.

Carolinas Medical Center ("CMC") Agreement (DMD)

The Company entered into a collaboration agreement with CMC to co-develop one of the Company's DMD programs. Under the agreement, CMC was obligated to reimburse certain preclinical costs incurred by the Company. All preclinical work was completed and the Company recognized revenue of $0.9 million for the three and six months ended June 30, 2014.

10. STOCK-BASED COMPENSATION

The Company's equity incentive plans allow for the granting of a variety of stock awards. To date, the Company has granted stock options, restricted stock awards, restricted stock units and stock appreciation rights. The fair value of stock awards, with consideration given to estimated forfeitures, is recognized as compensation expense on a straight-line basis over the vesting period of the grants.

Stock Options

The Company has granted stock options with both service- and performance-based criteria. In general, stock options granted vest over four years and have a ten-year term. Through the filing of an Investigational New Drug ("IND") application during the period, 20% of performance awards were triggered to be eligible to vest subject to the remaining service conditions of the awards. Accordingly, the Company has recognized approximately $0.6 million in stock-based compensation expense related to the options with performance-based criteria.

The following table summarizes the Company's stock option activity for each of the periods indicated:

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2014		2013		2014		2013	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Grants outstanding at beginning of the period	5,273,338	$ 24.27	2,694,678	$ 13.35	4,190,367	$ 23.46	2,522,522	$ 11.76
Granted	117,770	33.75	1,511,850	34.95	1,303,035	27.45	1,754,170	34.10
Exercised	(26,025)	14.64	(55,157)	7.63	(74,604)	11.87	(119,547)	8.35
Canceled or expired	(136,710)	23.11	(175,182)	9.43	(190,425)	25.13	(180,956)	9.60

Grants outstanding at end of the period	5,228,373	24.56	3,976,189	$ 21.82	5,228,373	24.56	3,976,189	$ 21.82
Grants exercisable at end of the period	1,642,252	17.75	714,247	$ 11.81	1,642,252	17.75	714,247	$ 11.81

The fair values of stock options granted during the periods presented were measured on the date of grant using the Black-Scholes-Merton option-pricing model, with the following assumptions:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Risk-free interest rate (1)	1.5 – 1.7%	0.7 – 1.4%	1.5 – 1.7%	0.7 – 1.4%
Expected dividend yield (2)	0%	0%	0%	0%
Expected lives (3)	4.9 years	5.0 years	4.9 years	5.0 years
Expected volatility (4)	93.0%	80.0 – 84.1%	93.0 – 95.4%	80.0 – 84.1%

(1) The risk-free interest rate is estimated using an average of Treasury bill interest rates over a historical period commensurate with the expected term of the option that correlates to the prevailing interest rates at the time of grant.
(2) The expected dividend yield is zero as the Company has not paid any dividends to date and does not expect to pay dividends in the future.
(3) The expected lives are estimated using expected and historical exercise behavior.
(4) The expected volatility is estimated using a blend of calculated volatility of the Company's common stock over a historical period and implied volatility in exchange-traded options of the Company's common stock.

The amounts estimated according to the Black-Scholes-Merton option-pricing model may not be indicative of the actual values realized upon the exercise of these options by the holders.

Restricted Stock Awards ("RSA")

The Company grants RSAs to members of its board of directors. The weighted-average grant date fair value of RSAs is based on the market price of the Company's common stock on the date of grant. The fair value is amortized to stock-based compensation expense on a straight-line basis over the vesting period of the grants. The following table summarizes the Company's RSA activity for each of the periods indicated:

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2014		2013		2014		2013	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Grants outstanding at beginning of the period	12,000	$ 31.98	4,998	$ 10.08	6,000	$ 34.92	4,998	$ 10.08
Granted	—	—	6,000	34.92	6,000	29.03	6,000	34.92
Vested	(6,000)	34.92	—	—	(6,000)	$ 34.92	—	—
Grants outstanding at end of the period	6,000	$ 29.03	10,998	23.63	6,000	29.03	10,998	$ 23.63

Restricted Stock Units ("RSU")

The Company granted RSUs to employees in 2012. The weighted-average grant date fair value of RSUs is based on the market price of the Company's common stock on the date of grant. The fair value is amortized to stock-based compensation expense on a straight-line basis over the vesting period of the grants. The following table summarizes the Company's RSU activity for each of the periods indicated:

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2014		2013		2014		2013	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Grants outstanding at beginning of the period	6,507	$ 5.40	37,998	$ 6.33	6,507	$ 5.40	38,260	$ 6.32
Vested	(6,507)	5.40	(24,594)	6.83	(6,507)	5.40	(24,594)	6.83
Canceled or expired	—	—	(79)	7.16	—	—	(341)	5.40
Grants outstanding at end of the period	0	0	13,325	$ 5.40	0	0	13,325	$ 5.40

Stock Appreciation Rights ("SAR")

The Company issues SARs to employees on the same terms as the stock options granted to employees. The grant date fair value of the SARs is determined using the same valuation assumptions as for the stock options described above. Stock-based compensation expense is recognized on a straight-line basis over the vesting period of the SARs. The following table summarizes the Company's SAR activity for each of the periods indicated:

	For the Three and Six Months Ended June 30,			
	2014		2013	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Grant Date Fair Value
Grants outstanding at beginning of the period	170,000	$ 18.18	170,000	$ 18.18
Grants outstanding at end of the period	170,000	$ 18.18	170,000	$ 18.18
Grants exercisable at end of the period	71,666	$ 17.69	—	$ 18.18

Employee Stock Purchase Plan ("ESPP")

Under the Company's ESPP, participating employees purchase common stock through payroll deductions. The purchase price is equal to 85% of the lower of the closing price of the Company's common stock on the first business day and the last business day of the relevant plan period. The fair values of stock purchase rights are estimated using the Black-Scholes-Merton option-pricing model. The 24-month award period will end on February 29, 2016. For the purchase period ended February 28, 2014, 21,774 shares of the Company's common stock were purchased for total proceeds of $0.5 million.

Stock-based Compensation Expense

For the three months ended June 30, 2014 and 2013, total stock-based compensation expense was $5.6 million and $2.3 million, respectively. For the six months ended June 30, 2014 and 2013, total stock-based compensation expense was $9.9 million and $4.0 million, respectively. The following table summarizes stock-based compensation expense by function included within the unaudited condensed consolidated statements of operations and comprehensive loss:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Research and development	$ 2,345	$ 724	$ 4,218	$ 1,254
General and administrative	3,242	1,594	5,711	2,735
Total	$ 5,587	$ 2,318	$ 9,929	$ 3,989

The following table summarizes stock-based compensation expense by grant type included within the unaudited condensed consolidated statements of operations and comprehensive loss:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Stock options	$ 5,042	$ 2,032	$ 8,953	$ 3,433
Restricted stock awards	72	27	136	39
Restricted stock units	5	111	1	228
Stock appreciation rights	146	148	293	289
Employee stock purchase plan	322	—	546	—
Total	$ 5,587	$ 2,318	$ 9,929	$ 3,989

11. NET LOSS PER SHARE

Basic net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding. Diluted net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock and dilutive common stock equivalents outstanding. Given that the Company recorded a net loss for each of the periods presented, there is no difference between basic and diluted net loss per share since the effect of common stock equivalents would be anti-dilutive and are, therefore, excluded from the diluted net loss per share calculation.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands, except per share amounts)			
Net loss	$ (33,874)	$ (19,051)	$ (62,147)	$ (61,135)
Weighted-average number of shares of common stock and common stock equivalents outstanding:				
Weighted-average number of common stock outstanding for computing basic net loss per share	39,862	31,984	38,847	31,899
Dilutive effect of outstanding warrants and stock awards after application of the treasury stock method*	—	—	—	—
Weighted-average number of common stock outstanding for computing diluted net loss per share	39,862	31,984	38,847	31,899
Net loss per share — basic and diluted	$ (0.85)	$ (0.60)	$ (1.60)	$ (1.92)

* For the three and six months ended June 30, 2014 and 2013, warrants, stock options, restricted stock awards, restricted stock units and stock appreciation rights to purchase approximately 5,905,867 and 6,788,000 shares of common stock were excluded from the net loss per share calculation, respectively, as their effect would have been anti-dilutive.

12. INCOME TAXES

As of December 31, 2013, the Company had gross deferred tax assets of $133.6 million primarily from U.S. federal and state net operating loss ("NOL") carryforwards, U.S. federal and state research and development credit carryforwards, stock-based compensation expense and intangibles. Due to uncertainties surrounding the Company's ability to generate future taxable income to realize these assets, a full valuation allowance has been established to offset its net deferred tax asset. Additionally, the Internal Revenue Code rules could limit the future use of the Company's NOL and research and development credit carryforwards to offset future taxable income based on ownership changes and the value of the Company's common stock.

13. COMMITMENTS AND CONTINGENCIES

Lease Obligations

In June 2013, the Company entered into a lease agreement for its headquarters located in Cambridge, Massachusetts. The agreement calls for a security deposit in the form of a letter of credit totaling $0.6 million. The Company purchased a certificate of deposit ("CD") to meet the requirement and it was recorded as a long-term restricted investment in the unaudited condensed consolidated balance sheets as of June 30, 2014. The initial term of the lease agreement is for seven years with an average annual base rent of approximately $2.4 million.

In November 2013, the Company entered into the first amendment of its lease agreement for its headquarters located in Cambridge, Massachusetts. The amendment modified the original lease to add an additional 15,077 square feet to its original space, increasing its total rental space for its headquarters to 61,453 square feet. The amendment calls for additional annual base rent of approximately $0.5 million, subject to a 2.5% annual increase. In January 2014, the Company entered into an agreement to sublease the 15,077 square feet of office space to an unrelated third party for an 18-month term with a total base rent of approximately $0.7 million.

In June 2014, the Company entered into an agreement to sublease from an unrelated third party 10,939 square feet of office space with a term of less than 7 years and an annual base rent of approximately $0.3 million.

The Company also leases laboratory and office space in Corvallis, Oregon. The annual base rent at the Corvallis, Oregon facility is approximately $0.9 million, excluding other occupancy costs, and is subject to an annual increase of 3%.

For the three months ended June 30, 2014 and 2013, rent expense and occupancy costs under all leases totaled $0.9 million and $0.7 million, respectively. For the six months ended June 30, 2014 and 2013, rent expense and occupancy costs under all leases totaled $2.0 million and $1.3 million, respectively. The aggregate non-cancelable future minimum payments under leases were as follows:

	As of June 30, 2014 (in thousands)
2014 (6 months)	$ 1,860
2015	4,026
2016	4,169
2017	4,271
2018	4,374
Thereafter	9,566
Total minimum lease payments	$ 28,266

Royalty Obligations

The Company has license agreements for which it is obligated to pay minimum royalties if the Company does not terminate the relevant agreement. The notice period to terminate these agreements is six months or less. For each of the three and six months ended June 30, 2014 and 2013, royalty payments under these agreements were less than $100 thousand.

The Company is also obligated to pay royalties upon the net sales of DMD products. The royalty rates are in the low to mid- single-digit percentages for both inside and outside the United States. For example, under the agreement with Charley's Fund, Inc. signed in October 2007, the Company is obligated to pay a mid-single-digit percentage royalty on the net sales of any product developed pursuant to the agreement with Charley's Fund up to a maximum of $3.4 million. In May 2003, the Company entered into a collaboration and license agreement with Ercole Biotechnology, Inc. and Isis Pharmaceuticals, Inc. ("Isis-Ercole"). The range of percentage of royalty payments under this agreement, should such payments ever be made, is from a fraction of a percent to mid-single-digit percentages.

Milestone Obligations

The Company has license agreements for which it is obligated to pay development and commercial milestones as a product candidate proceeds from the filing of an IND application through approval for commercial sale. There were no significant milestone payments under these agreements for the three or six months ended June 30, 2014 and 2013, respectively.

Under the collaboration and license agreement with Isis-Ercole, the Company may be obligated to make up to $23.4 million in milestone payments. As of June 30, 2014, the Company has not made any payments under this agreement and is not under any current obligation to make any such milestone payments, as the conditions triggering any such milestone payment obligations have not been satisfied. Subject to the satisfaction of certain milestones triggering the obligation to make any such payments, Isis may be obligated to make milestone payments to the Company of up to $21.1 million in the aggregate for each product developed under a licensed patent under this agreement. As of June 30, 2014, Isis has not made and is not under any current obligation to make any such milestone payments, as the conditions triggering any such milestone payment obligations have not been satisfied.

In April 2013, the Company and the University of Western Australia ("UWA") entered into an agreement under which an existing exclusive license

agreement between the Company and UWA was amended and restated. Under the terms of this agreement, UWA granted the Company an exclusive license to certain UWA intellectual property rights in exchange for up to $7.1 million in up-front, development and commercial milestone payments. For the three and six months ended June 30, 2014 and 2013, the Company recognized $0 and $1.0 million, respectively, relating to certain up-front payments required under the agreement as research and development expense in the unaudited condensed consolidated statement of operations and comprehensive loss.

In March 2014, the Company entered into a patent assignment agreement with a group of scientists (collectively, "Assignors"). Under the terms of the agreement, the Assignors transferred to the Company all rights, title and interest in certain patent rights as well as technical information related to the patents. The Company may be obligated to make up to $2.7 million in development and commercial milestone payments. For the three and six months ended June 30, 2014, the Company recorded $0 and $0.3 million, respectively, relating to an up-front payment as research and development expense in the unaudited condensed consolidated statement of operations and comprehensive loss.

Litigation

In the normal course of business, the Company may from time to time be named as a party to various legal claims, actions and complaints, including matters involving securities, employment, intellectual property, effects from the use of therapeutics utilizing its technology, or others. For example, purported class action complaints were filed against the Company and certain of its officers in the U.S. District Court for the District of Massachusetts on January 27, 2014 and January 29, 2014. The complaints were consolidated into a single action (*Corban v. Sarepta, et. al.*, No. 14-cv-10201) by order of the court on June 23, 2014, and plaintiffs were afforded 28 days to file a consolidated amended complaint. Plaintiffs' consolidated amended complaint, filed on July 21, 2014, seeks to bring claims on behalf of themselves and persons or entities that purchased or acquired securities of the Company between July 10, 2013 and November 11, 2013. The consolidated amended complaint alleges that Sarepta and certain of its officers violated the federal securities laws in connection with disclosures related to eteplirsen, the Company's lead therapeutic candidate for DMD, and seeks damages in an unspecified amount. Pursuant to the court's June 23, 2014 order, Sarepta intends to file a motion to dismiss the consolidated amended complaint on or before August 18, 2014. Given the relatively early stages of the proceedings in the above mentioned purported claims, at this time, no assessment can be made as to the likely outcome of these claims or whether the outcomes would have a material impact on the Company.

Purchase Commitments

The Company has entered into long-term contractual arrangements from time to time for the provision of goods and services. The following table presents non-cancelable contractual obligations arising from these arrangements:

	As of June 30, 2014 (in thousands)
2014 (6 months)	$ 38,215
2015	42,778
2016	40,188
2017	23,940
2018	5,704
Total purchase commitments	$ 150,825

In February 2013, the Company issued two letters of credit totaling $7.3 million to a contract manufacturer in connection with certain manufacturing agreements. The obligations secured by the letters of credit are fulfilled upon payment for certain minimum volume commitments and construction milestones. To meet the requirement of the letters of credit, the Company purchased $7.3 million in CDs. One CD in the amount of $3.3 million was released and matured during the second quarter of 2014 and the other in the amount of $4.0 million with a July 2014 maturity date was recorded as a restricted investment in the unaudited condensed consolidated balance sheets as of June 30, 2014. If the minimum volume commitments have not occurred when the CD matures, the letter of credit will be extended.

14. SUBSEQUENT EVENT

On May 22, 2014, the Company entered into a Purchase and Sales Agreement with Eisai, Inc. to acquire certain real and personal property located in Andover, Massachusetts. The aggregate purchase price, including certain fees and taxes is approximately $15.0 million, of which approximately $10.0 million was paid at closing and the remaining $5.0 million will be paid in two installments by July 15, 2015 and January 15, 2016. On July 15, 2014, the closing of the purchase of the real and personal property was completed.

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

This section should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q and the section contained in our Annual Report on Form 10-K for the year ended December 31, 2013 under the caption "Part II-Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations". This discussion contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are identified by words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may," "seek" and other similar expressions. You should read these statements carefully because they discuss future expectations, contain projections of future results of operations or financial condition, or state other "forward-looking" information. These statements relate to our future plans, objectives, expectations, intentions and financial performance and the assumptions that underlie these statements. These forward-looking statements include, but are not limited to:

- *our expectations regarding the timing of research, development and preclinical and clinical trial results relating to safety and clinical benefits of our product candidates including eteplirsen, and our phosphorodiamidate-linked morpholino oligomer ("PMO") chemistries, other RNA-based technology-based chemistries and other RNA-based technology;*
- *our expectations regarding our ability to become a leading developer and marketer of RNA-based therapeutics;*
- *the potential efficacy, potency and utility of our product candidates in the treatment of rare and infectious diseases, and their potential to treat a broad number of human diseases;*
- *our expectations regarding timing and expected results of our product development plans, including our ability to timely run various clinical studies in support of a submission and filing of a new drug application ("NDA") for eteplirsen with the approval of the U.S. Food and Drug Administration ("FDA");*
- *our expectations regarding the timing, completion and receipt of results from our ongoing development programs for our pipeline of product candidates;*
- *the timing of and requirements we must comply with to receive any required approvals from the FDA or other regulatory approvals for our product candidates outside of the United States;*

- *the impact of regulations as well as regulatory decisions by the FDA and other regulatory agencies on us, the development of our product candidates and our financial and contractual obligations;*
- *our expectations regarding the markets for our product candidates;*
- *acceptance of our product candidates, if introduced, in the marketplace;*
- *the possible impact of competitive products, product development, manufacturing, commercialization and technological difficulties;*
- *our expectations regarding partnering opportunities and other strategic transactions;*
- *the extent of protection that our patents provide and our pending patent applications may provide, if patents issue from such applications, to our technologies and programs;*
- *our plans and ability to file additional patent applications to enhance and protect our new and existing technologies and programs;*
- *our ability to invalidate some or all of the claims of patents issued to competitors and pending patent applications if issued to competitors, and the potential impact of those claims on the potential commercialization of our product candidates;*
- *our ability to successfully challenge the patent positions of our competitors and successfully defend our patent positions in the actions that the United States Patent and Trademark Office (the "USPTO") may take with respect to our patent claims or those of third parties, including with respect to interferences that have been declared between our patents and patent applications held by Prosensa Holding N.V. (Prosensa) relating to eteplirsen and SRP-4053 and our expectations regarding the impact of these interferences on our business plans, including our current commercialization plans for eteplirsen;*
- *our estimates regarding how long our currently available cash, cash equivalents and investments will be sufficient to finance our operations and statements about our future capital needs;*
- *our ability to timely engage the number of manufacturers with sufficient capability to scale up manufacturing of materials, including subunits, active pharmaceutical ingredients ("API's") and drug product, within the time frames needed to provide our product candidates to patients in larger scale clinical trials or in potential commercial quantities for eteplirsen and other product candidates and meet regulatory and company quality control requirements;*
- *our ability to operate our business without infringing the intellectual property rights of others;*
- *the impact of litigation on us including actions brought by stockholders;*
- *our ability to retain key employees needed to execute our business plans and strategies and our expectations regarding our ability to manage the impact of the loss of key employees;*
- *our expectations relating to government contracts and receiving funding from government and other sources for the development of product candidates; and*
- *other factors set forth below under the heading "Risk Factors".*

These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in this Quarterly Report in Part II, Item 1A — "Risk Factors," and elsewhere in this Quarterly Report. These statements, like all statements in this Quarterly Report, speak only as of their date, and we undertake no obligation to update or revise these statements in light of future developments. In this report, "we," "our," "us," "Sarepta," and "Company" refers to Sarepta Therapeutics, Inc. and its subsidiaries.

Overview

We are a biopharmaceutical company focused on the discovery and development of unique RNA-based therapeutics for the treatment of rare and infectious diseases. Applying our proprietary, highly-differentiated and innovative platform technologies, we are able to target a broad range of diseases and disorders through distinct RNA-based mechanisms of action. We are primarily focused on rapidly advancing the development of our potentially disease-modifying Duchenne muscular dystrophy ("DMD") drug candidates, including our lead product candidate, eteplirsen. We are also developing therapeutics for the treatment of infectious diseases, including our infectious disease program aimed at the development of a drug candidate for the Marburg hemorrhagic fever virus.

Our highly-differentiated RNA-based technologies work at the most fundamental level of biology and potentially could have a meaningful impact across a broad range of human diseases and disorders. Our lead program focuses on the development of disease-modifying therapeutic candidates for DMD, a rare genetic muscle-wasting disease caused by the absence of dystrophin, a protein necessary for muscle function. Currently, there are no approved disease-modifying therapies for DMD. Eteplirsen is our lead therapeutic candidate for DMD. If we are successful in our development efforts, eteplirsen will address a severe but unmet medical need. In 2012, we completed a U.S.-based Phase IIb clinical trial for eteplirsen that was initiated in August 2011. Following completion of this study in early 2012, we initiated an open label extension study with the same participants from the original Phase IIb placebo-controlled trial. On April 21, 2014, we announced our plans to file an NDA for eteplirsen for the treatment of DMD by the end of 2014. Additionally, we are working with the FDA to start several additional clinical studies with eteplirsen in exon 51 amenable genotypes and a placebo-controlled study with one or more of our follow-on DMD exon-skipping drug candidates by the end of 2014. We are also leveraging the capabilities of our RNA-based technology platforms to develop therapeutics for the treatment of infectious diseases. However, the government contract under which the Marburg drug candidate was being developed expired in July 2014 and we are currently evaluating options to continue advancing our Marburg candidate and other infectious disease research and development efforts.

The basis for our novel RNA-based therapeutics is our PMO chemistries. Unlike other RNA-based therapeutics, which are often used to down-regulate gene expression, our technologies can be used to selectively up-regulate or down-regulate the production of a target protein, or direct the expression of novel proteins involved in human diseases and disorders. Further, we believe the charge-neutral nature of our PMO-based molecules may have the potential to reduce off-target effects, such as immune stimulatory effects often seen in alternative RNA-based technologies. We believe that our highly-differentiated,

novel, proprietary and innovative RNA-based technology platforms, based on charge-neutral morpholino oligomers, may represent a significant improvement over traditional RNA-based technologies.

We have not generated any material revenue from product sales to date and there can be no assurance that revenue from product sales will be achieved. Even if we do achieve revenue from product sales, we are likely to continue to incur operating losses in the near term.

As of June 30, 2014, we had $284.2 million of cash, cash equivalents and investments, consisting of $102.8 million of cash and cash equivalents, $176.8 million of short-term investments and $4.6 million of restricted investments. We believe that our balance of cash, cash equivalents and investments is sufficient to fund our current operational plan for the next twelve months. Without funding from the U.S. government, we would likely curtail certain infectious disease research and development efforts. We may pursue additional cash resources through public or private financings, seek additional government contracts and establish collaborations or license our technology to other companies.

The likelihood of our long-term success must be considered in light of the expenses, difficulties and delays frequently encountered in the development and commercialization of new pharmaceutical products, competitive factors in the marketplace, the risks associated with government sponsored programs and the complex regulatory environment in which we operate. There can be no assurance that we will ever achieve significant revenue or profitable operations.

Government Contracts

We recognize revenue from government research contracts and other grants during the period in which the related expenditures are incurred and present the revenue and related expenses gross in the unaudited condensed consolidated financial statements. In the periods presented, substantially all of the revenue generated was derived from government contracts.

The following table summarizes the revenue from each of our contracts with the U.S. and European Union ("E.U.") governments for the each of the periods indicated:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
July 2010 Contract *(Ebola and Marburg IV)*	$ 1,709	$ 2,076	$ 5,773	$ 4,690
August 2012 Contract (*Intramuscular*)	—	439	—	2,245
November 2012 SKIP-NMD Agreement *(DMD)*	24	9	1,389	63
July 2013 Children's National Medical Center *(DMD)*	—	—	659	—
Carolinas Medical Center Agreement (DMD)	850	—	850	—
Other Agreements	—	427	—	427
Total	$ 2,583	$ 2,951	$ 8,671	$ 7,425

July 2010 Contract (Ebola and Marburg Intravenous administration)

In July 2010, we were awarded the Department of Defense ("DoD") contract managed by its Joint Project Manager Medical Countermeasure Systems ("JPM-MCS") program for the advanced development of our hemorrhagic fever virus therapeutic candidates, AVI-6002 and AVI-6003, against Ebola and Marburg viruses, respectively. In February 2012, we announced that we received permission from the FDA to proceed with a single oligomer from AVI-7288, one of the two components that make up AVI-6003, as the lead product candidate against Marburg virus infection. In August 2012, we received a stop-work order related to the Ebola virus portion of the contract and, in October 2012, the DoD terminated the Ebola portion of the contract for the convenience of the government due to government funding constraints.

The Marburg portion of the contract is structured into four segments and has an aggregate remaining period of performance spanning approximately four years if the DoD exercises its options for all segments. Activities under the first segment began in July 2010 and included preclinical studies and Phase I studies in healthy volunteers. In February 2014, we announced positive safety results from the Phase I multiple ascending dose study of AVI-7288. However, in July 2014, the contract expired.

For the three months ended June 30, 2014 and 2013, we recognized $1.7 million and $2.1 million, respectively, as revenue under this agreement. For the six months ended June 30, 2014 and 2013, we recognized $5.8 million and $4.7 million, respectively, as revenue under this agreement. Due to the expiration of this contract, only revenue for contract finalization, if any, is expected in the future.

August 2012 Agreement (Intramuscular)

In August 2012, we were awarded a contract from the JPM-MCS program. The contract was for approximately $3.9 million to evaluate the feasibility of an intramuscular route of administration using AVI-7288, our candidate for treatment of Marburg virus. The period of performance for this contract concluded in the third quarter of 2013. Accordingly, no revenue was recognized since the conclusion of the contract. For the three and six months ended June 30, 2013, we recognized $0.4 million and $2.2 million, respectively, as revenue under this agreement.

European Union SKIP-NMD Agreement (DMD)

In November 2012, we entered into an agreement for a collaborative research project partially funded by the E.U. Health Innovation. The agreement provides for approximately $2.5 million for research in certain development and study related activities for a DMD therapeutic. For each of the three months ended June 30, 2014 and 2013, we recognized less than $100 thousand as revenue under this agreement. For the six months ended June 30, 2014 and 2013, we recognized $1.4 million and less than $100 thousand, respectively, as revenue under this agreement. The majority of the revenue under this contract has been recognized as of June 30, 2014 and only revenue for contract finalization, if any, is expected in the future.

July 2013 Children's National Medical Center ("CNMC") Agreement (DMD)

In July 2013, we entered into an agreement totaling $1.3 million to provide drug products to CNMC to conduct research related to one of our DMD programs. No revenue was recognized under this agreement for the three months ended June 30, 2014 or the three and six months ended June 30, 2013. For the six months ended June 30, 2014, we recognized revenue of $0.7 million. Revenue under this agreement was fully recognized as of March 31, 2014.

Carolinas Medical Center ("CMC") Agreement (DMD)

We entered into a collaboration agreement with CMC to co-develop one of our DMD programs. Under the agreement, CMC was obligated to reimburse certain preclinical costs incurred by us. All preclinical work was completed and we recognized revenue of $0.9 million for the three and six months ended June 30, 2014.

Key Financial Metrics

Revenue

Government Contract Revenue. Substantially all of our revenue has historically been generated from government research contracts and other grants. We recognize revenue from government research contracts and other grants during the period in which the related expenses are incurred and present such revenue and related expenses gross in the unaudited condensed consolidated financial statements.

We defer recognition of non-refundable up-front fees if we have continuing performance obligations when the technology, right, product or service conveyed in conjunction with the non-refundable fee has no utility to the licensee that is separate and independent of our performance under the other elements of the arrangement. In addition, if we have continuing involvement through research and development services that are required because of our know-how or because the services can only be performed by us, such up-front fees are deferred and recognized over the period of continuing involvement. As of June 30, 2014, we had deferred revenue of $3.3 million, which represents up-front fees which we will recognize as revenue as we satisfy the outstanding performance obligations.

Expenses

Research and Development. Research and development expenses consist of costs associated with research activities as well as costs associated with our product development efforts, conducting preclinical studies, clinical trials and manufacturing activities.

Direct research and development expenses associated with our programs include clinical trial site costs, clinical manufacturing costs, costs incurred for consultants and other external services, such as data management and statistical analysis support and materials and supplies used in support of the clinical programs. Indirect costs of our clinical program include salaries, stock-based compensation and an allocation of our facility costs.

Future research and development expenses may also increase as our internal projects, such as eteplirsen for DMD, enter later stage clinical development. Preparations for enrolling patients in a confirmatory trial for eteplirsen are under way and the rest of our product candidates are currently in various stages of development. Product candidates that appear promising at early stages of development may not reach the market for a variety of reasons. Similarly, any of our product candidates may be found to be ineffective during clinical trials, may take longer to complete clinical trials than anticipated, may fail to receive necessary regulatory approvals, or may prove impracticable to manufacture in commercial quantities at reasonable cost and with acceptable quality.

As a result of these uncertainties and the other risks inherent in the drug development process, we cannot determine the duration or completion costs of current or future clinical stages of any of our product candidates. Similarly, we cannot determine when, if, or to what extent we may generate revenue from the commercialization of any product candidate. The timeframe for development of any product candidate, associated development costs and the probability of regulatory and commercial success vary widely.

General and Administrative. General and administrative expenses consist principally of salaries, benefits, stock-based compensation and related costs for personnel in our executive, finance, legal, information technology, business development, human resource and other general and administrative functions. Other general and administrative expenses include an allocation of our facility costs and professional fees for legal, consulting and accounting services.

Interest Income (Expense) and Other, Net. Interest income (expense) and other, net, primarily consists of interest income on our cash, cash equivalents and investments, interest expense and rental income. Our cash equivalents and investments consist of commercial paper, government and government agency bonds, corporate bonds, money market investments and certificates of deposit. Interest expense includes interest paid on our mortgage loan related to the Corvallis property, the substantial portion of which we leased to an unrelated third party in November 2011. Rental income is from subleasing excess space in some of our facilities.

Loss on Change in Warrant Valuation. Warrants issued in connection with our January and August 2009 financings are classified as liabilities as opposed to equity due to their settlement terms. These warrants are non-cash liabilities and we are not required to expend any cash to settle these liabilities. The fair value of these warrants was recorded on our unaudited condensed consolidated balance sheets at the date of issuance and the warrants are marked to market at each financial reporting period, with changes in the fair value recorded as "Loss on change in warrant valuation" in our unaudited condensed consolidated statements of operations and comprehensive loss. The fair value of the warrants is determined using the Black-Scholes-Merton option-pricing model, which requires the use of significant judgment and estimates related to the inputs used in the model and can result in significant swings in the fair value primarily due to changes in our stock price. For more information, please read *Note 6, Warrants* of the unaudited condensed consolidated financial statements contained in Part I, Item 1 of this report, Form 10-Q for the quarterly period ended June 30, 2014.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our unaudited condensed consolidated financial statements included elsewhere in this report. The preparation of our unaudited condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent assets and liabilities for the periods presented. Some of these judgments can be subjective and complex and, consequently, actual results may differ from these estimates. For any given individual estimate or assumption we make, there may also be other estimates or assumptions that are reasonable. We believe that the estimates and judgments upon which we rely are reasonable based upon historical experience and information available to us at the time when we make these estimates and judgments. To the extent there are material differences between these estimates and actual results, our unaudited condensed consolidated financial statements will be affected. Although we believe that our

judgments and estimates are appropriate, actual results may differ from these estimates.

The policies that we believe are the most critical to aid the understanding of our financial results include:

- revenue recognition;
- research and development expense;
- stock-based compensation; and
- accounting for and valuation of liability classified warrants.

There have been no material changes to our critical accounting policies and significant estimates as detailed in our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the Securities and Exchange Commission ("SEC") on March 3, 2014.

Results of Operations for the Three Months and Six Months Ended June 30, 2014 and 2013

The following table sets forth selected consolidated statements of operations data for each of the periods indicated:

	For the Three Months Ended June 30,		%	For the Six Months Ended June 30,		%
	2014	2013	Change	2014	2013	Change
	(in thousands, except per share amounts)					
Revenue	$ 2,583	$ 2,951	(12)%	$ 8,671	$ 7,425	17%
Operating expenses:						
Research and development	20,641	12,984	59%	41,547	26,746	55%
General and administrative	12,213	7,054	73%	22,516	13,181	71%
Operating loss	(30,271)	(17,087)	77%	(55,392)	(32,502)	70%
Other income (loss):						
Interest income (expense) and other, net	181	(19)	(1,053)%	280	218	28%
Loss on change in warrant liability	(3,784)	(1,945)	95%	(7,035)	(28,851)	(76)%
Net loss	$ (33,874)	$ (19,051)	78%	$ (62,147)	$ (61,135)	2%
Net loss per share — basic and diluted	$ (0.85)	$ (0.60)	42%	$ (1.60)	$ (1.92)	(17)%

Revenue

Revenue for the three months ended June 30, 2014 decreased by $0.4 million, or 12%, compared with the three months ended June 30, 2013. The decrease was primarily driven by a decrease of $0.4 million from the August 2012 agreement which was completed in the third quarter of 2013, $0.4 million from the July 2010 agreement and $0.4 million from a former U.S. government contract related to H1N1 influenza offset by $0.9 million reimbursement from CMC on preclinical costs incurred by us for one of our DMD programs.

Revenue for the six months ended June 30, 2014 increased by $1.2 million, or 17%, compared with the six months ended June 30, 2013. The increase was primarily driven by $1.3 million of clinical activities of the SKIP-NMD agreement, $1.1 million from preclinical and clinical activities of the Marburg portion of the July 2010 agreement, $0.9 million reimbursement from CMC on preclinical costs incurred by us for one of our DMD programs and $0.7 million from the CNMC agreement which started in July 2013. The increase was partially offset by a decrease of $2.2 million from the August 2012 agreement which was completed in the third quarter of 2013 and a decrease of $0.4 million from a former U.S. government contract related to H1N1 influenza.

Research and Development Expenses

Our research and development expenses represent a substantial percentage of our total operating expenses, which primarily consist of costs associated with research activities as well as costs associated with our product development efforts, conducting preclinical studies, clinical trials and manufacturing activities. We do not maintain or evaluate and, therefore, do not allocate, internal research and development costs on a project-by-project basis. As a result, a significant portion of our research and development expenses are not tracked by project, as the costs may benefit multiple projects.

Research and development expenses for the three months ended June 30, 2014 increased by $7.7 million, or 59%, compared with the three months ended June 30, 2013. The increase was primarily driven by preparation for the launch of eteplirsen, should marketing approval ever be obtained, and advancement of our early- and late-stage research and development pipeline. The increase primarily consists of $3.7 million in headcount-related expenses, $2.9 million in our external spend in DMD programs, $0.7 million external regulatory and manufacturing professional fees and $0.4 million in sponsored research studies. Additionally, there was an increase of $0.3 million in rent and depreciation expenses. The increase was partially offset by an up-front payment of $1.0 million made to University of Western Australia ("UWA") during the second quarter of 2013 and a slight decrease of $0.2 million in our infectious disease programs.

Research and development expenses for the six months ended June 30, 2014 increased by $14.8 million, or 55%, compared with the six months ended June 30, 2013. The increase was primarily driven by preparation of the launch of eteplirsen, should marketing approval ever be obtained, and advancement of our early- and late-stage research and development pipeline. The increase primarily consists of $6.2 million in headcount-related expenses, $5.4 million in our external spend in DMD programs, $1.1 million external regulatory and manufacturing professional fees, $0.6 million in sponsored research studies and $0.3 million of expense recognized in connection with an up-front payment on a patent assignment agreement. Additionally, there was an increase of $1.4 million in rent and depreciation expenses due to construction of our new headquarters in Cambridge, Massachusetts. The increase was partially offset by an up-front payment of $1.0 million made to UWA during the second quarter of 2013 and a decrease of $0.9 million in our infectious disease programs.

The following table summarizes our research and development expenses for the periods indicated:

	For the Three Months Ended June 30,		%	For the Six Months Ended June 30,		%
	2014	2013	Change	2014	2013	Change
	(in thousands)					
DMD	$ 8,998	$ 6,087	48%	$ 17,859	$ 12,426	44%
Infectious diseases	733	930	(21)%	2,744	3,664	(25)%
Internal research and development costs	10,910	5,967	83%	20,944	10,656	97%
Total research and development expenses	$ 20,641	$ 12,984	59%	$ 41,547	$ 26,746	55%

General and Administrative Expenses

General and administrative expenses for the three months ended June 30, 2014 increased by $5.2 million, or 73%, compared with the three months ended June 30, 2013. The increase was primarily driven by an increase of $2.1 million in legal fees, $1.7 million in headcount-related expenses, $0.6 million in depreciation expenses and $0.6 million in professional services.

General and administrative expenses for the six months ended June 30, 2014 increased by $9.3 million, or 71%, compared with the six months ended June 30, 2013. The increase was primarily driven by an increase of $4.3 million in headcount-related expenses, $2.7 million in legal fees, $0.9 million in professional services and $0.6 million in depreciation expenses.

Interest Income (Expense) and Other, Net

Interest income (expense) and other, net, for the three months ended June 30, 2014 increased by $0.2 million compared with the three months ended June 30, 2013. The increase was primarily due to the increase from interest income driven by the increase in our cash, cash equivalents and short-term investments balance.

Interest income (expense) and other, net, for the six months ended June 30, 2014 increased by $0.1 million compared with the six months ended June 30, 2013. The increase was primarily due to increase in interest income driven by the increase in our cash, cash equivalents and short-term investments balance offset by a realized gain during the six months ended June 30, 2013.

Loss on Change in Warrant Valuation

The loss on change in warrant valuation for the three months ended June 30, 2014 increased by $1.8 million compared with the three months ended June 30, 2013 primarily due to the fluctuation in our stock price offset by the decrease in the number of our outstanding warrants.

The loss on change in warrant valuation for the six months ended June 30, 2014 decreased by $21.8 million compared with the six months ended June 30, 2013 primarily due to the fluctuation in our stock price as well as decrease in the number of our outstanding warrants.

For more information, please read *Note 6, Warrants* of the unaudited condensed consolidated financial statements contained in Part I, Item 1 of this report, Form 10-Q for the quarterly period ended June 30, 2014.

Net Loss

Net loss for the three months ended June 30, 2014 increased by $14.8 million compared with the three months ended June 30, 2013. The increase was primarily due to growth in both research and development and general and administrative expenses and an increase in loss in change in warrant valuation.

Net loss for the six months ended June 30, 2014 increased by $1.0 million compared with the six months ended June 30, 2013. The increase was primarily due to growth in both research and development and general and administrative expenses partially offset by a decrease in loss in change in warrant valuation.

Liquidity and Capital Resources

As of June 30, 2014, cash, cash equivalents and short-term investments were $279.5 million, compared with $257.0 million at December 31, 2013. The increase during the six months ended June 30, 2014 was due primarily to the public offering of 2,650,000 shares which generated net proceeds of $94.5 million and $4.3 million from warrant and option exercises offset by cash used in operating activities of $67.8 million and purchase of property and equipment of $9.8 million. Based on the factors described below, we believe that our balance of cash, cash equivalents and investments is sufficient to fund our current operational plan for the next twelve months.

Our principal sources of liquidity are the sale of equity securities and revenue from our government contracts and other grants. Our principal uses of cash are research and development expenses, general and administrative expenses, capital expenditure and other working capital requirements.

Our primary source of revenue has historically been from development of product candidates pursuant to government contracts and other grants. U.S. government funding is subject to the government's appropriations process and the government has the right to terminate such contracts for convenience. Our remaining contract with DoD expired in July 2014. If we do not enter into any additional contracts with or receive funding from the U.S. government, we will likely curtail certain of our infectious disease research and development efforts. Currently, we do not generate any revenue from the commercial sale of our product candidates.

Our future expenditures and capital requirements may be substantial and will depend on many factors, including but not limited to the following:

- the timing and costs, in addition to the $10.0 million paid in July 2014 related to the purchase of the real and personal property, of building out our manufacturing capabilities;
- the timing of advanced payments related to our future inventory commitments;
- the timing and costs associated with our clinical trials and preclinical studies;
- the timing and costs associated with commercialization of eteplirsen should marketing approval ever be granted; and
- the costs of filing, prosecuting, defending and enforcing patent claims and our other intellectual property rights.

Our cash requirements are expected to continue to increase as we advance our research, development and commercialization programs and we expect to seek additional financing primarily from, but not limited to, the sale and issuance of equity, debt securities or the licensing or sale of our technology. We cannot assure you that financing will be available when and as needed or that, if available, the financings will be on favorable or acceptable terms. If we are unable to obtain additional financing when and if we require, this would have a material adverse effect on our business and results of operations. To the extent we issue additional equity securities, our existing stockholders could experience substantial dilution.

Cash Flows

	For the Six Months Ended June 30,	
	2014	2013
	(in thousands)	
Cash provided by (used in):		
Operating activities	$ (67,769)	$ (26,995)
Investing activities	(185,166)	(9,173)
Financing activities	98,724	4,692
Decrease in cash and cash equivalents	$ (154,211)	$ (31,476)

Operating Activities:

The increase in the amount of cash used in operating activities of $40.8 million for the six months ended June 30, 2014 compared with the six months ended June 30, 2013 was primarily due to an increase of $22.9 million in operating loss driven by an increase in research and development and general and administrative expenses. Additionally, there was an unfavorable change of $25.5 million in operating assets and liabilities due to the timing of certain activities.

Investing Activities:

The increase in the amount of cash used in investing activities of $176.0 million for the six months ended June 30, 2014 compared with the six months ended June 30, 2013 was primarily due to purchase of available-for-sale securities of $226.6 million and purchase of property and equipment of $9.8 million offset by maturity of available-for-sale securities of $48.7 million and restricted investment of $3.3 million.

Financing Activities:

The increase in the amount of cash provided by financing activities of $94.0 million for the six months ended June 30, 2014 compared with the six months ended June 30, 2013 was primarily due to the public offering of 2,650,000 shares which generated net proceeds of $94.5 million.

Contractual Obligations and Contingencies

In our continuing operations, we have entered into long-term contractual arrangements for our facilities, the provision of goods and services and acquisition of technology access rights, among others. The following table presents non-cancelable contractual obligations arising from these arrangements as of June 30, 2014:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(in thousands)				
Long-term debt	$ 2,165	$ 171	$ 343	$ 343	$ 1,308
Operating leases	28,266	3,851	8,339	8,750	7,326
Purchase obligations (1)	150,825	62,456	73,259	15,110	—
Total	$181,256	$ 66,478	$ 81,941	$ 24,203	$ 8,634

(1) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding to us and that specify all significant terms. Purchase obligations relate primarily to our DMD development program.

Off-Balance Sheet Arrangements

During the periods presented, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or for another contractually narrow or limited purpose.

Recent Accounting Pronouncements

For additional information, please read *Note 2, Recent Accounting Pronouncements* of the unaudited condensed consolidated financial statements contained in Part I, Item 1 of this report, Form 10-Q for the quarterly period ended June 30, 2014.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our current investment policy is to maintain a diversified investment portfolio consisting of money market investments, commercial paper, government and government agency bonds and high-grade corporate bonds with maturities of twenty-four months or less. Our cash is deposited in and invested through highly rated financial institutions in North America. As of June 30, 2014, we had $284.2 million of cash, cash equivalents and investments, comprised of $102.8 million of cash and cash equivalents, $176.8 million of short-term investments and $4.6 million of restricted investments. Our cash equivalents and short-term investments consist of commercial paper, government and government agency bonds, corporate bonds and money market investments. The fair value of cash equivalents and short-term investments is subject to change as a result of potential changes in market interest rates. The potential change in fair value for interest rate sensitive instruments has been assessed on a hypothetical 10 basis point adverse movement across all maturities. As of June 30, 2014, we estimate that such hypothetical adverse 10 basis point movement would result in a hypothetical loss in fair value of less than $100 thousand to our interest rate sensitive instruments.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation as of the end of the period covered by this report, Form 10-Q for the quarterly period ended June 30, 2014, under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of our disclosure controls and procedures pursuant to paragraph (b) of Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934 (the “Exchange Act”). The purpose of this evaluation was to determine whether as of the evaluation date our disclosure controls and procedures were effective to provide reasonable assurance that the information we are required to disclose in our filings with the SEC under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based on that evaluation, management has concluded that as of June 30, 2014, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

As of December 31, 2013, a material weakness in our internal controls over financial reporting was identified as follows: The Company did not design and implement controls to adequately review and consider the recognition and measurement of new significant research and development contracts. During the six months ended June 30, 2014, we designed and implemented controls to adequately review and consider the recognition and measurement of new significant research and development contracts. Such contracts are timely reviewed by our accounting personnel with the requisite accounting knowledge, skills and experience deemed necessary to perform such a review.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

In the normal course of business, the Company may from time to time be named as a party to various legal claims, actions and complaints, including matters involving securities, employment, intellectual property, effects from the use of therapeutics utilizing its technology, or others. For example, purported class action complaints were filed against the Company and certain of its officers in the U.S. District Court for the District of Massachusetts on January 27, 2014 and January 29, 2014. The complaints were consolidated into a single action (*Corban v. Sarepta, et. al.*, No. 14-cv-10201) by order of the court on June 23, 2014, and plaintiffs were afforded 28 days to file a consolidated amended complaint. Plaintiffs' consolidated amended complaint, filed on July 21, 2014, seeks to bring claims on behalf of themselves and persons or entities that purchased or acquired securities of the Company between July 10, 2013 and November 11, 2013. The consolidated amended complaint alleges that Sarepta and certain of its officers violated the federal securities laws in connection with disclosures related to eteplirsen, the Company's lead therapeutic candidate for DMD, and seeks damages in an unspecified amount. Pursuant to the court's June 23, 2014 order, Sarepta intends to file a motion to dismiss the consolidated amended complaint on or before August 18, 2014. Given the relatively early stages of the proceedings in the above mentioned purported claims, at this time, no assessment can be made as to the likely outcome of these claims or whether the outcomes would have a material impact on the Company.

Item 1A. Risk Factors.

Factors That Could Affect Future Results

Set forth below and elsewhere in this report and in other documents we file with the SEC are descriptions of risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements contained in this report. Because of the following factors, as well as other variables affecting our operating results, past financial performance should not be considered a reliable indicator of future performance and investors should not use historical trends to anticipate results or trends in future periods. The risks and uncertainties described below are not the only ones facing us. Other events that we do not currently anticipate or that we currently deem immaterial also affect our results of operations and financial condition.

Risks Relating to Our Business

Our product candidates are at an early stage of development, and it is possible that none of our product candidates will ever become commercial products.

With the exception of eteplirsen for which preparations for enrolling patients in a confirmatory clinical trial are under way, our product candidates are in relatively early stages of development. These product candidates will require significant further development, financial resources and personnel to obtain regulatory approval and develop into commercially viable products, if at all. Currently, eteplirsen in DMD and AVI-7100 in influenza are in active clinical development. Preparations are under way to commence a Phase I/IIa clinical trial for our Exon 53 product candidate in the E.U. We have filed and now have an open IND for our Exon 45 product candidate and plan to begin a clinical study early next year. AVI-7288 in Marburg was under development through a contract with DoD that expired in July 2014 and we are currently exploring and evaluating options to continue advancing AVI-7288's development. AVI -7537 in Ebola is no longer in clinical development as a result of the October 2012 notice we received from the DoD, terminating the program for the development of AVI-7537 for the convenience of the government due to funding constraints. The rest of our product candidates are in preclinical development. We expect that much of our effort and many of our expenditures over the next several years will be devoted to development activities associated with eteplirsen and other exon-skipping candidates as part of our larger pan-exon strategy in DMD, our infectious disease candidates, our proprietary chemistry, and other potential therapeutic areas that provide long-term market opportunities. With current resources, we may be restricted or delayed in our ability to develop these and other clinical and preclinical product candidates.

Our ability to commercialize any of our product candidates, including eteplirsen, depends on first receiving required regulatory approvals. It is possible that our product candidates, including eteplirsen, may never receive regulatory approval or designations that would expedite the review or approval process, for various reasons including: any failure to meet the applicable requirements to obtain regulatory approval for any of our product candidates, any failure to conduct studies with FDA approved designs, failure to file an NDA prior to or in the time-frame suggested by the FDA or planned by the Company, failure to demonstrate the safety and effectiveness for any of our product candidates, lack of funding, changes in the regulatory landscape, new scientific developments, results for clinical trials of competitor drugs, the FDA's interpretation and analysis of such developments and data in connection with our product candidates, manufacturing deficiencies or other reasons. If we are unable to obtain regulatory approval for any of our current product candidates or such approvals are delayed, it could delay or eliminate any potential product commercialization and product revenue for our Company.

Even if a product candidate receives regulatory approval, the resulting product may not gain market acceptance among physicians, patients, healthcare payers and the medical community. Assuming that any of our product candidates receives the required regulatory approvals, commercial success will depend on a number of factors, including but not limited to the following:

- establishment and demonstration of clinical efficacy and safety and acceptance of the same by the medical community;
- cost-effectiveness of the product;
- the availability of adequate reimbursement by third parties, including governmental payers such as the Medicare and Medicaid programs, managed care organizations, and private health insurers;
- the product's potential advantage over alternative treatment methods;
- whether the product can be produced or manufactured in commercial quantities and at acceptable costs;
- marketing and distribution support for the product;
- any exclusivities or patent rights applicable to the product; and
- our ability to achieve and sustain profitability which may not occur if we are unable to develop and commercialize any of our product candidates, development is delayed or sales revenue from any product candidate that receives marketing approval is insufficient.

We have been granted orphan drug status for certain of our product candidates, but there can be no guarantee that we will be able to prevent third parties from developing and commercializing products that are competitive to these product candidates.

To date we have been granted orphan status under the Orphan Drug Act by the FDA for two of our product candidates in DMD (including eteplirsen), AVI-6002 and AVI-7537 for the treatment of Ebola virus and AVI-6003 and AVI-7288 for the treatment of Marburg virus. Generally, product candidates granted orphan status are provided with seven years of marketing exclusivity by the FDA upon NDA approval, meaning the FDA will generally not approve applications for product candidates that contain the same active ingredient and are labeled for the same orphan indication. Even if we are the first to obtain marketing exclusivity through an approval of an orphan product in the United States, there are limited circumstances under which a later product from a competitor may be approved for the same indication during the seven-year period of marketing exclusivity, such as if the later product is shown to be clinically superior to our product or due to an inability to assure a sufficient quantity of the orphan drug.

To date we have been granted orphan drug medicinal product designations in the European Union for our lead drug candidate, eteplirsen, and AVI-5038 for the treatment of DMD. Product candidates granted orphan status in Europe can be provided with up to 10 years of marketing exclusivity, meaning that another application for marketing authorization of a later similar medicinal product for the same therapeutic indication will generally not be approved in Europe. Pediatric product candidates may be eligible for an additional two years of marketing exclusivity. Although we may have drug candidates that have or may obtain orphan drug exclusivity in Europe, the orphan designation and associated exclusivity period may be modified for several reasons, including the designation criteria may have significantly changed since market authorization of the orphan product, (e.g., product profitability exceeds the criteria for orphan drug designation), there are production or supply problems with the orphan drug, or a competitor drug, although similar, is safer, more effective or otherwise clinically superior than the initial orphan drug.

We are not guaranteed to receive or maintain orphan status for our current or future product candidates and if our product candidates that have been granted orphan status were to lose their status as orphan drugs or the marketing exclusivity provided for them in the United States or the European Union, our business and results of operations could be materially adversely affected. While orphan drug status for any of our products, if granted or maintained, would provide market exclusivity in the United States and the European Union, for the time periods specified above, we would not be able to exclude other companies from manufacturing and/or selling products using the same active ingredient for the same indication beyond the exclusivity period applicable to our product on the basis of orphan drug designation. Moreover, we cannot guarantee that another company will not receive approval before we do of an orphan drug application in the United States or the European Union for a product candidate that has the same active ingredient or is a similar medicinal product, respectively, for the same indication as any of our drug candidates for which we plan to file for orphan status. If that were to happen, our orphan drug applications for our product candidate for that indication may not be approved until the competing company's period of exclusivity has expired in the United States or the European Union. Further, application of the orphan drug regulations in the United States and Europe is uncertain and we cannot predict how the respective regulatory bodies will interpret and apply the regulations to our or our competitors' product candidates.

If we are unable to obtain or maintain required regulatory approvals, we will not be able to commercialize our product candidates, our ability to generate revenue will be materially impaired and our business will not be successful.

The research, testing, manufacturing, labeling, approval, commercialization, marketing, selling and distribution of drug products are subject to extensive regulation by state authorities and the FDA in the United States and other regulatory authorities in other countries, with regulations differing from country to country. Marketing of our product candidates in the United States or foreign countries is not permitted until we obtain the required approvals from the FDA or other applicable foreign regulatory authorities. Obtaining marketing approval is generally a lengthy, expensive and uncertain process in the United States and other countries and approval is not assured for any of our product candidates.

Further, the FDA and other foreign regulatory agencies have substantial discretion in the approval process, and the determination of when or whether regulatory approval, of any type, will be granted for any product candidate we develop. In this regard, even if we believe data collected from clinical trials of our product candidates are promising and our Chemistry, Manufacturing and Controls and related manufacturing processes are satisfactory, the FDA or foreign authorities may disagree with our interpretations and determine such data is not sufficient to accept our application or support approval, including approval under accelerated pathways. Furthermore, the FDA or other foreign regulatory agencies may approve a product candidate for fewer indications than requested or may grant approval subject to the performance of post-approval or confirmatory studies for a product candidate. Similarly, the FDA or other foreign regulatory agencies may not approve the labeling claims that are necessary or desirable for the successful commercialization of our product candidates.

In addition, changes in (i) regulatory requirements, (ii) FDA interpretations of scientific developments in diseases targeted by us or our competitors or data and information we or third parties submit to the FDA about product candidates and (iii) FDA guidance and requirements for approval may occur and we may need to amend clinical trial protocols or our approval strategies, including the timing of our expected filings with the FDA, to reflect or address these changes. These changes or amendments may require us to resubmit our clinical trial protocols to institutional review boards ("IRBs") or the FDA for review, which may impact the costs, timing or successful completion of a clinical trial, NDA submission, filing and regulatory approval for a product candidate. A therapeutic commercial product utilizing our RNA-based technologies and the manufacturing techniques necessary to produce them at commercial scale have never been approved or validated by any regulatory authority and the FDA may require us to make or develop changes in protocols that will take time and resources, sometimes not estimable, to develop. In addition, the FDA may not approve of the trial designs, protocols and regulatory filings or the timing of the same that we use for our product candidates, including for the confirmatory clinical study and NDA filing for eteplirsen, and the FDA may decline to approve our products on this basis. Changes in the approval process for our product candidates, including those described above, may require additional studies or require the Company to address additional issues or requests that were not originally planned, budgeted for or expected by the Company. Other factors may also impact our ability to obtain or impact the timing of approval for our product candidates, affect the receptiveness of regulators to our compounds, protocols or otherwise impact the regulatory process for our drug candidates including regulatory or other setbacks faced by third parties developing similar compounds or developing drug candidates targeting the same, similar or related diseases as those targeted by our drug candidates. For example, in meetings with the FDA, the FDA indicated it had considerable doubt about the use of dystrophin as a biomarker and questioned the efficacy support provided by the six-minute walk test in our ongoing open label study. Our exon-skipping therapy uses antisense oligonucleotides and, to date, only one antisense oligonucleotide has been approved by the FDA for systemic use and no product using antisense oligonucleotides for systemic use has been approved for sale in the European Union. We cannot be certain that our technology will meet applicable safety and efficacy standards or that we will be able to comply with all the requirements, including those relating to trial design or protocols for studies for our product candidates, of regulatory authorities. Due to these factors, among others, our current product candidates or any of our other future product candidates could take a significantly longer time to gain regulatory approval than we expect or may never gain regulatory approval, which could delay or eliminate any potential commercialization or product

revenue for any of our product candidates.

We continue to work with the FDA in our pursuit to obtain FDA approval of eteplirsen. On April 21, 2014, based on recent FDA feedback, we announced our plans to submit an NDA for eteplirsen for the treatment of DMD by the end of the 2014. Additionally, we are working with the FDA to start several additional clinical studies with eteplirsen in exon 51 amenable genotypes and a placebo-controlled study with one or more of our follow-on DMD exon-skipping drug candidates by the end of 2014. If our INDs for one or more of our follow-on product candidates are not filed and result in open or active INDs in a timely manner, the clinical trials for such product candidates would be delayed and could result in delays of the approval of eteplirsen if the Company and/ or the FDA is relying on such studies for regulatory approval of eteplirsen. Although we believe we are in a position to accomplish our plans within the timeframes indicated, there may be delays in executing them for various reasons including the fact that we are a small company with limited resources. Furthermore, there can be no assurance that any NDA submission or application will be accepted and filed by the FDA (*e.g.*, refusal to file) or that any expedited or regular review or approval will be granted on a timely basis, or at all. As part of its guidance to the Company, the FDA

identified additional safety and efficacy data that could be supportive of an NDA filing decision. If the Company is unable to obtain such additional data, the data is negative, or it is inconsistent with prior data it may impact the Company's decision to submit an NDA and/or result in an FDA decision not to file any such submission. The FDA or other foreign authorities could also request additional information or meetings with us or require us to conduct further studies or work related to Chemistry, Manufacturing and Controls (*e.g.*, a complete response letter) prior to considering our application or granting approval of any type. A failure to obtain accelerated or expedited, review or approval for eteplirsen or any of our other product candidates would result in a longer time period for commercialization of such product candidate, could potentially increase the cost of development of such product candidate, could have a material adverse effect on our financial condition and could harm our competitive position in the marketplace.

Additionally, even if we receive regulatory approval for our product candidates, we will be subject to ongoing FDA obligations and oversight, including adverse event reporting requirements, marketing restrictions and, potentially, other post-marketing obligations such as confirmatory studies, all of which may result in significant expense and limit our ability to commercialize any such products. For example, the FDA has indicated that the confirmatory studies for eteplirsen should be underway at the time of approval. If the studies fail to demonstrate the safety and efficacy of eteplirsen, or follow-on candidates, the FDA may make additional requests that we may not be able to comply with for financial or other reasons and there may be delays in or we may not be able to market or commercialize eteplirsen or some or all of our current DMD product candidates. The FDA's policies may also change and additional government regulations may be enacted that could further restrict or regulate post-approval activities. We cannot predict the likelihood, nature or extent of adverse government regulation that may arise from future legislation or administrative action, either in the United States, or abroad. If we are not able to maintain regulatory compliance, we may be subject to civil and criminal penalties, we may not be permitted to market our products and our business could suffer.

Any delay in, or failure to, receive or maintain regulatory approval for any of our product candidates could harm our business and prevent us from ever generating meaningful revenues or achieving profitability. We will also need to obtain regulatory approval from regulatory authorities in foreign countries to market our product candidates in those countries. We have not submitted an application for regulatory approval to market our product candidates in any foreign jurisdiction. Approval by one regulatory authority does not ensure approval by regulatory authorities in other jurisdictions. If we fail to obtain approvals from foreign jurisdictions, the geographic market for our product candidates would be limited.

Our preclinical and clinical trials may fail to demonstrate acceptable levels of safety and efficacy of our product candidates, which could prevent or significantly delay their regulatory approval.

To obtain the requisite regulatory approvals to market and sell any of our product candidates, we must demonstrate, through extensive preclinical and clinical studies, that the product candidate is safe and effective in humans. Ongoing and future preclinical and clinical trials of our product candidates may not show sufficient safety or efficacy to obtain regulatory approvals.

For example, in 2012, we completed Study 201, a U.S.-based Phase IIb 12-person clinical trial for eteplirsen at 30 mg/kg and 50 mg/kg. Following completion of this study, we initiated Study 202, an ongoing open label extension study with the same participants from Study 201. These trials were initiated, in part, to further demonstrate efficacy and safety, including the production of dystrophin, and explore and identify a more consistently effective dose that may be more appropriate for future clinical trials. While Studies 201 and 202 met their primary endpoints at weeks 24 and 48, respectively, and results reported for weeks 62, 74, 84, 96 and 120 supported stabilization of disease progression, we cannot assure you that data from the ongoing open label extension study will continue to be positive or consistent through the study periods. For example, on July 10, 2014, we announced the results for week 144 in Study 202 which showed a decline in walking ability at a rate slower than would be expected based on available DMD natural history; however, the decline on the six-minute walk test from baseline, although in prior study results was below 5%, was measured at approximately 8.5%. Furthermore, success in preclinical and early clinical trials, such as Study 202, do not ensure that the subsequent confirmatory trials we plan to initiate this year will be successful nor does it predict final results. If the data from the confirmatory studies for eteplirsen do not demonstrate the safety and efficacy data required by regulatory authorities for an NDA filing or approval, we may need to continue working with regulatory authorities on the design and subsequent execution of any further studies we plan to conduct or that may be required for the approval of eteplirsen or our other DMD product candidates. Additional requirements for regulatory approval could increase our costs and delay submissions, studies and commercialization of eteplirsen and continued development of our other DMD product candidates. We may not be able to, or it may be difficult for us to conform to regulatory guidance or successfully execute our product development plans in response to regulatory guidance, including related to clinical trial design and the timing of NDA filings, and even if we conform to any guidance regulatory authorities provide, it does not guarantee receipt of marketing approval, even if we believe our preclinical, clinical and confirmatory trials are successful.

We currently rely on certain third-party manufacturers and other third parties for production of our product candidates and our dependence on these manufacturers or inability to engage sufficient manufacturers to meet large scale clinical trial or commercial needs within sufficient timelines may impair the advancement of our research and development programs and the development of our product candidates.

Our product candidates require precise, high-quality manufacturing. The failure to achieve and maintain high quality standards, including failure to detect or control anticipated or unanticipated manufacturing errors, could result in patient injury or death or product recalls. Contract drug manufacturers often encounter difficulties involving production yields, quality control and quality assurance and shortages of qualified personnel. If our contract manufacturers or other third parties fail to deliver our product candidates for our research and development programs, clinical use or potential commercial supply on a timely basis, with sufficient quality, and at commercially reasonable prices, or we fail to find additional manufacturers or to develop our own manufacturing capabilities, we may be required to delay or suspend clinical trials, research and development programs, commercial supply or otherwise discontinue development and production of our product candidates.

We do not currently have the internal ability to manufacture our product candidates in the quantities that we need to conduct our clinical trials and we rely upon a limited number of manufacturers to supply our product candidates and the components of our drug substances. We also need to rely on manufacturers for the production of our product candidates to support our research and development programs. In addition, we rely on other third parties to perform additional steps in the manufacturing process, including filling and labeling of vials and storage of our product candidates. For the foreseeable future, we expect to continue to rely on contract manufacturers and other third parties to produce product candidates and their components, fill vials, and store sufficient quantities of our product candidates for research and development programs, clinical trials and potential commercial supply. For each of eteplirsen and our other development programs, based on limited capacity for our specialized manufacturing needs, we have had to enter into limited or, at times, non-exclusive sole-source agreements with multinational manufacturing firms for the production of APIs. There are a limited number of companies that can produce APIs in the quantities and with the quality and purity that we require. Establishing a relationship with additional suppliers can be a lengthy process and, when combined with production timelines, might cause delays in our development efforts. If we are required to seek additional or alternative supply arrangements, the resulting delays and potential inability to find a suitable replacement could materially and adversely impact our business.

In addition, we currently depend on certain third-party vendors, which in some cases may be sole sources, for the supply of materials, including subunits, used to produce our product candidates. If the third-party suppliers were to cease production or otherwise fail to supply us with sufficient quantities of quality materials or we are unable to contract on acceptable terms for materials with additional suppliers, if any, our ability to have our product candidates manufactured in sufficient quantities for preclinical testing, clinical trials, and potential commercial use would be adversely affected.

We do not yet have all of the agreements necessary for the supply of APIs and materials, including subunits, for the production of any of our product candidates, including eteplirsen, in quantities sufficient for their potential commercial demand or for large scale clinical trials and we may not be able to establish or maintain sufficient commercial manufacturing arrangements on commercially reasonable terms. Given the delay between the time we enter into agreements with manufacturers and the time they are able to produce materials, APIs and drug products, a failure to engage manufacturers within the time frames needed to be able to supply our manufacturing needs in the future could negatively impact our business plans by among other things, delaying the start of clinical trials or commercialization of our product candidates. Securing commercial quantities of our product candidates and their components from contract manufacturers will require us to commit significant capital and resources. We may also be required to enter into long-term manufacturing agreements that contain exclusivity provisions and/or substantial termination penalties. In addition, contract manufacturers have a limited number of facilities in which our product candidates can be produced and any interruption of the development or operation of those facilities due to events such as order delays for equipment or materials, equipment malfunction or failure or damage to the facility by natural disasters could result in the cancellation of shipments, loss of product in the manufacturing process or a shortfall in available product candidates or materials.

Our contract manufacturers are required to produce our product candidates under current Good Manufacturing Practice ("cGMP") conditions in order to meet acceptable standards for our clinical trials. If such standards change, the ability of contract manufacturers to produce our product candidates on the schedule we require for clinical trials or for potential commercial use may be affected. In addition, contract manufacturers may not perform their agreements with us or may discontinue their business before the time required by us to successfully produce and market our product candidates. We and our contract manufacturers are subject to periodic unannounced inspection by the FDA and corresponding state and foreign authorities to ensure strict compliance with cGMP and other applicable government regulations and corresponding foreign standards. We do not have control over a third-party manufacturer's compliance with these regulations and standards. Any difficulties or delays in our contractors' manufacturing and supply of product candidates or any failure of our contractors to maintain compliance with the applicable regulations and standards could increase our costs, make us postpone or cancel clinical trials, prevent or delay regulatory approvals by the FDA and corresponding state and foreign authorities, prevent the import and/or export of our products, cause us to lose revenue, or cause our products to be recalled or withdrawn.

We may not be able to successfully scale-up manufacturing of our product candidates in sufficient quality and quantity, or within sufficient timelines which would delay or prevent us from developing or commercializing our product candidates if we obtain the required regulatory approvals.

To date, our product candidates have been manufactured in small quantities for preclinical studies and early stage clinical trials. As we prepare for later stage clinical trials for our product candidates, including eteplirsen, and potential commercialization, we are working to increase the scale of production of our drug product in 2014. During 2014, we will also continue to increase API production capacity to provide the drug product needed for the additional trials we plan to conduct for eteplirsen, the placebo controlled study planned for one of our follow-on exons and any subsequent commercialization, on an accelerated or other pathway. In order to conduct larger or late-stage scale clinical trials for a product candidate and supply sufficient quantities of the resulting drug product and its components, if that product candidate is approved for sale, we will need to manufacture it in larger quantities. We may not be able to successfully increase the manufacturing capacity for any of our product candidates or scale up material, API and drug product production, whether in collaboration with third-party manufacturers with sufficient capacity to meet our clinical and commercial needs, if available, or on our own, in a manner that is timely, safe, compliant with cGMP conditions or other applicable legal or regulatory standards, or cost-effective or at all. If a contract manufacturer makes improvements in the manufacturing process for our product candidates, we may not own, or may have to share, the intellectual property rights to those improvements. Significant scale-up of manufacturing may require additional processes, technologies and validation studies, which are costly, may not be successful and which are subject to FDA review and approval. In addition, quality issues may arise during those scale-up activities or as we add new contract manufacturers because of the inherent properties of a product candidate itself or of a product candidate in combination with other components added during the manufacturing and packaging process, or during shipping and storage of the finished product or APIs. If we are unable to successfully scale-up manufacturing of any of our product candidates in sufficient quality and quantity, with a sufficient number of contract manufacturers, and in a timely manner, the development of that product candidate and regulatory approval or commercial launch for any resulting drug products may be delayed or there may be a shortage in supply, which could significantly harm our business.

In addition, in order to release product and demonstrate stability of product candidates for use in late stage clinical trials (and any subsequent drug products for commercial use), our analytical methods must be validated in accordance with regulatory guidelines. We may not be able to successfully validate our analytical methods or demonstrate adequate purity, stability or comparability of the product candidates in a timely or cost-effective manner or at all. If we are unable to successfully validate our analytical methods or to demonstrate adequate purity, stability, or comparability, the development of our product candidates and regulatory approval or commercial launch for any resulting drug products may be delayed, which could significantly harm our business.

We have historically relied on U.S. government contracts to support certain research and development programs and for substantially all of our revenue in recent years. Termination or expiration of government contracts or failure to receive government funds on a timely basis or at all, could materially and adversely affect the results of operations of our rare and infectious disease program.

We have historically relied on U.S. government contracts and awards to fund and support certain development programs, including the Marburg program which accounted for substantially all of our current revenue in recent years. The DoD contract providing funds for the Marburg program expired in July 2014, although we still have certain wind-down activities related to the expiration of this contract. We are currently exploring and evaluating options to continue advancing AVI-7288's development, which could include funding through other U.S. government programs. Funding of U.S. government programs is subject to Congressional appropriations. Congress generally appropriates funds on a fiscal year basis even though a program may extend over several fiscal years. Consequently, programs are often only partially funded initially and additional funds are committed only as Congress makes further appropriations. If appropriations for one of our programs become unavailable, or are reduced or delayed, any future U.S. government contracts we enter into may be terminated or adjusted by the U.S. government, which could have a negative impact on our future revenue under such contract or subcontract. Potential budget cuts by the U.S. government as well as the effects of U.S. government shutdowns could have widespread ramifications including on any future U.S. government procurement and research and development contracts. Sequestration may result in a reduction of funds available for new procurements. As a result of government budgetary cuts, appropriations and sequestration, the viability of the government and its agencies as a partner for the Marburg or other programs and as a potential customer is uncertain.

In addition, U.S. government contracts generally also permit the U.S. government to terminate or renegotiate the contract, in whole or in part, without prior notice, at the U.S. government's convenience or for default based on performance. When working with the U.S. government, we may receive communications from the U.S. government regarding our performance, including requests for us to provide additional information and/or take certain steps to remedy noted deficiencies. While we work closely with our contacts at the U.S. government when working under U.S. government contracts and believe we can adequately address issues raised through such communications, there is no guarantee that we will be able to adequately respond to all requests or remedy all deficiencies cited. If a U.S. government contract is terminated for convenience, we would generally be entitled to payments for our allowable costs and would receive some allowance for profit on the work performed. In addition, after termination or expiration of a U.S. government contract, the intellectual property developed under such contract is normally shared between the U.S. government and the contracting entity. Therefore, the U.S. government may have the right to develop all or some parts of a product candidate developed under a contract with a third party after such contract is terminated or expires.

If a U.S. government contract is terminated for default, we would generally be entitled to payments for our

work that has been completed to that point. A termination arising out of our default could expose us to liability and have a negative impact on our ability to obtain future contracts. Furthermore, if we fail to satisfy certain performance or deliverable requirements or to adhere to development timelines, revenues associated with the satisfaction of such requirements or timelines may be delayed or may not be realized.

With the expiration of the U.S. government contract funding the development of AVI-7288, we do not currently have revenues from U.S. government contracts. If we enter into any U.S. government contracts in the future, the termination of such U.S. government contracts, whether due to lack of funding, for convenience, for our failure to perform, or otherwise, or the occurrence of delays or product failures in connection with one or more of these contracts, could negatively impact the results of operations of our rare and infectious disease program. Furthermore, we can give no assurance that we will be able to procure new U.S. government contracts to offset the revenue lost as a result of a terminated or expired U.S. government contract.

Even if we successfully complete development of our Ebola, Marburg or influenza product candidates either under a contract with the U.S. government or otherwise, there is a limited commercial market for such product candidates. The lack of a commercial market makes us reliant upon government organizations to purchase such product candidates and to determine and communicate the market for biodefense countermeasures. With respect to the U.S. government specifically, purchasing is subject to evolving threat assessments and shifting political priorities, which exacerbate market uncertainties. For example, in the event of an outbreak of an infectious disease for which we previously contracted with a government entity for the development of a product candidate, even after expiration or termination of such contract, the U.S. government may approach us with a request to provide it with drug product, substance or subunits manufactured under such contract, which generally would belong to the contracting government entity unless they had previously transferred ownership to the company. Although generally the contracting government entity owns drug product, substance or subunits produced by us under a government contract and controls the decision to release these for use, the release of such drug product could be delayed due to (i) delays in coordinating decisions and approvals from the various government agencies involved or (ii) limitations in resources needed to compose usable drug product. In addition, even if drug product, substance, or subunits are released for use by the contracting government entity for purposes of responding to an infectious disease outbreak (i) there may not be sufficient drug product, substance or subunits available to treat all infected patients (ii) the FDA may not allow for emergency use of the drug and (iii) the drug product produced may not be effective in treating the infectious diseases as expected as we have no efficacy data in human subjects to date on our infectious diseases product candidates, including for both our Ebola and Marburg product candidates. Efforts to provide drug product to the government during an outbreak of an infectious disease could also delay or negatively impact our activities in other Company programs. Within the DoD, the war fighter has evolving requirements including but not limited to those related to route of exposure, time to treat, and manufacturing demands. The FDA's requirements under the Animal Rule are also evolving which may result in additional studies being needed to characterize appropriate animal models. While Ebola, Marburg and influenza viruses are among the top public health threats, it is unclear whether funding will continue to be available to address evolving U.S. government and FDA requirements, and until future studies are completed, it is unclear whether our product candidates will successfully meet these requirements. Additionally, manufacturing demands may be such as to require enhancements to our manufacturing infrastructure, which the government may not be able to fund. This expected dependence on U.S. government purchases presents additional challenges, since the U.S. government is incentivized to negotiate prices for countermeasures to just above their marginal cost of production, which would severely limit our profit potential. If companies resist low prices, the U.S. government can, in extreme cases, threaten compulsory licensing or purchase patent-breaching generics.

Generally, U.S. government contracts may be terminated, and under such contracts, we may be liable for penalties under a variety of procurement rules and regulations and changes in government regulations or practices could adversely affect our profitability, cash balances or growth prospects.

We must comply with laws and regulations relating to the formation, administration and performance of U.S. government contracts, which affect how we do business with our customers. Such laws and regulations may potentially impose added costs on our business and our failure to comply with them may lead to penalties and the termination of any U.S. contracts we may procure. Some significant regulations that affect us when performing under U.S. government contracts include:

- the Federal Acquisition Regulation and supplements, which regulate the formation, administration and performance of U.S. government contracts;
- the Truth in Negotiations Act, which requires certification and disclosure of cost and pricing data in connection with contract negotiations; and
- the Cost Accounting Standards, which impose accounting requirements that govern our right to reimbursement under certain cost-based government contracts.

Contracts with the government are generally subject to periodic review and investigation. If such a review or investigation identifies improper or illegal activities, we may be subject to civil or criminal penalties or administrative sanctions, including the termination of contracts, forfeiture of profits, the triggering of price reduction clauses, suspension of payments, fines and suspension or debarment from doing business with U.S. government agencies. We could also suffer harm to our reputation if allegations of impropriety were made against us, which would impair our ability to win awards of contracts in the future or receive renewals of existing contracts if any.

In addition, U.S. government agencies routinely audit and review their contractors' performance on contracts, cost structure, pricing practices and compliance with applicable laws, regulations and standards. They also review the adequacy of, and a contractor's compliance with, its internal control systems and policies, including the contractor's purchasing, property, estimating, compensation and management information systems. Such audits may result in adjustments to our contract costs, and any costs found to be improperly allocated will not be reimbursed. We have recorded contract revenues for the periods presented in this report based upon costs we expect to realize upon final audit; however, we do not know the outcome of any future audits and adjustments and, if future audit adjustments exceed our estimates, our results of operations could be adversely affected. Additionally, we may be required to enter into agreements and subcontracts with third parties, including suppliers, consultants and other third party contractors in order to satisfy contractual obligations under U.S. government contracts we may procure. Any such agreement also has to be compliant with the terms of such government grants or contracts. Negotiating and entering into such arrangements can be time-consuming and we may not be able to reach agreement with such third parties. Any delay or inability to enter into such arrangements or entering into such arrangements in a manner that is non-compliant with the terms of any grants, may result in violations of any government contracts we procure.

Clinical trials for our product candidates are expensive and time consuming, may take longer than we expect or may not be completed at all, and their outcomes are uncertain.

We have completed a Phase Ib/II clinical trial for eteplirsen in the UK and announced results in October 2010, which were published in *The Lancet* in

July 2011. We have also completed a U.S.-based Phase IIb placebo-controlled trial in eteplirsen and announced results in April 2012. Following completion of this study, we initiated an open label extension study with the same participants from the original Phase IIb placebo-controlled trial and announced 48-week results on October 3, 2012, 62-week results on December 7, 2012, 74-week results on April 5, 2013, 84-week results on June 19, 2013, 96-week results on September 26, 2013, 120-week results on January 15, 2014 and 144-week results on July 10, 2014. We expect to commence additional confirmatory trials of eteplirsen and a placebo controlled study on one of our follow-on exon product candidates in 2014 based on feedback from the FDA. Each of our clinical trials requires the investment of substantial planning, expense and time, and the timing of the commencement, continuation and completion of these clinical trials may be subject to significant delays relating to various causes including new positions, issues and requests made by the FDA based on scientific developments, data from our clinical trials and data from other drugs being developed by other companies for the treatment of diseases similar to or related to those targeted by our product candidates. Participant enrollment is a function of many factors, including the size of the relevant population, the proximity of participants to clinical sites, the eligibility criteria for the trial, the existence of competing clinical trials and the availability of alternative or new treatments.

We depend on medical institutions and clinical research organizations ("CROs"), to conduct our clinical trials in compliance with Good Clinical Practice ("GCP") and to the extent they fail to enroll participants for our clinical trials, fail to conduct studies to GCP standards or are delayed for a significant time in the execution of our trials, including achieving full enrollment, we may be affected by increased costs, program delays or both, which may harm our business. In addition, we have in the past conducted clinical trials in foreign countries and are currently planning a clinical trial in the E.U. for our Exon 53 product candidate, which may subject us to further delays and expenses as a result of increased drug shipment costs, additional regulatory requirements and the engagement of foreign CROs, as well as expose us to risks associated with less experienced clinical investigators who are unknown to the FDA, and different standards of medical care. Foreign currency transactions insofar as changes in the relative value of the U.S. dollar to the foreign currency where the trial is being conducted may impact our actual costs. In addition, for some programs, such as DMD and Marburg infection, there are currently no approved drugs to compare against.

Clinical trials must be conducted in accordance with FDA or other applicable foreign government guidelines and are subject to oversight by the FDA, other foreign governmental agencies and IRBs at the medical institutions where the clinical trials are conducted. The FDA or other foreign governmental agencies or we ourselves could delay, suspend or halt our clinical trials of a product candidate for numerous reasons, including:

- scientific developments and data available for investigational drugs being developed by third parties for the treatment of the same, similar or related diseases to those targeted by our product candidates;
- deficiencies in the trial design;
- deficiencies in the conduct of the clinical trial including failure to conduct the clinical trial in accordance with regulatory requirements or clinical protocols;
- deficiencies in the clinical trial operations or trial sites resulting in the imposition of a clinical hold;
- the product candidate may have unforeseen adverse side effects, including fatalities, or a determination may be made that a clinical trial presents unacceptable health risks;
- the methods and time required to determine whether the product candidate is effective may take longer than expected;
- fatalities or other adverse events arising during a clinical trial that may not be related to clinical trial treatments;
- the product candidate may appear to be no more effective than current therapies;
- the quality or stability of the product candidate may fail to conform to acceptable standards;
- our inability to produce or obtain sufficient quantities of the product candidate to complete the trials;
- our inability to reach agreement on acceptable terms with prospective CROs and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- our inability to obtain IRB approval to conduct a clinical trial at a prospective site;
- our inability to obtain regulatory approval to conduct a clinical trial;
- lack of adequate funding to continue the clinical trial, including the occurrence of unforeseen costs due to enrollment delays, requirements to conduct additional trials and studies and increased expenses associated with the services of our CROs and other third parties;
- our inability to recruit and enroll individuals to participate in clinical trials for reasons including lack of patients or competition from other clinical trial programs for the same or similar indications; or
- our inability to retain participants who have initiated a clinical trial but may be prone to withdraw due to side effects from the therapy, lack of efficacy or personal issues, or who are lost to further follow-up.

In addition, we may experience significant setbacks in advanced clinical trials, even after promising results in earlier trials, such as unexpected adverse events that occur when our product candidates are combined with other therapies and drugs or given to larger populations, which often occur in later-stage clinical trials. In addition, clinical results are frequently susceptible to varying interpretations by regulatory authorities that may delay, limit or prevent regulatory approvals. Also, patient advocacy groups and parents of trial participants may demand additional clinical trials or continued access to therapies even if our interpretation of clinical results received thus far leads us to determine that additional clinical trials or continued access are unwarranted. Any disagreement with patient advocacy groups or parents of trial participants may require management's time and attention and may result in legal proceedings being instituted against us, which could be expensive, time-consuming and distracting, and may result in a delay of the program. Negative interpretation of our data by us or regulatory authorities or inconclusive results or adverse medical events, including participant fatalities that may be attributable to our product candidates during a clinical trial may necessitate that it be redesigned, repeated or terminated. Further, some of our clinical trials may be overseen by an independent data and safety monitoring board ("DSMB") and a DSMB may determine to delay or suspend one or more of these trials due to safety or futility findings based on events occurring during a clinical trial. Any such delay, suspension, termination or request to repeat or redesign a trial could increase our costs and prevent or significantly delay our ability to commercialize our product candidates.

The Animal Rule is a seldom-used approach to seeking approval of a new drug and our infectious disease program may not meet the requirements for this path to regulatory approval.

Clinical trials cannot be used to assess the efficacy of most biodefense countermeasures against rare and lethal pathogens due to ethical considerations and the relative infrequency of naturally occurring cases. In the United States, we plan to develop the therapeutic product candidate to treat Marburg virus using the Animal Rule regulatory mechanism. Pursuant to the Animal Rule, the sponsor of a drug product must demonstrate efficacy in animal models and safety in humans. There is no guarantee that the FDA will agree to this approach to the development of our infectious disease product candidate, considering that no validated animal model has been established as predicting human outcomes in the prevention or treatment of any filovirus disease. Animal models represent, at best, a rough approximation of efficacy in humans, and, as such, countermeasures developed using animal models will be untested until their use in humans during an emergency. We have yet to demonstrate the predictive value of our animal studies to the FDA's satisfaction. If we fail to do so, we will have to demonstrate efficacy of AVI-7288 through adequate well-controlled trials in humans in order to obtain regulatory approval of this product in the United States, which, if possible given that known Marburg outbreaks have only occurred sporadically in Africa, will greatly add to the time and expense required to commercialize this product. Furthermore, the Animal Rule mechanism has been used only rarely and questions remain regarding the FDA's interpretation and implementation. Of the few times this mechanism has been used as the basis of approval, most of the products approved built upon existing indications with human data to support efficacy previously approved products which had considerable prior human experience. We

do not have any experience successfully navigating this approach to drug approval. Even if the Animal Rule represents a viable approach to seeking approval of AVI-7288, it may present challenges for gaining final regulatory approval for this product candidate, including an extended timeline to approval and less predictable study requirements. In addition, the FDA would require post-marketing human efficacy studies if the countermeasure is used in humans, which would most likely be in the aftermath of a bioterrorist attack. The ability to reliably perform efficacy clinical trials in the midst of a national crisis is uncertain.

The timing and conduct of animal studies may be further constrained given that filoviruses are classified for use only in BSL-4 laboratories. There are limited laboratories and staff world-wide that can work with these live viruses and companies will be competing for the limited availability of this critical infrastructure to test their countermeasures. Furthermore, we anticipate limits in conforming to Good Laboratory Practice requirements given the requirement for BSL-4 containment.

We have incurred operating losses since our inception and we may not achieve or sustain profitability.

We incurred an operating loss of $30.3 million for the three months ended June 30, 2014. Our accumulated deficit was $605.4 million as of June 30, 2014. Substantially all of our revenues to date have been derived from research and development contracts with the DoD, the last one of which expired in July 2014. We have not yet generated any material revenue from product sales and have incurred expenses related to research and development of our technology and product candidates, from general and administrative expenses that we have incurred while building our business infrastructure and acquired in-process research and development resulting from two acquisitions. We anticipate that our expenses will increase substantially if and as we:

- continue our research, preclinical and clinical development of our product candidates;
- acquire or in-license other product candidates;
- initiate additional clinical trials for our product candidates;
- seek marketing approvals for our product candidates that successfully complete clinical trials;
- ultimately establish a sales, marketing and distribution infrastructure to commercialize any products for which we may obtain marketing approval;
- maintain, expand and protect our intellectual property portfolio;
- increase manufacturing capabilities;
- hire additional clinical, quality control and scientific personnel; and
- add operational, financial and management information systems and personnel, including personnel to support our product development and planned future commercialization efforts.

Our ability to achieve and maintain profitability depends on our ability to raise additional capital, partner one or more programs, complete development of our product candidates, obtain regulatory approvals and market our approved products, if any. It is uncertain when, if ever, we will become profitable and if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would decrease the value of the company and could impair our ability to raise capital, maintain our research and development efforts, expand our business or continue our operations.

We will likely need additional funds to conduct our planned research, development and manufacturing efforts. If we fail to attract significant capital or fail to enter into strategic relationships, we may be unable to continue to develop our product candidates.

We will likely require additional capital from time to time in the future in order to continue the development of product candidates in our pipeline and to expand our product portfolio. The actual amount of funds that we may need will be determined by many factors, some of which are beyond our control. These factors include the success of our research and development efforts, the status of our preclinical and clinical testing, costs and timing relating to securing regulatory approvals and obtaining new patent rights, regulatory changes, competitive and technological developments in the market and future commercialization expenses related to any product sales, marketing, manufacturing and distribution. An unforeseen change in these factors, or others, might increase our need for additional capital.

We would expect to seek additional financing from the sale and issuance of equity or equity-linked or debt securities, and we cannot predict that financing will be available when and as we need financing or that, if available, the financing terms will be commercially reasonable. If we are unable to obtain additional financing when and if we require it or on commercially reasonable terms, this would have a material adverse effect on our business and results of operations.

If we are able to consummate such financings, the trading price of our common stock could be adversely affected and/or the terms of such financings may adversely affect the interests of our existing stockholders. To the extent we issue additional equity securities or convertible securities, our existing stockholders could experience substantial dilution in their economic and voting rights. For example, on April 29, 2014, we sold 2,650,000 shares of our common stock in an underwritten public offering at a price to the public of $38.00 per share. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

Further, we may also enter into relationships with pharmaceutical or biotechnology companies to perform research and development with respect to our technologies, research programs or to conduct clinical trials and to market our product candidates. Other than preclinical collaborations with academic/research institutions and government entities for the development of additional exon-skipping product candidates for the treatment of DMD and a product candidate for the treatment of influenza, we currently do not have a strategic relationship with a third party to perform research or development using our technologies or assist us in funding the continued development and commercialization of any of our programs or product candidates. Such relationships may require us to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us.

We rely on third parties to provide services in connection with our preclinical and clinical development programs. The inadequate performance by or loss of any of these service providers could affect our product candidate development.

Several third parties provide services in connection with our preclinical and clinical development programs, including in vitro and in vivo studies, assay and reagent development, immunohistochemistry, toxicology, pharmacokinetics, clinical assessments, data monitoring and management and statistical analysis and other outsourced activities. If these service providers do not adequately perform the services for which we have contracted or cease to continue operations and we are not able to quickly find a replacement provider or we lose information or items associated with our product candidates, our development programs may be delayed.

Our RNA-based, or antisense, technology has not been incorporated into a therapeutic commercial product and is still at a relatively early stage of development.

Our RNA-based platforms, utilizing proprietary PMO-based technology, have not been incorporated into a therapeutic commercial product and are still at a relatively early stage of development. This technology is used in all of our product candidates, including eteplirsen. We are conducting toxicology, pharmacology, pharmacokinetics and other preclinical studies and, although we have conducted Phase I clinical trials for AVI-6003 (we are now pursuing development of AVI-7288, one of the two component oligomers in AVI-6003) and AVI-7100 and conducted a Phase IIb clinical trial in eteplirsen, additional preclinical studies may be required for these product candidates and before other product candidates enter human clinical trials. In addition, preclinical models to study participant toxicity and activity of compounds are not necessarily predictive of toxicity or efficacy of these compounds in the treatment of human disease and there may be substantially different results in clinical trials from the results obtained in preclinical studies. Any failures or setbacks in utilizing our PMO-based technology, including adverse effects resulting from the use of this technology in humans, could have a detrimental impact on our product candidate pipeline and our ability to maintain and/or enter into new corporate collaborations regarding these technologies, which would negatively affect our business and financial position.

If we fail to retain our key personnel or are unable to attract and retain additional qualified personnel, our future growth, ability to perform any U.S. government contracts we may enter into in the future and our ability to compete would suffer.

We are highly dependent on the efforts and abilities of the principal members of our senior management. Additionally, we have scientific personnel with significant and unique expertise in RNA-based therapeutics and related technologies and personnel with experience overseeing compliance with and execution of U.S. government contracts. The loss of the services of any one of the principal members of our managerial, scientific or government contract compliance staff may prevent us from achieving our business objectives.

The competition for qualified personnel in the biotechnology field and for qualified personnel with government contracting experience is intense, and our future success depends upon our ability to attract, retain and motivate such personnel. In order to develop and commercialize our products successfully, we will be required to retain key managerial, scientific and government contract compliance staff. In certain instances, we may also need to expand or replace our workforce and our management ranks. We face intense competition for qualified individuals from numerous pharmaceutical and biotechnology companies, as well as academic and other research institutions. If we are unable to attract, assimilate or retain such key personnel, our ability to advance our proprietary programs and perform any U.S. government contracts we enter into would be adversely affected.

If we are unable to effectively manage our growth, execute our business strategy and implement compliance controls and systems, the trading price of our common stock could decline. Although we did not have a material error in our financial statements, we have identified a material weakness in our internal control over financial reporting as of December 31, 2013. Any ongoing failure to establish and maintain effective internal control over financial reporting could adversely affect investor confidence in our reported financial information.

We anticipate continued growth in our business operations due, in part, to advancing our product candidates. This future growth could create a strain on our organizational, administrative and operational infrastructure. Our ability to manage our growth properly and maintain compliance with all applicable rules and regulations will require us to continue to improve our operational, legal, financial and management controls, as well as our reporting systems and procedures. We may not be able to build the management and human resources and infrastructure necessary to support the growth of our business. The time and resources required to implement systems and infrastructure that may be needed to support our growth is uncertain, and failure to complete this in a timely and efficient manner could adversely affect our operations.

For example, although there was no material error in our financial statements, in connection with our assessment of the effectiveness of internal control over financial reporting as of December 31, 2013, our management identified a material weakness in our internal control over financial reporting. A detailed description of this material weakness is provided in “Item 9A, Controls and Procedures” of our annual report on Form 10-K filed earlier this year. During the six months ended June 30, 2014, we designed and implemented controls to adequately review and consider the recognition and measurement of new significant research and development contracts. Our controls were designed to ensure that such contracts are timely reviewed by our accounting personnel with the requisite accounting knowledge, skills, and experience deemed necessary to perform such a review. However, we cannot assure you that material weaknesses in our internal control over financial reporting will not be identified in the future. Any failure to maintain or implement new or improved internal controls, or any difficulties that we may encounter in their maintenance or implementation, could result in additional material weaknesses or material misstatements in our financial statements and cause us to fail to meet our reporting obligations or prevent fraud, which could cause the trading price of our common stock to decline.

We may not be able to build the human resources and infrastructure necessary to support the growth of our business or to appropriately implement our compliance controls and procedures. The time and resources required to build up our human resources and implement systems and infrastructure that may be needed to support our growth and compliance with applicable rules and regulations is uncertain, and failure to complete these in a timely and efficient manner could adversely affect our operations.

We may engage in future acquisitions or collaborations with other entities that increase our capital requirements, dilute our stockholders, cause us to incur debt or assume contingent liabilities and subject us to other risks.

We actively evaluate various strategic transactions on an ongoing basis, including licensing or acquiring complementary products, technologies or businesses. Potential acquisitions or collaborations with other entities may entail numerous risks, including increased operating expenses and cash

requirements, assimilation of operations and products, retention of key employees, diversion of our management's attention and uncertainties in our ability to maintain key business relationships of the acquired entities. In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense.

Our success, competitive position, and future revenues, if any, depend in part on our ability and the abilities of our licensors to obtain and maintain patent protection for our product candidates, to preserve our trade secrets, to prevent third parties from infringing on our proprietary rights, and to operate without infringing on the proprietary rights of third parties.

We currently hold various issued patents and exclusive rights to issued patents and own and have licenses to various patent applications, in each case in the United States as well as rights under European patents and patent applications. We anticipate filing additional patent applications both in the United States and in other countries. The patent process, however, is subject to numerous risks and uncertainties, and we can provide no assurance that we will be successful in obtaining and defending patents or in avoiding infringement of the rights of others. The risks we face on the intellectual property front include the following:

- we may not be able to obtain and maintain patent protection for our product candidates that has the ability to prevent competitors from commercializing competing product candidates. Our patent rights might be challenged, invalidated, circumvented, or otherwise might not provide any competitive advantage, and we might not be successful in challenging the patent rights of our competitors through litigation or administrative proceedings. For example, in July 2014, the Patent Trial and Appeal Board (the "PTAB") of the United States Patent and Trademark Office (the "USPTO") declared patent interferences between certain patents held by Sarepta and patent applications held by Prosensa related to Exon 51 and Exon 53 skipping therapies designed to treat Duchenne muscular dystrophy (DMD). In particular, the PTAB declared Interference No. 106,008 that identifies Sarepta's U.S. Patent Nos. 7,807,816 and 7,960,541, both covering eteplirsen, as interfering with Prosensa's U.S. Application No. 13/550,210. The PTAB also declared Interference No. 106,007 that identifies Sarepta's U.S. Patent No. 8,455,636, covering SRP-4053, as interfering with Prosensa's U.S. Application No. 11/233,495. These interferences do not currently change our plans to file an NDA for eteplirsen by end of 2014, continue with our clinical development plans for eteplirsen and SRP-4053 or our ability to launch eteplirsen commercially if it is approved by the FDA under an accelerated approval pathway and patents held or licensed to Sarepta and included in these interference proceedings are presumed valid by statute for the duration of these proceedings and any appeals. However, if final resolution of the interferences and related appeals, if any, are not in our favor, then these patents and any other patents or applications also found to be interfering may be invalidated, and as a result, we may not have any patent-based exclusivity available for our product candidates, which may have a negative impact on our business plan. Failure to resolve the interferences or related appeals in our favor could also result in the grant of patent claims to Prosensa that could provide a basis to assert that commercialization of eteplirsen and SRP-4053 in the U.S. infringe on such claims. These interferences may require significant financial resources that we may have planned to spend on other company objectives, resulting in delays or other negative impacts on such other objectives. In addition, Prosensa may continue to evaluate other opportunities to challenge our intellectual property rights or seek to broaden their patent positions in an attempt to cover our product candidates in the United States and in other jurisdictions;
- as a matter of public policy, there might be significant pressure on governmental bodies to limit the scope of patent protection or impose compulsory licenses for disease treatments that prove successful; and
- jurisdictions other than the U.S. might have less restrictive patent laws than the U.S., giving foreign competitors the ability to exploit these laws to create, develop, and market competing products.

In addition, the USPTO and patent offices in other jurisdictions have often required that patent applications concerning pharmaceutical and/or biotechnology-related inventions be limited or narrowed substantially to cover only the specific innovations exemplified in the patent application, thereby limiting the scope of protection against competitive challenges. Accordingly, even if we or our licensors are able to obtain patents, the patents might be substantially narrower than anticipated.

On September 16, 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes a number of significant changes to U.S. patent law, including provisions that affect the way patent applications will be prosecuted and may also affect patent litigation. The USPTO has issued regulations and procedures to govern administration of the Leahy-Smith Act, but many of the substantive changes to patent law associated with the Leahy-Smith Act have only recently become effective. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business and financial condition.

Additionally, the U.S. Supreme Court has issued decisions, the full impact of which are not yet known. For example, on March 20, 2012 in *Mayo Collaborative Services, DBA Mayo Medical Laboratories, et al. v. Prometheus Laboratories, Inc.*, the Court held that several claims drawn to measuring drug metabolite levels from patient samples and correlating them to drug doses were not patentable subject matter. The decision appears to impact diagnostics patents that merely apply a law of nature via a series of routine steps and it has created uncertainty around the ability to patent certain biomarker-related method claims. Additionally, on June 13, 2013 in *Association for Molecular Pathology v. Myriad Genetics, Inc.*, the Court held that claims to isolated genomic DNA are not patentable, but claims to complementary DNA molecules were held to be valid. The effect of the decision on patents for other isolated natural products is uncertain and as with the Leahy-Smith Act, these decisions could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business and financial condition.

Our business prospects will be impaired if third parties successfully assert that our product candidates or technologies infringe proprietary rights of such third parties.

Our competitors may make significant investments in competing technologies, might have or obtain patents that limit, interfere with, or eliminate our ability to make, use, and sell our product candidates in important commercial markets.

If our product candidates or technologies infringe enforceable, proprietary rights of others, we could incur substantial costs and may have to:

- obtain rights or licenses from others, which might not be available on commercially reasonable terms or at all;
- abandon development of an infringing product candidate;

- redesign product candidates or processes to avoid infringement;
- pay damages; and/or
- defend litigation or administrative proceedings which might be costly whether we win or lose, and which could result in a substantial diversion of financial and management resources.

Any of these events could substantially harm our potential earnings, financial condition, and operations. Prosensa, which is developing competitive pipeline products, has rights to patent claims that, absent a license, may preclude us from commercializing eteplirsen in several jurisdictions. Prosensa has rights to European Patent No. EP 1619249, for example. We opposed this patent in the Opposition Division of the European Patent Office ("EPO"), and the Opposition Division maintained certain claims of this patent relating to the treatment of DMD by skipping dystrophin exons 51 and 46, which may provide a basis to maintain that commercialization of eteplirsen in Europe would infringe on such patent. Both we and Prosensa have appealed the Opposition Division decision, submitted briefs in support of our respective positions and have also submitted responses to each other's briefs. Prosensa recently filed arguments with the EPO in response to Sarepta's previously filed briefs. The Opposition Division decision if maintained at the appeals level could have a substantial effect on our business and leaves open the possibility that Prosensa or other parties that have rights to such patent could assert that our drug eteplirsen infringes on such patent. The timing and outcome of appeal cannot be predicted or determined as of the date of this report. We are also aware of existing patent claims Prosensa is pursuing in the United States, including those involved in the interferences declared by the USPTO in July 2014 and discussed in these risk factors, and others that it has or is pursuing, in other jurisdictions, including Japan, that where granted may provide the basis for Prosensa or other parties to assert that commercialization of eteplirsen would infringe on such claims.

The DMD patent landscape is continually evolving and multiple parties, both commercial entities and academic institutions, may have rights to claims or may be pursuing additional claims that could provide these parties a basis to assert that our product candidates infringe on the intellectual property rights of those parties. Similarly, we may be able to assert that certain activities engaged in by these parties infringe on our current or future patent rights. There has been, and we believe that there will continue to be, significant litigation in the biopharmaceutical and pharmaceutical industries regarding patent and other intellectual property rights. We also cannot be certain that other third parties will not assert patent infringement in the future with respect to any of our development programs.

We face intense competition and rapid technological change, which may result in others discovering, developing or commercializing competitive products.

The biotechnology and pharmaceutical industries are highly competitive and subject to significant and rapid technological change. We are aware of many pharmaceutical and biotechnology companies that are actively engaged in research and development in areas related to antisense technology and other RNA technologies or that are developing alternative approaches to or therapeutics for the disease indications on which we are focused. Some of these competitors are developing or testing product candidates that now, or may in the future, compete directly with our product candidates. For example, we believe that companies including Alnylam Pharmaceuticals, Inc., Isis Pharmaceuticals, Inc., Santaris Pharma A/S and Nippon Shinyaku Co. Ltd. share a focus on RNA-based drug discovery and development. Competitors with respect to our exon-skipping DMD program, or eteplirsen, include Prosensa and other companies such as PTC Therapeutics and Summit plc have also been working on DMD programs.

Although Prosensa/GlaxoSmithKline plc announced in 2013 that the primary endpoint for their lead DMD drug candidate was not met, we may still face competitive risks arising from the Prosensa exon skipping platform and product candidate pipeline, which may include limitations on our ability to gain market share in the DMD space or other diseases targeted by our exon skipping platform and product candidate pipeline.

Other potential competitors include large, fully integrated pharmaceutical companies and more established biotechnology companies that have significantly greater resources and expertise in research and development, manufacturing, testing, obtaining regulatory approvals and marketing. Also, academic institutions, government agencies and other public and private research organizations conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and marketing. It is possible that these competitors will succeed in developing technologies that are more effective than our product candidates or that would render our technology obsolete or noncompetitive. Our competitors may, among other things:

- develop safer or more effective products;
- implement more effective approaches to sales and marketing;
- develop less costly products;
- obtain regulatory approval more quickly;
- have access to more manufacturing capacity;
- develop products that are more convenient and easier to administer;
- form more advantageous strategic alliances; or
- establish superior intellectual property positions.

We may be subject to clinical trial claims and our insurance may not be adequate to cover damages.

We currently have no products that have been approved for commercial sale; however, the current and future use of our product candidates by us and our collaborators in clinical trials, and the sale of any approved products in the future, may expose us to liability claims. These claims might be made directly by consumers or healthcare providers or indirectly by pharmaceutical companies, our collaborators or others selling such products. Regardless of merit or eventual outcome, we may experience financial losses in the future due to such product liability claims. We have obtained limited general commercial liability insurance coverage for our clinical trials. We intend to expand our insurance coverage to include the sale of commercial products if we obtain marketing approval for any of our product candidates. However, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against all losses. If a successful product liability claim or series of claims is brought against us for uninsured liabilities or in excess of insured liabilities, our assets may not be sufficient to cover such claims and our business operations could be impaired.

Our operations involve the use of hazardous materials, and we must comply with environmental laws, which can be expensive, and may affect our business and operating results.

Our research and development activities involve the use of hazardous materials, including organic and inorganic solvents and reagents. Accordingly, we are subject to federal, state, and local laws and regulations governing the use, storage, handling, manufacturing, exposure to, and disposal of these hazardous materials. In addition, we are subject to environmental, health and workplace safety laws and regulations, including those governing laboratory procedures, exposure to blood-borne pathogens, and the handling of bio-hazardous materials. Although we believe that our activities conform in all material respects with such environmental laws, there can be no assurance that violations of these laws will not occur in the future as a result of human error, accident, equipment failure, or other causes. Liability under environmental, health and safety laws can be joint and several and without regard to fault or negligence. The failure to comply with past, present or future laws could result in the imposition of substantial fines and penalties, remediation costs, property damage and personal injury claims, loss of permits or a cessation of operations, and any of these events could harm our business and financial conditions. We expect that our operations will be affected by other new environmental and health and workplace safety laws on an ongoing basis, and although we cannot predict the ultimate impact of any such new laws, they may impose greater compliance costs or result in increased risks or penalties, which could harm our business.

We rely significantly on information technology and any failure, inadequacy, interruption or security lapse of that technology, including any cyber security incidents, could harm our ability to operate our business effectively.

Despite the implementation of security measures, our internal computer systems and those of third parties with which we contract are vulnerable to damage from cyber-attacks, computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. System failures, accidents or security breaches could cause interruptions in our operations, and could result in a material disruption of our clinical activities and business operations, in addition to possibly requiring substantial expenditures of resources to remedy. The loss of clinical trial data could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur a liability and our research and development programs and the development of our product candidates could be delayed.

We may incur substantial costs in connection with litigation and other disputes.

In the ordinary course of business we may, and in some cases have, become involved in lawsuits and other disputes such as securities claims, intellectual property challenges, including interferences declared by the USPTO, and employee matters. It is possible that we may not prevail in claims made against us in such disputes even after expending significant amounts of money and Company resources in defending our positions in such lawsuits and disputes. The outcome of such lawsuits and disputes is inherently uncertain and may have a negative impact on our business, financial condition and results of operations.

Risks Related to Our Common Stock

Our stock price is volatile and may fluctuate due to factors beyond our control.

The market prices for and trading volumes of securities of biotechnology companies, including our securities, have been historically volatile. For example, during the second quarter of 2014, our stock traded from a low of $20.89 per share on April 15, 2014 to a high of $40.00 per share on April 21, 2014. Additionally, on November 12, 2013 our stock price decreased 64% on the same day that we made an announcement regarding an unexpected FDA communication that the FDA considered an NDA application for eteplirsen premature despite earlier communications indicating it was open to an NDA application. Furthermore, on April 21, 2014 our stock price increased 39% on the same date that we announced that, based on FDA feedback, we planned to file an NDA for the approval of eteplirsen by the end of 2014. The market has from time to time experienced significant price and volume fluctuations unrelated to the operating performance of particular companies. The market price of our common stock may fluctuate significantly due to a variety of factors, including but not limited to:

- the timing of our filings with regulatory authorities and regulatory decisions and developments including the probability of a decision by the FDA to review eteplirsen on an expedited or normal pathway, if at all;
- positive or negative results or regulatory interpretations of testing and clinical trials by ourselves, strategic partners, our competitors or other companies with investigational drugs targeting the same, similar or related diseases to those targeted by our product candidates;
- delays in beginning and completing preclinical and clinical studies for potential product candidates;
- delays in entering or failing to enter into strategic relationships with respect to development and/or commercialization of our product candidates or entry into strategic relationships on terms that are not deemed to be favorable to our company;
- technological innovations or commercial product introductions by ourselves or competitors;
- changes in government regulations or requirements by regulatory authorities in the approval process;
- developments concerning proprietary rights, including patents and litigation matters such as developments in the interferences declared by the USPTO;
- public concern relating to the commercial value or safety of any of our products;
- financing, through the issuance of equity or equity linked securities or incurrence of debt, or other corporate transactions;
- comments by securities analysts;
- developments in litigation such as the stockholder lawsuits against us; or
- general market conditions in our industry or in the economy as a whole.

Broad market and industry factors may seriously affect the market price of companies' stock, including ours, regardless of actual operating performance. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. Such litigation could result in substantial costs and a diversion of our management's attention and resources.

Provisions of our certificate of incorporation, bylaws and Delaware law might deter acquisition bids for us that might be considered favorable and prevent or frustrate any attempt to replace or remove the then current management and board of directors.

Certain provisions of our certificate of incorporation and bylaws may make it more difficult for a third party to acquire control of us or effect a change in our board of directors and management. These provisions include:

- when the board is comprised of six or more directors, classification of our board of directors into two classes, with one class elected each year;

- directors may only be removed for cause by the affirmative vote of majority of the voting power of all the then-outstanding shares of voting stock;
- prohibition of cumulative voting of shares in the election of directors;
- right of the board of directors to elect directors to fill a vacancy created by the expansion of the board of directors or the resignation, death, disqualification or removal of a director;
- express authorization of the board of directors to make, alter or repeal our bylaws;
- prohibition on stockholder action by written consent;
- advance notice requirements for nominations for election to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings;
- the ability of our board of directors to authorize the issuance of undesignated preferred stock, the terms and rights of which may be established and shares of which may be issued without stockholder approval, including rights superior to the rights of the holders of common stock; and
- a super-majority (66 2/3%) of the voting power of all of the then-outstanding shares of capital stock are required to amend, rescind, alter or repeal our bylaws and certain provisions of our certificate of incorporation.

In addition, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which may prohibit certain business combinations with stockholders owning 15% or more of our outstanding voting stock. These and other provisions in our certificate of incorporation and our bylaws and in the Delaware General Corporation Law could make it more difficult for stockholders or potential acquirers to obtain control of our board of directors or initiate actions that are opposed by the then-current board of directors.

We expect our operating results to fluctuate in future periods, which may adversely affect our stock price.

Our quarterly operating results have fluctuated in the past, and we believe they will continue to do so in the future. Some of these fluctuations may be very pronounced such as in the case of the impact to our net loss as a result of our warrant offerings in January and August 2009 of which warrants for an aggregate of 0.5 million shares remain outstanding and exercisable as of June 30, 2014. Each of these warrants is classified as a derivative liability and accordingly, the fair value of the warrants is recorded on our consolidated balance sheet as a liability, and such fair value is adjusted at each financial reporting date with the adjustment to fair value reflected in our consolidated statement of operations and comprehensive loss. For example, for the three months ended June 30, 2014, the impact of the change in fair value of these warrants resulted in a $3.8 million loss in our unaudited condensed consolidated statement of operations and comprehensive loss. The fair value of the warrants is determined using the Black-Scholes-Merton option-pricing model. Fluctuations in the assumptions and factors used in the Black-Scholes-Merton option-pricing model can result in adjustments to the fair value of the warrants reflected on our balance sheet and, therefore, our statement of operations and comprehensive loss. Due to the classification of such warrants and other factors, results of operations are difficult to forecast, and period-to-period comparisons of our operating results may not be predictive of future performance. Additionally, our operating results may fluctuate due to the variable nature of our revenue and research and development expenses. Likewise, our research and development expenses may experience fluctuations as a result of the timing of activities performed in support of our U.S. government research contracts and the timing and magnitude of expenditures incurred in support of our DMD and other proprietary drug development programs. In one or more future periods, our results of operations may fall below the expectations of securities analysts and investors. In that event, the market price of our common stock could decline.

A significant number of shares of our common stock are issuable pursuant to outstanding stock awards and warrants, and we expect to issue additional stock awards and shares of common stock in the future. Exercise of these awards, and sales of shares will dilute the interests of existing security holders and may depress the price of our common stock.

As of June 30, 2014, there were 40.8 million shares of common stock outstanding, outstanding awards to purchase 5.4 million shares of common stock under various incentive stock plans, and outstanding warrants to purchase up to 0.5 million shares of common stock. Additionally, as of June 30, 2014, there were 2.0 million shares of common stock available for future issuance under our Amended and Restated 2011 Equity Incentive Plan, 0.2 million shares of common stock available for issuance under our 2013 Employee Stock Purchase Plan and 0.6 million shares of common stock available for issuance under our 2014 Employment Commencement Incentive Plan. We may issue additional common stock and warrants from time to time to finance our operations. We may also issue additional shares to fund potential acquisitions or in connection with additional stock options or other equity awards granted to our employees, officers, directors and consultants under our Amended and Restated 2011 Equity Incentive Plan, our 2013 Employee Stock Purchase Plan or our 2014 Employment Commencement Incentive Plan. The issuance of additional shares of common stock or warrants to purchase common stock, perception that such issuances may occur, or exercise of outstanding warrants or options may have a dilutive impact on other stockholders and could have a material negative effect on the market price of our common stock.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

The exhibits listed on the Exhibit Index immediately preceding such exhibits, which is incorporated herein by reference, are filed or furnished as part of this Quarterly Report on Form 10-Q.

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.

SAREPTA THERAPEUTICS, INC.

Date: August 7, 2014

By: /s/ CHRISTOPHER GARABEDIAN
Christopher Garabedian
President and Chief Executive Officer

Date: August 7, 2014

By: /s/ SANDESH MAHATME
Sandesh Mahatme
Senior Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference to Filings Indicated				Provided Herewith
		Form	File No.	Exhibit	Filing Date	
10.1	Purchase and Sale Agreement dated May 22, 2014 between Sarepta Therapeutics, Inc. and Eisai Inc.					X
31.1	Certification of the Company's President and Chief Executive Officer, Christopher Garabedian, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of the Company's Senior Vice President, Chief Financial Officer, Sandesh Mahatme, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of the Company's President and Chief Executive Officer, Christopher Garabedian, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of the Company's Senior Vice President, Chief Financial Officer, Sandesh Mahatme, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document.					X
101.SCH	XBRL Taxonomy Extension Schema Document.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					X

* The Certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the SEC and are not to be incorporated by reference into any filings of Sarepta Therapeutics, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-Q, irrespective of any general incorporation language contained in such filing.

Exhibit 10.1

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "**Agreement**") is made as of May 22, 2014 ("**Effective Date**") by and between **Eisai Inc.**, a Delaware corporation ("**Seller**"), and **Sarepta Therapeutics, Inc.**, a Delaware corporation ("**Buyer**").

1. ***Purchase and Sale*.** Subject to the terms and conditions set forth in this Agreement, Seller agrees to sell, transfer and convey to Buyer, and Buyer agrees to purchase and accept from Seller, the following real and personal property (collectively, the "**Property**"):

1.1 All that certain land located in Andover, Massachusetts, more particularly described in Exhibit A hereto, together with all easements and appurtenances belonging to such land, and all right, title and interest (if any) of Seller in and to any streets, alleys, passages, and other rights-of-way or appurtenances included in, adjacent to or used in connection with such land, and all right, title and interest (if any) of Seller in all development rights appurtenant to such land, and all right title and interest (if any) of Seller in any mineral rights or subsurface rights below such land and any air rights above such land (the "**Land**");

1.2 The building known and numbered as 100 Federal Street (the "**Building**"), together with all other improvements located on the Land (the Building and such improvements being hereinafter collectively referred to as the "**Improvements**," and the Land and the Improvements being hereinafter collectively referred to as the "**Real Property**");

1.3 The fixtures, manufacturing and other equipment, machinery, furniture, furnishings, and appliances attached to, located on or within, or used in connection with the Improvements, or otherwise owned by Seller but excluding those items identified on Exhibit B annexed hereto (which Exhibit B may be revised by Seller upon notice to Buyer given within ten (10) days following the Effective Date), and located within the Real Property or used exclusively in connection with the Real Property (the "**Tangible Personalty**"). Buyer expressly agrees and acknowledges that the Tangible Personalty shall be conveyed in their "as is" condition, without representation or warranty, except as otherwise provided herein, and has no independent resale value, and Buyer and Seller agree that no portion of the Purchase Price is allocated to such Tangible Personalty, and that no Tangible Personalty shall be sold to Buyer in the event that the Closing (as defined below) does not occur;

1.4 All of Seller's rights in all service, management, maintenance, leasing and other contracts affecting the Real Property, Tangible Personalty, or Intangible Personalty (the "**Property Contracts**"), to the extent Seller is entitled to transfer the same to Buyer, and that Buyer has not elected to terminate pursuant to Section 5.2 of this Agreement; and

1.5 All of Seller's right, title and interest, if any, in all intangible assets of any nature relating to the Land, the Improvements or the Tangible Personalty, including without limitation all of Seller's right, title and interest in all (i) warranties and guaranties, express or implied, relating to the Improvements or Tangible Personalty, (ii) all licenses, permits, and approvals, and (iii) all plans and specifications (the "**Intangible Personalty**").

2. ***Purchase Price.*** The purchase price for the Property (the "**Purchase Price**") shall be Fifteen Million and 00/100 Dollars ($15,000,000.00), which, subject to the terms and conditions hereinafter set forth, shall be paid to Seller by Buyer as follows:

2.1 ***Deposit.*** Concurrently with the execution and delivery of this Agreement by Buyer, Buyer shall deliver to First American Title Insurance Company (the "**Escrow Agent**"), in immediately available funds, to be held in escrow and delivered in accordance with this Agreement, a cash deposit in the amount of Five Hundred Thousand and 00/100 Dollars ($500,000.00) (such deposit together with all interest earned thereon, hereinafter collectively referred to as the "**Deposit**"). The Deposit shall be non-refundable to Buyer except as provided in this Agreement, and shall be held and distributed as follows:

2.1.1 The Deposit shall be held by the Escrow Agent in a segregated interest bearing account at a financial institution approved in writing by Buyer; provided, however, that until such written approval and a signed IRS form W-9 is received by the Escrow Agent from Buyer, the Deposit will not be placed into such interest bearing account. All interest earned on the Deposit shall be deemed to be part of the Deposit and shall accrue to the benefit of the party receiving the same.

2.1.2 If the Closing takes place in accordance with the terms and conditions of this Agreement, the Escrow Agent shall deliver and pay the Deposit to Seller on the Closing Date (as defined below), and the original principal amount thereof and all interest earned thereon shall be credited to Buyer against the Purchase Price due Seller in accordance with the terms and conditions of this Agreement.

2.1.3 If this Agreement is terminated by Buyer in accordance with the terms and conditions of this Agreement prior to the expiration of the Inspection Period (as defined below), then the Escrow Agent shall promptly deliver the Deposit to Buyer.

2.1.4 If this Agreement is terminated by Buyer in accordance with the terms and conditions of Section 7 of this Agreement, then the Escrow Agent shall deliver the Deposit to Buyer promptly in accordance with the provisions of this Agreement.

2.1.5 If the Closing does not take place under this Agreement by reason of the failure of either party to comply with its obligations hereunder, the Escrow Agent shall promptly deliver the Deposit to the party entitled thereto in accordance with the provisions of this Agreement.

2.1.6 Except for a demand made by Buyer pursuant to a termination of this Agreement by Buyer prior to the expiration of the Inspection Period, upon receipt of a written demand from Seller or Buyer claiming the Deposit, the Escrow Agent shall promptly forward written notice of Escrow Agent's receipt of such demand together with a copy thereof to the other party hereto. Unless such other party, within ten (10) days after actual receipt of such notice, notifies the Escrow Agent in writing of any objection to such requested delivery of the Deposit, the Escrow Agent shall deliver the Deposit to the party demanding the same and thereupon shall be released and discharged from any further duty or obligation hereunder by all parties hereto. Notwithstanding anything to the contrary contained herein, the Escrow Agent shall not deliver

the Deposit pursuant to any such demand for the same unless and until the Escrow Agent has received confirmation that the party not making the demand for the Deposit has actually received notice of said demand and that the time for responding to said demand has passed.

2.2 ***Promissory Note***. The sum of Five Million Dollars ($5,000,000.00) shall be paid by delivery of a promissory note at Closing with two payments of $2,500,000 (plus accrued interest at the lowest applicable short-term federal rate) each on or before July 15, 2015 and January 15, 2016 respectively (the **"Note"**). Such Note shall be secured by a mortgage on the Real Property granted to Seller and recorded at Closing (the **"Seller Mortgage"**). The forms of Note and Seller Mortgage to be entered into at Closing are attached hereto as Exhibit I. Notwithstanding anything herein to the contrary, the outstanding principal balance of the Note shall be immediately due and payable upon any sale of the Property by Buyer.

2.3 ***Payment at Closing*.** At the consummation of the transaction contemplated hereby (the "**Closing**"), Buyer shall deliver to the Escrow Agent cash in an amount equal to the Purchase Price less the Note and less the Deposit. The Purchase Price, subject to adjustments and apportionments as set forth herein, shall be paid at Closing by wire transfer of immediately available federal funds, transferred to the order or account of Seller or such other person as Seller may designate in writing, for receipt by the bank designated by Seller not later than 4 P.M., Boston, Massachusetts Time.

3. ***Escrow Agent*.** The Escrow Agent shall hold the Deposit as escrow agent in accordance with the terms and provisions of this Agreement, subject to the following:

3.1 ***Obligations*.** The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties or obligations shall be read into this Agreement against the Escrow Agent.

3.2 ***Reliance*.** The Escrow Agent may act in reliance upon any writing or instrument or signature which it, in good faith, believes to be genuine, and any statement or assertion contained in such writing or instrument, and may assume that any person purporting to give any writing, notice, advice, or instrument in connection with the provisions of this Agreement has been duly authorized to do so. The Escrow Agent shall not be liable in any manner for the sufficiency or correctness as to form, manner and execution, or validity of any instrument deposited in escrow, nor as to the identity, authority, or right of any person executing the same.

3.3 ***Indemnification*.** Unless the Escrow Agent discharges any of its duties under this Agreement in a negligent manner or is guilty of willful misconduct or fraud with regard to its duties under this Agreement, Seller and Buyer shall indemnify the Escrow Agent and hold it harmless from any and all claims, liabilities, losses, actions, suits or proceedings at law or in equity, or other expenses, fees, or charges of any character or nature, which it may incur or with which it may be threatened by reason of its acting as escrow agent under this Agreement; and in such connection Seller and Buyer shall indemnify the Escrow Agent against any and all expenses including reasonable attorneys' fees and the cost of defending any action, suit or proceeding or resisting any claim in such capacity.

3.4 ***Disputes.*** If the parties (including the Escrow Agent) shall be in disagreement about the interpretation of this Agreement, or about their respective rights and obligations, or the propriety of any action contemplated by the Escrow Agent, or the application of the Deposit, the Escrow Agent shall have the right to hold the Deposit until the receipt of written instructions from both Buyer and Seller or a final order of a court of competent jurisdiction. In addition, in any such event, the Escrow Agent may, but shall not be required to, file an action in interpleader to resolve the disagreement. The Escrow Agent shall be indemnified for all costs and reasonable attorneys' fees in its capacity as escrow agent hereunder in connection with any such interpleader action and shall be fully protected in suspending all or part of its activities under this Agreement until a final judgment in the interpleader action is received.

3.5 ***Counsel.*** The Escrow Agent may consult with counsel of its own choice and have full and complete authorization and protection in accordance with the opinion of such counsel. The Escrow Agent shall otherwise not be liable for any mistakes of fact or errors of judgment, or for any acts or omissions of any kind, unless caused by its negligence, fraud, or willful misconduct.

4. ***Buyer's Due Diligence Inspection and Termination Rights; "As Is" Sale***

4.1 ***Inspection of Property.*** Buyer and its appointed representatives, agents, and independent contractors shall, at all reasonable times during normal business hours prior to the Closing Date upon prior written notice to Seller, have the privilege of going upon the Property to, at Buyer's sole cost and expense, inspect, examine, appraise, and survey the Property, including, but not limited to, inspections of all roofs, electrical, mechanical and structural elements, HVAC systems and other building systems located on or within the Improvements), to perform due diligence (including, without limitation, any soil, water and air sampling analysis or other environmental investigations and inspections of the physical condition thereof and to determine the status of the Property with respect to geotechnical matters and Hazardous Materials (as defined below) and compliance with applicable environmental laws), to examine the books and records maintained by Seller with respect to the Property, if any, Property Contracts, insurance policies, tax, utility and other bills, operating statements and all other general records with respect to the Property (and to make copies thereof), to interview any property managers and service providers of the Property, and to perform such other inspections, investigations, examinations, appraisals, and surveys with respect to the Property as the Buyer shall deem necessary or appropriate. Notwithstanding anything to the contrary contained herein, the Due Diligence Documents (defined below) and materials reviewed by Buyer pursuant to this Section 4.1 shall expressly exclude (i) any reports, presentations, summaries and the like prepared for any of Seller's boards, committees, partners or investors in connection with its consideration of the acquisition of the Real Property, construction of the Improvements or sale of the Property, (ii) any proposals, letters of intent, draft contracts or the like prepared by or for other prospective purchasers of the Property or any part thereof, (iii) Seller's internal memoranda, attorney-client privileged materials, internal appraisals, projections and budgets; (v) any materials relating to the Seller or its affiliates and their respective business operations and/or financials; and (v) any information which is the subject of a confidentiality agreement between Seller and a third party (the items described in clauses (i), (ii) (iii), (iv) and (v) being collectively referred to as the "Confidential Information").

During the Inspection Period, Buyer may perform (x) surveys, architectural, engineering, geotechnical, property condition and environmental inspections and tests and (y) intrusive or invasive sampling or testing; provided, however, that Buyer shall not perform any invasive sampling or testing of environmental media at the Property unless recommended in a Phase I environmental report obtained by Buyer and provided to Seller. In the event invasive sampling or testing is so recommended, the scope of the same shall be reasonably acceptable to Seller. To this end, Buyer shall present to Seller a reasonably detailed description of the invasive sampling and testing, and repairs proposed to be performed, which includes the sampling locations and analyses to be made, prepared by the engineering firm to perform such work. Buyer shall, and does hereby covenant and agree to, repair any and all damage caused by the activities of Buyer or its agents on the Property and to indemnify, defend and hold Seller harmless from any actions, suits, liens, claims, damages, expenses, losses and liability arising out of any such entry by Buyer or its appointed agents or independent contractors or any acts performed in exercising Buyer's rights under this Section 4.1 (including without limitation, any rights or claims of materialmen or mechanics to liens on the Property), except to the extent that such expense, loss or damage arises out of any act or omission of Seller or the mere discovery of any pre-existing condition at the Property. Prior to Buyer's entry upon the Property as described above, Buyer shall obtain and maintain, at Buyer's sole cost and expense, and shall deliver to Seller evidence of, commercial general liability coverage in an amount not less than $1,000,000 and naming Seller as an "additional insured".

4.2 ***Inspection of Documents.*** The right of inspection described in Section 4.1 above shall extend to, and include, the right to examine, and Seller agrees to make available at Seller's management office, all of Seller's material records with respect to the Property, including, without limitation, Seller's tenant files (including all delinquency reports and any correspondence to or from any tenants), the plans and specifications, the engineering reports, the feasibility studies, the licenses, the warranties, the rent roll for the Property, the Property Contracts, title documents, title insurance policies, surveys, and any information Seller may have regarding the zoning status of the Property all to the extent any such items are in Seller's possession or control. In furtherance of Seller's duties hereunder, Seller shall deliver to Buyer contemporaneously with Seller's execution of this Agreement copies of the following (all to the extent any such items are in Seller's possession or control the documents described below herein referred to as the "**Due Diligence Documents**"):

4.2.1 Existing building permits, permanent certificates of occupancy or equivalent, regarding the Improvements;

4.2.2 The most recent existing survey of the Property;

4.2.3 A copy of Seller's policy of title insurance on the Property and all title exception documents that are listed therein;

4.2.4 Warranties, Property Contracts, maintenance agreements, equipment leases, utility agreements and other agreements relating to the operation of the Property;

4.2.5 Real estate tax bills with respect to the Property for the previous three (3) and current tax fiscal years;

4.2.6 Existing reports and correspondence relating to the environmental status of the Property;

4.2.7 Any existing engineering reports with respect to the Property; and

4.2.8 Any other items reasonably requested by Buyer, but not including any Confidential Information.

4.3 ***Termination.*** The term **"Inspection Period,"** as used herein, shall mean the period ending at 5:00 P.M. Boston, Massachusetts Time on July 8, 2014. Buyer may terminate this Agreement in its sole discretion by giving written notice of such election to Seller prior to the end of the Inspection Period, in which event (i) the Deposit shall be returned promptly to Buyer, and (ii) except as expressly set forth herein, neither party shall have any further liability or obligation to the other hereunder. In the absence of such written notice, Buyer shall be deemed to have waived its right to terminate this Agreement under this Section 4.3, and this Agreement shall continue in full force and effect.

4.4 ***Title and Survey Matters.***

4.4.1 Buyer shall promptly at its sole cost and expense obtain a title commitment ("**Title Commitment**") from the Escrow Agent and, if the Buyer so elects, a survey or update to the existing survey ("**Survey**") of the Property. At least three (3) Business Days prior to the expiration of the Inspection Period, Buyer shall give written notice to Seller of any objections with respect thereto ("**Buyer's Title Objection Notice**"), indicating in reasonable detail the nature and reasons for Buyer's objections and including with such notice a copy of the Title Commitment and Survey, together with copies of any documents containing matters objected to in such notice. Failure to give such notice shall constitute Buyer's approval of all matters set forth in the Title Commitment and the Survey (exclusive of any Monetary Liens, as defined below), which Monetary Liens Seller shall in all events be required to discharge at or prior to Closing.

4.4.2 Seller shall have the right, but not the obligation, to attempt to cure any objections set forth in Buyer's Title Objection Notice. Seller shall notify Buyer within two (2) Business Days after receipt of Buyer's Title Objection Notice ("**Seller's Title Objection Response Period**") whether Seller agrees to attempt to cure any objections set forth in Buyer's Title Objection Notice. Seller's failure to respond to Buyer's Title Objection Notice by the end of Seller's Title Objection Response Period shall be deemed Seller's notice of its intent not to cure any objections. If Seller so agrees to attempt to cure any objections, then Seller shall have the right, if reasonably necessary in order to effectuate such cure, to extend the Closing Date for up to ten (10) Business Days ("**Title Cure Period**") in order to effectuate such cure, provided that such extension right and Title Cure Period shall not apply to Seller's cure of any Monetary Liens.

4.4.3 If Seller fails to give notice to Buyer prior to the expiration of Seller's Title Objection Response Period that Seller will attempt to cure all objections set forth in Buyer's Title Objection Notice, Buyer may, within five (5) Business Days after the expiration of Seller's Title Objection Response Period, terminate this Agreement by written notice to Seller, in which event (i) the Deposit shall be returned promptly to Buyer, and (ii) except as expressly set forth herein, neither party shall have any further liability or obligation to the other hereunder. If Buyer does not so terminate this Agreement within said five (5) Business Days after the expiration of Seller's Title Objection Response Period, Buyer shall be deemed to have waived its objections set forth in Buyer's Title Objection Notice that Seller has not agreed in writing to attempt to cure, and to have agreed to accept title to the Property subject thereto, as Permitted Encumbrances (as defined below) without reduction in the Purchase Price.

4.4.4 In the event Seller gives timely notice to Buyer that Seller will attempt to cure any objections set forth in Buyer's Title Objection Notice, and if this Agreement is not terminated pursuant to Section 4.4.3 above, Seller shall use commercially reasonable efforts to cure such objections and deliver evidence of such cure satisfactory to the Escrow Agent and Buyer within the Title Cure Period, but in no event shall Seller be required to initiate litigation or expend more than a maximum amount of $50,000.00 in the aggregate to effectuate the cure of all such objections (excluding Monetary Liens and Voluntary Liens, as to which such maximum amount shall not apply). If despite Seller's commercially reasonable efforts Seller fails to cure all such matters within the Title Cure Period, Buyer's sole right with respect thereto shall be to terminate this Agreement within two (2) Business Days after the expiration of the Title Cure Period, in which event (i) the Deposit shall be returned promptly to Buyer; and (ii) except as expressly set forth herein, neither party shall have any further liability or obligation to the other hereunder. If Buyer does not so terminate this Agreement, Buyer shall be deemed to have waived its objections and to have agreed to accept title to the Property subject thereto, without reduction in the Purchase Price.

4.4.5 Notwithstanding the foregoing or anything to the contrary in this Agreement, Seller agrees to cure at or prior to the Closing all Monetary Liens and Voluntary Liens at Seller's sole cost and expense. As used herein, (i) "**Monetary Liens**" shall mean any security deed, mortgage, lien, security interest, judgments, or past due taxes upon the Property created by Seller or otherwise encumbering the Property, and (ii) "**Voluntary Liens**" shall mean all non-monetary liens and encumbrances which Seller has voluntarily placed on the Property without Buyer's written consent from and after the Effective Date. A Monetary Lien shall be deemed cured by Seller if such Monetary Lien is released, satisfied or canceled of record or bonded over (to the satisfaction of Buyer in its sole discretion) at or prior to the Closing at no additional cost to Buyer, provided, however, that as to any institutional mortgage, the lien of such mortgage shall be deemed satisfactorily released if written confirmation is received from the mortgagee stating the amount to be delivered at the Closing to discharge such mortgage, in form and substance satisfactory to Buyer and the Escrow Agent to remove such mortgage from the list of encumbrances in Buyer's Title Policy (as defined below).

4.4.6 If Buyer does not terminate this Agreement pursuant to this Section 4.4, the following matters shall be deemed accepted by Buyer and shall be referred to herein as "**Permitted Encumbrances**":

4.4.6.1 All matters disclosed in the Title Commitment and the Survey to which Buyer does not object or which Buyer is deemed to have accepted pursuant to the terms and conditions of this Section 4.4, other than Monetary Liens and Voluntary Liens;

4.4.6.2 Any liens for such taxes for the then current year as are not due and payable on the Closing Date, and any liens for municipal betterments assessed after the Effective Date; and

4.4.6.3 The provisions of any building, zoning, subdivision, and similar laws applicable to the Property.

4.5 *"**As Is" Sale**.* Except as expressly set forth in this Agreement or in any document to be executed by Seller and delivered to Buyer at Closing, it is understood and agreed that Seller is not making, and has not at any time made and hereby specifically disclaims any warranties or representations of any kind or character, express or implied, with respect to the Property, including, but not limited to, any warranties or representations as to habitability, merchantability or fitness for a particular purpose.

Buyer acknowledges and agrees that upon Closing, Seller shall sell and convey to Buyer and Buyer shall accept the Property "*as is, where is, with all faults*," except to the extent expressly provided otherwise in this Agreement, including, without limitation, the representations, warranties, and covenants of Seller set forth herein or in any document to be executed by Seller and delivered to Buyer at Closing. Buyer has not relied and will not rely on, and Seller is not liable for or bound by, any express or implied warranties, guaranties, statements, representations, or information pertaining to the Property or relating thereto (including specifically, without limitation, any prospectus distributed with respect to the Property) made or furnished by Seller, the managers of the Property, or any real estate broker or agent representing or purporting to represent Seller, to whomever made or given, directly or indirectly, orally or in writing, unless specifically set forth in this Agreement or in any document to be executed by Seller and delivered to Buyer at Closing. Buyer also acknowledges that the Purchase Price reflects and takes into account that the Property is being sold "as-is".

Buyer represents to Seller that Buyer has conducted, or will conduct prior to Closing, such investigations of the Property, including, but not limited to, the physical and environmental conditions thereof, as Buyer deems necessary or desirable to satisfy itself as to the condition of the Property and the existence or nonexistence or curative action to be taken with respect to any hazardous or toxic substances on or discharged from the Property, and will rely solely upon same and not upon any information provided by or on behalf of Seller or its agents or employees with respect thereto, other than such representations, warranties, and covenants of Seller as are expressly set forth in this Agreement or in any document to be executed by Seller and delivered to Buyer at Closing. Except for Buyer's right to bring a claim by reason of or arising out of Seller's breach of any of its representations, warranties or covenants in this Agreement or in any document to be executed by Seller and delivered to Buyer at Closing, upon Closing, Buyer shall assume the risk that adverse matters, including, but not limited to, construction defects and adverse physical and environmental conditions, may not have been revealed by Buyer's investigations. Except for Buyer's right to bring a claim by reason of or arising out of Seller's breach of any of its representations, warranties or covenants in this Agreement or in any

document to be executed by Seller and delivered to Buyer at Closing, upon Closing, Buyer shall be deemed to have waived, relinquished and released Seller (and Seller's officers, directors, shareholders, employees and agents) from and against any and all claims, demands, causes of action (including causes of action in tort), losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees) of any and every kind or character, *known or unknown*, which Buyer might have asserted or alleged against Seller (and Seller's officers, directors, shareholders, employees and agents) at any time by reason of or arising out of any latent or patent construction defects or physical conditions, violations of any applicable laws and any and all other acts, omissions, events, circumstances or matters regarding the Property. The provisions of this paragraph shall survive Closing or any termination of this Agreement.

4.6 ***Buyer's Waiver and Release of Seller as to Certain Actions after Closing*.** Buyer agrees that, if at any time after the Closing, any third party or any governmental agency seeks to hold Buyer responsible for the presence of, or any loss, cost or damage associated with, Hazardous Materials (as defined below) in, on, above or beneath the Real Property or emanating therefrom, Buyer waives any rights it may have against Seller in connection therewith including, without limitation, under CERCLA (defined below), except for Buyer's right to bring a claim by reason of or arising out of Seller's breach of any of its representations, warranties or covenants in this Agreement or in any document to be executed by Seller and delivered to Buyer at Closing, and Buyer agrees that except as provided above it shall not (i) implead Seller, (ii) bring a contribution action or similar action against Seller or (iii) attempt in any way to hold Seller responsible with respect to any such matter. The provisions of this Section 4.6 shall survive the Closing. As used herein, "**Hazardous Materials**" shall mean and include, but shall not be limited to, any petroleum product and all hazardous or toxic substances, wastes or substances, any substances which because of their quantitated concentration, chemical, or active, flammable, explosive, infectious or other characteristics, constitute or may reasonably be expected to constitute or contribute to a danger or hazard to public health, safety or welfare or to the environment, including, without limitation, any hazardous or toxic waste or substances which are included under or regulated by law, governmental rules or regulations (whether now existing or hereafter enacted or promulgated, as they may be amended from time to time), including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601 et seq. ("**CERCLA**"), the Federal Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., and similar state laws and regulations adopted thereunder.

5. ***Seller's Covenants Regarding Operation of Property*.** From and after the Effective Date until the Closing or earlier termination of this Agreement, Seller agrees as follows:

5.1 ***Further Encumbrances*.** Seller will not grant or purport to create in favor of any third party any interest in the Property or any part thereof or further encumber the Property without the prior written approval of Buyer, which approval shall not be unreasonably withheld, conditioned, or delayed prior to the end of the Inspection Period but which may be withheld in Buyer's sole and absolute discretion after the end of the Inspection Period.

5.2 ***Other Agreements; Property Contracts.*** Seller will comply with all of the terms, covenants and conditions contained in the Property Contracts and any other agreement affecting the Property and will monitor compliance thereunder in a manner consistent with Seller's current practices. Seller will not enter into, modify or amend any Property Contract or any other agreement affecting the Property that would be binding upon Buyer after the Closing without the prior written approval of Buyer, which approval, during the Inspection Period, shall not be unreasonably withheld, conditioned, or delayed. Notwithstanding anything appearing above to the contrary, Seller hereby agrees that following the expiration of the Inspection Period, any approval required of Buyer pursuant to this Section 5.2 shall be in Buyer's sole and absolute discretion. Seller will terminate as of the Closing any existing property management and leasing agreement for the Property and only those Property Contracts which Buyer elects to have terminated, which election shall be made, if at all, by written notice from Buyer to Seller given on or prior to the expiration of the Inspection Period. In the event that a Property Contract that Buyer has directed Seller to terminate will continue in effect after the Closing Date, Buyer hereby agrees that it shall be responsible for the payment of any and all sums payable to the contractor under such Property Contract (the "**Contract Party**") for services provided from and after the Closing Date until the effective termination of such Property Contract, provided, however, that Seller provides a notice to terminate to the Contract Party promptly upon Buyer's written request for such termination notice to be delivered. Seller shall be responsible for the payment of any fee, cost or expense associated with the termination of any Property Contract.

5.3 ***Leases.*** Seller will not enter into any lease, sublease, license, contract or other agreement for the occupancy of the Property (or any portion thereof).

5.4 ***Insurance.*** Seller will continue to maintain in full force and effect all insurance as presently carried by Seller, and, if not already maintained, shall cause the fire and extended coverage insurance relating to the Property to be maintained in an amount not less than full replacement cost of the Property.

5.5 ***Violations of Law.*** Seller will comply in all material respects with all Laws; provided, however, in no event shall Seller be obligated to perform any capital improvements in connection with this provision. Seller will promptly notify Buyer in writing of any violation of any Law of which Seller receives written notice or otherwise becomes aware. As used herein, "**Laws**" shall mean, collectively, all federal, state, county, municipal and other governmental statutes, ordinances, by-laws, rules, regulations, orders or any other legal requirements applicable to the Property, including, without limitation, those relating to the environment, zoning, construction, occupancy, occupational health and safety or fire safety.

5.6 ***Notice of Material Changes or Untrue Representations.*** Seller will promptly notify Buyer, upon obtaining actual knowledge, of any material change in the condition of the Property or of any event or circumstance which makes any representation or warranty of Seller under this Agreement untrue or misleading in any material respect.

5.7 ***Operation of Property.*** Seller will operate the Property in a good and businesslike fashion consistent with Seller's current practices and continue to maintain the Property in good working order and condition and in a manner consistent with Seller's current

practices and, in connection with the same, Seller will not remove from the Property any Tangible Personalty without the prior written approval of Buyer, which approval, shall not be unreasonably withheld, conditioned, or delayed prior to the end of the Inspection Period but which may be withheld in Buyer's sole and absolute discretion after the end of the Inspection Period.

5.8 ***No-Shop.*** From and after the expiration of the Inspection Period, Seller will not market the Property or otherwise solicit or accept any offers or inquiries regarding the Property, or entertain offers or take or enter into back-up offers or back-up sale contracts.

5.9 ***Tax Proceedings.*** Seller will not commence any tax proceedings for the reduction of the assessed valuation of the Property for any tax year or challenging the tax rates or other components used in determining real estate taxes.

5.10 ***Cooperation.*** Seller will reasonably cooperate with Buyer, at no out-of-pocket cost or expense to Seller, with respect to all matters related to this Agreement.

6. ***Casualty and Condemnation.***

6.1 ***Casualty.*** If prior to the Closing any portion of the Property (i) is damaged or destroyed by fire or other casualty, which damage is reasonably estimated to cost in excess of $2,000,000.00 to repair, then Buyer shall have the right in its sole and absolute discretion, by giving Seller written notice within ten (10) Business Days after receipt of notice from Seller of such occurrence (with the Closing Date to be postponed, if necessary, to give both parties the benefit of the full ten (10) Business Day period) to elect to: (i) terminate this Agreement, in which case the Deposit shall be returned promptly to Buyer and, except as expressly set forth herein, neither party shall have any further liability or obligation to the other hereunder; or (ii) close the sale contemplated herein. If Buyer does not have the right to terminate this Agreement or having such right elects or is deemed to have elected not to terminate this Agreement, then this Agreement shall remain in full force and effect, and the purchase contemplated herein shall be effected without reduction in the Purchase Price. In such event, Seller shall at the Closing assign, transfer and set over unto Buyer all of Seller's right, title and interest in and to any insurance proceeds paid or payable in connection with such damage or destruction, and Buyer shall receive a credit at Closing against the Purchase Price for the deductible amount of any such insurance. The provisions of this Section 6.1 shall survive the Closing.

6.2 ***Condemnation.*** If prior to the Closing any portion of the Property becomes subject to a bona fide threat of condemnation by a body having the power of eminent domain or condemnation, or sale in lieu thereof, which either (A) materially and adversely affects any portion of the Building, parking area or access driveways on the Property, or (B) in Buyer's reasonable judgment materially and adversely affects access to the Property, then Buyer shall have the right in its sole and absolute discretion, by giving Seller notice within ten (10) Business Days after receipt of notice from Seller of such occurrence (with the Closing Date to be postponed, if necessary, to give both parties the benefit of the full ten (10) Business Day period) to elect to: (i) terminate this Agreement, in which case the Deposit shall be returned promptly to Buyer and, except as expressly set forth herein, neither party shall have any further liability or

obligation to the other hereunder; or (ii) close the sale contemplated herein. If Buyer does not have the right to terminate this Agreement or having such right elects or is deemed to have elected not to terminate this Agreement, then this Agreement shall remain in full force and effect and the purchase contemplated herein, less any portion of the Property taken by eminent domain or condemnation, shall be effected without reduction in the Purchase Price. In such event, Seller shall at the Closing assign, transfer and set over unto Buyer all of Seller's right, title and interest in and to any awards paid or payable in connection with such taking. The provisions of this Section 6.2 shall survive the Closing.

7. ***Conditions Precedent to Buyer's Obligations*.**

7.1 Buyer's obligation to purchase the Property at the Closing hereunder is expressly conditioned on the satisfaction at or before the time of Closing hereunder, or at or before such earlier time as may be expressly stated below, of each of the following conditions (any one or more of which may be waived in writing in whole or in part by Buyer, at Buyer's option):

7.1.1 ***Accuracy of Representations*.** All of the representations and warranties of Seller contained in this Agreement shall have been true and correct in all material respects when made, and shall be true and correct in all material respects on the Closing Date with the same effect as if made on and as of such date.

7.1.2 ***Performance*.** Seller shall have performed, observed and complied in all material respects with all covenants, agreements and conditions required by this Agreement to be performed, observed and complied with on its part prior to or as of Closing hereunder, and on or prior to the Closing Date, Seller shall have duly executed, acknowledged (where appropriate) and delivered each of the documents set forth in Section 8.2 into escrow with the Escrow Agent.

7.1.3 ***Condition of Title*.** No new encumbrances or exceptions to title shall exist pertaining to the Property between the date of the Title Commitment and the Closing that have not been approved by Buyer or that are not removed by Seller or agreed to be removed by Seller prior to or contemporaneously with the Closing, and the Escrow Agent shall be irrevocably committed to issue to Buyer at the Closing an ALTA 2006 Owner's Title Insurance Policy, in the full amount of the Purchase Price, issued by the Escrow Agent and insuring that fee simple title to the Property is vested in Buyer at commercially customary rates, subject only to the Permitted Encumbrances (the "**Title Policy**".

7.1.4 ***CC&R Estoppels*.** To the extent there are any CC&Rs (as defined below) affecting the Property, at least five (5) Business Days prior to the expiration of the Inspection Period, Seller shall have delivered to Buyer an estoppel certificate (the "**CC&R Estoppels**") from the counterparty under any covenants, restrictions or other easements affecting the Property that contain monetary or ongoing obligations (each, a "**CC&R**") and all matters set forth in such CC&R Estoppels shall be true and correct as of the Closing. Notwithstanding anything to the contrary in this Agreement, Buyer shall not be obligated to accept any CC&R Estoppel that is dated earlier than thirty (30) days prior to the Closing Date or which contains any default or claimed default by Seller or any other party thereto.

7.2 ***Failure of Conditions.*** In the event Seller shall not be able to convey the Property on the Closing Date in accordance with the provisions of this Agreement and provided Seller is not then in default under this Agreement, then Seller shall have the right upon written notice to Buyer to extend the Closing Date for up to ten (10) Business Days to enable Seller to cure the same. In the event that Seller is unable to convey the Property at the expiration of such extended period as aforesaid, Buyer shall have the option, exercisable in Buyer's sole and absolute discretion by written notice to Seller at or prior to Closing, of (i) accepting at Closing the Property in such condition as Seller is able, waiving any unsatisfied condition precedent, with no deduction from or adjustment of the Purchase Price, (ii) extending the Closing Date for an additional ten (10) Business Days, or (iii) terminating this Agreement, in which event the Deposit shall be returned promptly to Buyer and, except as expressly set forth herein, neither party shall have any further liability or obligation to the other hereunder.

8. ***Closing; Deliveries.***

8.1 ***Time of Closing.*** The Closing shall take place on the date that is five (5) Business Days after the expiration of the Inspection Period (the "**Closing Date**") (subject to extension as expressly set forth herein) pursuant to a mutually satisfactory and customary escrow arrangement established with the Escrow Agent.

8.2 ***Seller Deliveries.*** On or prior to Closing, Seller shall deliver to the Escrow Agent the following items, and it shall be a condition to Buyer's obligation to close that Seller shall have delivered the same to the Escrow Agent:

8.2.1 A Massachusetts Quitclaim Deed ("**Deed**") in proper form for recording, conveying fee simple title to the Real Property from Seller to Buyer, duly executed and acknowledged by Seller and otherwise in the form attached hereto as Exhibit C.

8.2.2 A Bill of Sale for the Tangible Personalty from Seller, in the form of Exhibit D, duly executed by Seller, expressly made without representation or warranty by or recourse to Seller except as otherwise provided herein.

8.2.3 An Assignment of Intangible Personal Property from Seller, substantially in the form of Exhibit E, duly executed by Seller.

8.2.4 An Assignment and Assumption of Property Contracts, substantially in the form of Exhibit F, duly executed by Seller.

8.2.5 Such affidavits or letters of indemnity as the Escrow Agent shall require in order to issue, without extra charge, the Title Policy free of any exceptions for unfiled mechanics' or materialmen's liens, or for rights of parties in possession.

8.2.6 A Non-Foreign Affidavit as required by the Foreign Investors in Real Property Tax Act ("**FIRPTA**"), as amended, in the form of Exhibit G, duly executed by Seller.

8.2.7 Evidence, in form and substance reasonably satisfactory to Buyer and the Escrow Agent, as to each of the following: (i) the good standing of Seller in the State of Delaware; (ii) the foreign qualification of Seller in the Commonwealth of Massachusetts, (iii) the authority of Seller to execute, deliver and perform this Agreement; and (iv) the authority of the person signing this Agreement and the documents delivered in accordance with this Agreement on Seller's behalf.

8.2.8 A so-called "Settlement Statement" (the "**Settlement Statement**") in a form and substance reasonably satisfactory to Buyer and Seller, showing (among other things) the Purchase Price as adjusted by any adjustments or apportionments provided for in Section 9.

8.2.9 Copies of all Property Contracts.

8.2.10 Keys (or, if applicable, security cards and/or security codes) to all doors in the Property.

8.2.11 All other instruments and documents reasonably required to effectuate this Agreement and the transactions contemplated thereby.

8.3 ***Buyer Deliveries.*** At Closing, Buyer shall deliver to Escrow Agent the following, and it shall be a condition to Seller's obligation to close that Buyer shall have delivered the same to Escrow Agent:

8.3.1 Funds by wire transfer in the amount required under Section 2.2 hereof (subject to the adjustments provided for in this Agreement).

8.3.2 The Assignment and Assumption of Property Contracts referred to in Section 8.2.4, duly executed and acknowledged by Buyer.

8.3.3 The Note and Seller Mortgage.

8.3.4 The Settlement Statement.

8.3.5 All other instruments and documents reasonably required to effectuate this Agreement and the transactions contemplated thereby.

9. ***Apportionments; Taxes; Expenses.***

9.1 ***Apportionments.***

9.1.1 ***Taxes and Operating Expenses.*** All real estate taxes, charges and assessments (general and special) affecting the Property ("**Taxes**"), and all operating expenses for the Property (other than utilities, which are addressed in Section 9.1.3) ("**Operating Expenses**") shall be prorated on a per diem basis as of the Closing Date. If any Taxes have not been finally assessed as of the Closing Date for the current fiscal year of the taxing authority, then the same shall be adjusted at Closing based upon the most recently issued bills therefor, and shall be

readjusted when final bills are issued. If any Operating Expenses cannot conclusively be determined as of the date of Closing, then the same shall be adjusted at Closing based upon the most recently issued bills thus far and shall be readjusted within one hundred twenty (120) days after the Closing, or if the final bills for such Operating Expenses are not available within such time period, as soon as practicable after receipt of the final bills; provided, however, all such adjustments and reconciliations shall occur no later than six (6) months after the Closing Date. Subject to the foregoing prorations, Buyer hereby agrees to assume all non-delinquent assessments affecting the Property, whether special or general. Buyer and Seller shall each make available to the other their books and records pertaining to Operating Expenses and Taxes for purposes of the final adjustments described above. The provisions of this Section 9.1.1 shall survive Closing.

9.1.2 ***Charges under Property Contracts.*** The unpaid monetary obligations of Seller with respect to any of the Property Contracts not being terminated as of the Closing Date shall be prorated on a per diem basis as of the date of Closing. The provisions of this Section 9.1.2 shall survive Closing.

9.1.3 ***Utilities.*** Utilities, including water, sewer, electric and gas shall be prorated based upon the last reading of meters prior to the Closing. Seller shall endeavor to obtain meter readings on the day before the Closing Date, and, if such readings are obtained, there shall be no proration of such items. Seller shall pay at Closing the bills therefor for the period ending on the day preceding the Closing Date, and Buyer shall pay the bills therefor for the period subsequent thereto. If the utility company will not issue separate bills, Buyer will receive a credit against the Purchase Price for Seller's portion and will pay the entire bill prior to delinquency after Closing. If Seller has paid any utilities no more than thirty (30) days in advance in the ordinary course of business, then Buyer shall be charged its portion of such payment at Closing. Utility deposits shall not be subject to proration; rather, Seller shall be entitled to receive refunds of any deposits it has made, and Buyer shall be responsible for posting its own deposits. The provisions of this Section 9.1.3 shall survive Closing.

9.2 ***Expenses.*** Each party will pay all its own expenses incurred in connection with this Agreement and the transactions contemplated hereby, including, without limitation, (1) all costs and expenses stated herein to be borne by a party, and (2) all of their respective accounting, legal and appraisal fees. Buyer, in addition to its other expenses, shall pay at Closing (1) all recording charges incident to the recording of the Deed and the Seller Mortgage for the Real Property; and (2) the premium for Buyer's title insurance policy; and (3) one-half of the escrow fee of the Escrow Agent. Seller, in addition to its other expenses, shall pay at Closing (1) all documentary stamps, excise taxes and real estate transfer taxes, and (2) all recording charges incident to the recording of any instruments to discharge or remove Monetary Liens, Voluntary Liens, and all other encumbrances not approved (or deemed approved) by Buyer, and (3) one-half of the escrow fee of the Escrow Agent. The provisions of this Section 9.2 shall survive Closing or the termination of this Agreement.

10. ***Remedies.***

10.1 ***Buyer Default.*** In the event Buyer breaches or fails to complete the purchase of the Property or to perform its obligations under this Agreement, then, except as otherwise expressly set forth in this Agreement, Seller shall, as its sole remedy therefor, be entitled to receive the Deposit as liquidated damages (and not as a penalty) in lieu of, and as full compensation for, all other rights or claims of Seller against Buyer by reason of such default, upon receipt of which this Agreement shall terminate and the parties shall be relieved of all further obligations and liabilities hereunder, except as expressly set forth herein. Buyer and Seller acknowledge that the damages to Seller resulting from Buyer's breach would be difficult, if not impossible, to ascertain with any accuracy, and that the liquidated damage amount set forth in this Section 10.1 represents both parties' best efforts to approximate such potential damages. Provided that Seller is not in default under this Agreement, if Seller terminates this Agreement pursuant to a right given to it hereunder and Buyer files any lis pendens or other form of attachment against the Property), then Buyer (and any permitted assignee of Buyer's interest hereunder) shall be liable for all loss, cost, damage, liability or expense incurred by Seller by reason of such filing. Notwithstanding anything contained herein to the contrary, Buyer acknowledges that Buyer's indemnification obligations which are expressly stated herein to survive the Closing or termination of this Agreement are and shall not be limited by the amount of submission or forfeiture of the Deposit.

10.2 ***Seller Default.*** If Seller fails to perform any of its obligations under this Agreement or is otherwise in breach or default of this Agreement, in each case prior to Closing, then Buyer, as its sole and exclusive remedy at law or in equity for such failure, may either: (i) terminate this Agreement by written notice to Seller and Escrow Agent given prior to or on the Closing Date (as may be extended) whereupon Buyer shall receive a refund of the Deposit and, solely in the event of a willful default by Seller, reimbursement from Seller for Buyer's out-of-pocket costs and expenses (including diligence costs and reasonable attorneys' fees) incurred in connection with this transaction up to a maximum amount of $50,000, or (ii) enforce specific performance of Seller's obligations under this Agreement. The provisions of this Section 10.2 shall survive termination of this Agreement.

11. ***Confidentiality.*** This Agreement and all negotiations and related documentation will be held strictly confidential by the parties and shall not be disclosed by Buyer or Seller, subject to Buyer's and Seller's ability to disclose this Agreement and such applicable information and documentation (i) to their respective officers, directors, attorneys, investors, shareholders, accountants, agents, advisors, lenders and others who are involved in this transaction and such disclosure shall be limited to the extent such parties have reason or need to know of the transaction, (ii) to the extent disclosure is required by law or order of a court or government entity of competent jurisdiction, and (iii) to the extent necessary in connection with the enforcement of Buyer's or Seller's (as applicable) rights under this Agreement. Buyer agrees to keep confidential and not to use, other than in connection with its determination whether to proceed with the purchase of the Property in accordance with the terms and conditions of this Agreement, any of the documents, material or information regarding the Property supplied to Buyer by Seller or by any third party at Seller's request, including, without limitation, any environmental site assessment reports furnished to Buyer, subject to Buyers ability to disclose such information and documentation as set forth in clauses (i), (ii) and (iii) above. In addition, no party which is a signatory to this Agreement shall issue any press release or other public

announcement regarding this transaction without first obtaining written approval from both Seller and Buyer with respect to the release or announcement and the content thereof. In the event that the Closing does not occur in accordance with the terms of this Agreement, Buyer shall return to Seller all of the documents, material or information regarding the Property supplied to Buyer by Seller or at the request of Seller. The provisions of this Section 11 shall survive the termination of this Agreement but shall no longer be applicable following Closing in accordance with the terms of this Agreement. Notwithstanding the foregoing, nothing contained in this Agreement or in any other agreement between Seller and Buyer shall prohibit or limit Buyer or its affiliates from being able to disclose this Agreement or any documents or information relating thereto or in respect of the Property or this transaction to the extent necessary under the rules and regulations of any stock exchange, governmental agency or other regulatory body, or to the extent required by any examiners, regulators or similar authorities, or in marketing materials and reports prepared for investors in Buyer and/or its affiliates.

12. ***Possession.*** Possession of the Property shall be surrendered to Buyer at Closing, subject only to the Permitted Encumbrances.

13. ***Notices.*** All notices and other communications provided for herein shall be in writing and shall be sent to the address set forth below (or such other address as a party may hereafter designate for itself by notice to the other parties as required hereby) of the party for whom such notice or communication is intended:

13.1 If to Seller:

Eisai Inc.
4 Corporate Drive
Andover, MA 01810
Attention: Tsutomu Setoyama, Ph.D.
Fax: (978) 689-0543
Email: tsutomu_setoyama@eisai.com

with a copy to:

Seyfarth Shaw LLP
Two Seaport Lane
Boston, MA 02210
Attn: Catherine L. Burns, Esq.
Fax: (617) 790-5377
Email: cburns@seyfarth.com

13.2 If to Buyer:

Sarepta Therapeutics, Inc.
215 First Street
Cambridge, MA 02142
Attention: Ty Howton
Email: thowton@sarepta.com

with a copy to:

Ropes & Gray LLP
Prudential Tower, 800 Boylston Street
Boston, MA 02199
Attn: John Creedon, Esq.
Fax No.: 617-235-9362
Email: john.creedon@ropesgray.com

13.3 If to the Escrow Agent to:

First American Title Insurance Company
800 Boylston Street, Ste. 2820
Boston, MA 02199
Attn: Anthony J. Bucchere
Fax No.:
Email: abucchere@firstam.com

Any such notice or communication shall be sufficient if sent by registered or certified mail, return receipt requested, postage prepaid; by hand delivery; by overnight courier service; by telecopy, with an original by regular mail; or by email with an original by regular mail or by one of the other delivery methods set forth herein provided that any notice of termination if sent via fax or email must be followed by an original sent via overnight courier service or hand delivery. Any such notice or communication shall be effective when delivery is received or refused.

14. ***Brokers.*** Buyer and Seller each represents to the other that it has not dealt with any broker or agent in connection with this transaction other than PharmaBioSource Realty, LLC ("**Broker**"). Seller shall be responsible for the payment of the Broker's fee pursuant to a separate agreement. Each party hereby indemnifies and holds harmless the other party from all loss, cost and expense (including reasonable attorneys' fees) arising out of a breach of its representation or undertaking set forth in this Section 14. The provisions of this Section 14 shall survive Closing or the termination of this Agreement.

15. ***Representations and Warranties of Seller.***

15.1 Subject to all matters disclosed in writing in any Due Diligence Document delivered to Buyer by Seller or on any exhibit attached hereto, and subject to any information of which Buyer has actual knowledge or other information disclosed in writing to Buyer by Seller after the Effective Date and prior to the Closing, including, without limitation, any information contained in the Survey or the Title Commitment (all such matters being referred to herein as "Exception Matters"), Seller represents and warrants to Buyer as follows:

15.1.1 ***Authority***. Seller is a corporation duly organized and validly existing under the laws of the State of Delaware and has all requisite power and authority to enter into this Agreement and perform its obligations hereunder. The execution and delivery of this Agreement have been duly authorized.

15.1.2 ***Action of the Seller, Enforceability, Etc.*** Seller has taken all necessary action to authorize the execution, delivery and performance of this Agreement and each document to be delivered by the Seller hereunder, and upon the execution and delivery of this Agreement and any such document, this Agreement and each such document shall constitute the valid and binding obligations and agreements of Seller, enforceable against Seller in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws of general application affecting the rights and remedies of creditors.

15.1.3 ***No Violations of Agreements.*** None of the execution, delivery or performance of this Agreement or any other document to be executed, delivered or performed by Seller hereunder, nor compliance with the terms and provisions hereof or thereof, will result in any breach of the terms, conditions or provisions of, or conflict with or constitute a default under, or result in the creation of any lien, charge or encumbrance upon the Property pursuant to the terms of any indenture, mortgage, deed of trust, note, evidence of indebtedness or any other agreement or instrument by which Seller or the Property is bound.

15.1.4 ***Property Contracts.*** The list of Property Contracts attached hereto as Exhibit H is a true and complete list of the Property Contracts affecting the Property and all amendments and modifications thereto. The copies of the Property Contracts to be delivered by Seller to Buyer pursuant hereto shall be complete and accurate copies in all material respects of all of the Property Contracts affecting the Property in Seller's possession and control. Each of the Property Contracts is in full force and effect on the terms set forth therein (except to the extent terminated at Buyer's direction pursuant to Section 5.2, and there are no defaults under the Property Contracts, or circumstances which with the giving of notice, the passage of time or both, would constitute a default by any party thereunder.

15.1.5 ***FIRPTA.*** Seller is not a "foreign person" as defined in Section 1445(f)(3) of the Internal Revenue Code.

15.1.6 ***OFAC***. Seller is not, and will not be, a Person with whom Buyer is restricted from doing business with pursuant to the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, H.R. 3162, Public Law 107-56 (commonly known as the "**USA Patriot Act**") and Executive Order Number 13224 on Terrorism Financing, effective September 24, 2001 and regulations promulgated pursuant thereto (collectively, "**Anti-Terrorism Laws**"), including persons and entities named on the Office of Foreign Asset Control Specially Designated Nationals and Blocked Persons List.

15.1.7 ***Leases***. The Property is not subject to any lease, sublease, license, contract or other agreement with respect to the occupancy of the Property (or any portion thereof) by any party, and neither the Property nor any portion thereof is occupied by anyone other than Seller.

15.1.8 ***No Litigation***. There is no action, suit, arbitration, unsatisfied order or judgment, governmental investigation or proceeding pending or, to Seller's knowledge, threatened against the Property.

15.1.9 ***Compliance With Law***. Seller has not received any written notice alleging that the Property violates any Law.

15.1.10 ***Condemnation; Change in Zoning***. To Seller's knowledge, no investigation, action or proceeding is pending and no action or proceeding is threatened, which involves any condemnation or eminent domain proceeding against any part of the Property, or which involves any modification or realignment of any intersection, street or highway adjacent to the Property.

15.1.11 ***Taxes***. Seller has not received any written notice of any proposed or pending increase in the assessed valuation or rate of taxation of any or all of the Property. No tax abatement, tax certiorari or similar tax proceedings that have been commenced by Seller with respect to the Property, are currently pending or subject to appeal, or will be currently pending or subject to appeal as of the Closing Date.

15.1.12 ***Hazardous Materials.*** Neither Seller nor, to Seller's knowledge, any tenant or other occupant or user of the Property, or any portion thereof, has stored, disposed of, or otherwise managed (or engaged in the business of storing, disposing of, or otherwise managing), or has released or caused the release of, any Hazardous Materials at, on, in or from the Property except in accordance with all applicable Laws. To Seller's knowledge, the Property is free from any such Hazardous Materials, except for any such Hazardous Materials as are maintained in the ordinary course of business at the Property and in accordance with Law. Seller has not received written notification of any violations of environmental statutes, ordinances or regulations, or Hazardous Material releases, affecting the Property.

15.1.13 ***Due Diligence Information.*** To Seller's knowledge, all due diligence information and other items and documents delivered by or on behalf of Seller to Buyer pursuant to this Agreement, are true, accurate and complete in all material respects.

15.1.14 ***CC&R.*** There have been no written notices of, and Seller has no knowledge of, any defaults by Seller or any other party under any CC&R that remain uncured. All amounts billed to and payable by Seller under the CC&Rs have been paid in full.

15.1.15 ***Employee Matters.*** There are no employment agreements, union agreements, benefit agreements, pension plans, or collective bargaining agreements, at or otherwise affecting the Property to which Seller is bound which will survive the Closing or for which Buyer will be responsible for or have any liability for after the Closing.

15.1.16 ***Capital Improvements.*** There are no capital improvement projects at the Property presently being performed by or at the direction of Seller, or any of its agents or sub-contractors, other than budgeted maintenance required in the ordinary course of business.

15.1.17 ***Tangible Personalty*.** Seller is the sole owner of and has good title to the Tangible Personalty free and clear of any liens or encumbrances.

15.2 ***Definition of Seller's Knowledge*.** As used in this Agreement, or in any other agreement, document, certificate or instrument delivered by Seller to Buyer, the phrase "to the best of Seller's actual knowledge," "to the best of Seller's knowledge" or any similar phrase shall mean the actual, not constructive or imputed, knowledge of Ken Pirro ("**Seller's Knowledge Party**"), Director of Engineering and Facilities, without any obligation on his part to make any independent investigation of the matters being represented and warranted. Seller hereby represents to Buyer that Seller's Knowledge Party is the individual responsible for the day to day management and oversight of the Property.

15.3 ***Survival of Seller's Representations and Warranties*.** The representations and warranties of Seller set forth in this Section 15 shall survive Closing for a period of one hundred eighty (180) days and shall not be merged with the execution and delivery of the Deed and other closing documents hereunder provided however that any action, suit or other claims arising from Seller's representation or warranties under this Agreement shall be commenced, if at all, on or before that date which is one hundred eighty (180) days after Closing and if not so commenced thereafter such representations and warranties shall be void and of no further force or effect. Notwithstanding anything herein to the contrary, from and after the Closing, Seller shall in no event have any liability for (i) any Exception Matter, or (ii) any breach of any representation or warranty set forth herein or in any document to be executed by Seller and delivered to Buyer at Closing in excess of $500,000.00, in the aggregate.

16. ***Representations of Buyer*.** Buyer represents and warrants that:

16.1 ***Authority*.** Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement by Buyer has been duly authorized.

16.2 ***No Conflict*.** The execution and delivery of this Agreement and the consummation of the transactions contemplated hereunder on the part of Buyer does not and will not violate any applicable law, ordinance, statute, rule, regulation, order, decree or judgment, conflict with or result in the breach of any material terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property or assets of the Buyer by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Buyer is a party or which is or purports to be binding upon Buyer or which otherwise affects Buyer, which will not be discharged, assumed or released at Closing. No action by any federal, state or municipal or other governmental department, commission, board, bureau or instrumentality is necessary to make this Agreement a valid instrument binding upon Buyer in accordance with its terms.

16.3 ***OFAC*.** Buyer is not, and will not be, a Person with whom Seller is restricted from doing business with under the Anti-Terrorism Laws, including persons and entities named on the Office of Foreign Asset Control Specially Designated Nationals and Blocked Persons List.

17. ***Miscellaneous.***

17.1 ***Assignability.*** Buyer may not assign or transfer all or any portion of its rights or obligations under this Agreement to any other individual or entity without the consent thereto by Seller, except that Buyer may assign or transfer such rights and obligations to a wholly-owned subsidiary of Buyer or to an entity controlling, controlled by or under common control with Buyer without Seller's consent, but with prior notice to Seller. Notwithstanding any such assignment consented to by Seller or permitted hereunder, the Buyer named in this Agreement shall remain primarily liable for the obligations of Buyer set forth in this Agreement. No assignment or transfer by Buyer will be permitted if such assignment or transfer would, in Seller's opinion, cause this transaction to violate any provision of applicable law.

17.2 ***Governing Law; Bind and Inure.*** This Agreement shall be governed by the law of the Commonwealth of Massachusetts and shall bind and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors, assigns and personal representatives.

17.3 ***Recording.*** This Agreement or any notice or memorandum hereof shall not be recorded in any public record.

17.4 ***Time of the Essence.*** Time is of the essence of this Agreement.

17.5 ***Headings.*** The headings preceding the text of the sections and subsections hereof are inserted solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

17.6 ***Counterparts.*** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Each such counterpart may be delivered by facsimile or e-mail (in .pdf format) and any signatures which are so delivered by facsimile or e-mail shall be deemed original signatures for all purposes.

17.7 ***Exhibits.*** All Exhibits which are referred to herein and which are attached hereto constitute a part of this Agreement.

17.8 ***Survival.*** Unless otherwise expressly stated in this Agreement, each of the warranties and representations of Seller and Buyer shall not survive the Closing and delivery of the Deed and other closing documents by Seller to Buyer, and shall be deemed to have merged therewith. The provisions of this Section 17.8 and of Sections 17.2, 17.4, 17.5, 17.6, 17.7, 17.11, 17.13 and 17.14 shall survive Closing.

17.9 ***Use of Proceeds to Clear Title.*** To enable Seller to make conveyance as herein provided, Seller may, at the time of Closing, use the Purchase Price or any portion thereof to clear the title of any or all encumbrances or interests, provided that provision reasonably satisfactory to the Escrow Agent and Buyer's attorney is made for prompt recording of all instruments so procured in accordance with conveyancing practice in the jurisdiction in which the Property is located.

17.10 ***Submission not an Offer or Option.*** The submission of this Agreement or a summary of some or all of its provisions for examination or negotiation by Buyer or Seller does not constitute an offer by Seller or Buyer to enter into an agreement to sell or purchase the Property, and neither party shall be bound to the other with respect to any such purchase and sale until a definitive agreement satisfactory to the Buyer and Seller in their sole discretion is executed and delivered by both Seller and Buyer.

17.11 ***Entire Agreement; Amendments.*** This Agreement and the Exhibits hereto set forth all of the promises, covenants, agreements, conditions and undertakings between the parties hereto with respect to the subject matter hereof, and supersede all prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written, except as contained herein. This Agreement may not be changed orally but only by an agreement in writing, duly executed by or on behalf of the party or parties against whom enforcement of any waiver, change, modification, consent or discharge is sought.

17.12 ***Performance on Business Days.*** If the date on which payment or performance of any obligation of a party hereunder is other than a Business Day, or the last day for the giving of any notice required or permitted hereunder is other than a Business Day, the time for such payment, performance or delivery shall automatically be extended to the first Business Day following such date. As used herein, "**Business Day**" shall mean any day other than a Saturday, Sunday or any other day on which banking institutions in the Commonwealth of Massachusetts are authorized by law or executive action to close.

[*Remainder of Page Intentionally Blank]*

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written as a Massachusetts contract under seal.

SELLER:

Eisai Inc.

By: _____
Name: Shaji Procida
Title: President & COO

BUYER:

Sarepta Therapeutics, Inc.

By: _____
Name: Christopher Garabedian
Title: President & CEO

THE ESCROW AGENT:
First American Title Insurance Company

By: _____
Name: Anthony J. Bucchere
Title: Vice President & Counsel

As to Section 11 Only:

THE BROKER:

PharmaBioSource Realty, LLC

By: _____
Name: Joseph Tarantino
Title: Managing Partner

List of Exhibits

Exhibit A	Description of the Land
Exhibit B	List of Excluded Tangible Personalty
Exhibit C	Form of Deed
Exhibit D	Form of Bill of Sale
Exhibit E	Form of Assignment of Intangible Personal Property
Exhibit F	Form of Assignment and Assumption of Property Contracts
Exhibit G	Form of Non-Foreign Affidavit
Exhibit H	List of Property Contracts
Exhibit I	Forms of Note and Seller Mortgage

EXHIBIT A

Description of the Land

That certain parcel of land with the buildings thereon known as and numbered 100 Federal Street, Andover, bounded and described as follows

The land with the buildings thereon situated on Federal Street in Andover, Massachusetts described as follows:

Lot 2, as shown on the plan entitled "'Woodland Park' a subdivision in Andover, Mass." dated February 23, 1987, Owner: Andover Park Realty Trust by BSC - Bedford and John G. Crow Assoc., Inc., Peter S. Swanson, recorded with the Essex County (North District) Registry of Deeds on May 26, 1987 as Plan No. 10726.

Together with the benefit of the restrictions set forth in a deed of J. A. Dolben, et al., trustees of Ninety-Three Building Trust to Wang Laboratories, Inc., dated August 7, 1980, recorded at Book 1447, Page 3.

Together with the benefit of the easements, covenants and rights set forth in a Conservation Grant from William J. Callahan, et al., trustees to The Inhabitants of the Town of Andover, dated November 11, 1989, recorded at Book 3035, Page 136.

EXHIBIT B

List of Excluded Tangible Personal Property

NONE

[This Exhibit may be modified by Seller in accordance with Section 1.3]

EXHIBIT C

Form of Deed

QUITCLAIM DEED

Eisai, Inc. (the "Grantor") in full consideration of Fifteen Million Dollars (15,000,000.00) Dollars

hereby grants to with an address of (the "Grantee")

with Quitclaim Covenants

That certain land and real estate, together with any improvements thereon, situated in Andover, Essex County, Massachusetts more particularly described on Exhibit "A" attached hereto and made a part hereof.

This conveyance is made together with and subject to all recorded easements, conditions, restrictions and agreements and all other matters of record that lawfully apply to the property hereby conveyed.

The Grantor hereby certifies that this conveyance is in the ordinary course of business and is not a conveyance of all or substantially all of the assets of the Grantor within the Commonwealth of Massachusetts, and further certifies that the conveyance of the within described premises will not cause a material change in the nature of the activities conducted by the Grantor.

The post office address of the property is 100 Federal Street, Andover, Massachusetts.

{REMAINDER OF PAGE INTENTIONALLY LEFT BLANK}

EXECUTED as an instrument under seal at this day of , 2014.

EISAI, INC.

By: _____
Name:
Title:

COMMONWEALTH OF MASSACHUSETTS

, ss

On this day of , 2014 before me, the undersigned notary public, personally appeared, , of Eisai, Inc., a Delaware corporation, personally known to me, or proved to me through satisfactory evidence of identification, which was to be the person whose name is signed on the preceding or attached document, and acknowledged to me that (s)he signed it voluntarily for its stated purpose on behalf of said corporation.

_____
Notary Public
My commission expires: _____

COMMONWEALTH OF MASSACHUSETTS

, ss

On this day of , 2014 before me, the undersigned notary public, personally appeared, , of Eisai, Inc., a Delaware corporation, personally known to me, or proved to me through satisfactory evidence of identification, which was to be the person whose name is signed on the preceding or attached document, and acknowledged to me that (s)he signed it voluntarily for its stated purpose on behalf of said corporation.

_____
Notary Public
My commission expires: _____

EXHIBIT A

That certain parcel of land with the buildings thereon known as and numbered 100 Federal Street, Andover, bounded and described as follows

The land with the buildings thereon situated on Federal Street in Andover, Massachusetts described as follows:

Lot 2, as shown on the plan entitled "'Woodland Park' a subdivision in Andover, Mass." dated February 23, 1987, Owner: Andover Park Realty Trust by BSC - Bedford and John G. Crow Assoc., Inc., Peter S. Swanson, recorded with the Essex County (North District) Registry of Deeds on May 26, 1987 as Plan No. 10726.

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Together with the benefit of the easements, covenants and rights set forth in a Conservation Grant from William J. Callahan, et al., trustees to The Inhabitants of the Town of Andover, dated November 11, 1989, recorded at Book 3035, Page 136.

EXHIBIT D

Form of Bill of Sale

BILL OF SALE

Eisai Inc., a Delaware corporation ("Seller"), for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby grants, bargains, sells, transfers and delivers to [, a] ("Buyer"), all of the fixtures, manufacturing and other equipment, machinery, furniture, furnishings, appliances, and tangible personal property owned by Seller and attached to, located on or within, or used in connection with the real property described on Exhibit A (the "Real Property") attached hereto, including, without limitation, those items listed on Exhibit B attached hereto, (collectively, the "Personal Property") to have and to hold the Personal Property unto Buyer, its successors and assigns, forever.

Seller hereby represents and warrants to Buyer that Seller has the full right, power and authority to sell the Personal Property and to make and execute this Bill of Sale. Seller hereby agrees to warrant and defend the title to the Personal Property conveyed hereby to Buyer against the lawful claims and demands of all persons claiming by, through or under Seller. Except as set forth above, Seller grants, bargains, sells, transfers and delivers the Personal Property in its "AS IS" condition, WITH ALL FAULTS, IF ANY, and makes no representations or warranties, direct or indirect, oral or written, express or implied, as to title, encumbrances and liens, merchantability, condition or fitness for a particular purpose or any other warranty of any kind, all of which representations and warranties are expressly hereby disclaimed and denied, except as otherwise provided in that certain Purchase and Sale Agreement dated as of [. 2014] by and between Buyer and Seller.

Executed under seal this day of 20 .

[SIGNATURE BLOCK]

EXHIBIT E

Form of Assignment of Intangible Personal Property

ASSIGNMENT OF INTANGIBLE PERSONAL PROPERTY

DATE: _____ , 20__

ASSIGNOR: _____ , a _____
_____

ASSIGNEE: _____ , a _____
_____

RECITALS:

A. Assignor presently owns the real property described in Exhibit "A" to this Assignment and the Improvements and the Tangible Personalty (each as defined in the Purchase Agreement) located thereon (the "Property").

B. Assignor and Assignee have entered into that certain Purchase and Sale Agreement dated as of , 20 (the "Purchase Agreement"), wherein Assignor agreed to sell and Assignee agreed to buy the Property;

C. Assignor desires to sell the Property to Assignee, and, in connection therewith, Assignor desires to assign to Assignee and Assignee desires to acquire Assignor's interest, if any, in and to the following described rights, interests and property inuring to the benefit of Assignor and relating to the Property.

FOR VALUABLE CONSIDERATION, the receipt and adequacy of which are hereby acknowledged, Assignor agrees as follows:

1. *Assignment*. Assignor assigns, transfers, sets over, and conveys to Assignee all of Assignor's right, title, and interest, if any, in and to all intangible assets of any nature relating to the Property, including, without limitation, all of Assignor's right, title and interest in (i) all warranties and/or guaranties, express or implied, relating to the Property; (ii) all licenses, permits and approvals relating to the Property; and (iii) all plans and specifications.

2. *Binding Effect*. This Assignment shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

3. *Construction; Definitions*. This Assignment shall be construed according to the laws of the Commonwealth of Massachusetts. Capitalized terms used and not otherwise defined herein shall have the meanings given to such terms in the Purchase Agreement.

DATED as of the day and year first above written.

ASSIGNOR:

[SIGNATURE BLOCK]

EXHIBIT F

Form of Assignment and Assumption of Property Contracts

ASSIGNMENT AND ASSUMPTION OF PROPERTY CONTRACTS

DATE: _____ , 2014

ASSIGNOR: _____ , a _____
_____

ASSIGNEE: _____ , a _____
_____

RECITALS:

WHEREAS, Assignor and Assignee have entered into that certain Purchase and Sale Agreement dated as of , 2014 (the "Purchase Agreement"), wherein Assignor agreed to sell and Assignee agreed to buy that certain real property described on Exhibit "A" attached hereto and the improvements located thereon (the "Property");

WHEREAS, Assignee desires to assume and Assignor desires to assign to Assignee all of Assignor's right, title and interest in and to all of the contracts and agreements, and all modifications and amendments thereof, which concern or relate to the use, operation, alteration or renovation of the Property, set forth on Exhibit "B" attached hereto (collectively, the "Property Contracts").

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

1. *Assignment*. Assignor conveys and assigns to Assignee all of Assignor's right, title and interest in and to the Property Contracts and claims and causes of action now existing under the same as of the date hereof (the "Conveyance Date"), subject to the covenants, conditions and provisions contained in such Property Contracts.

2. *Assumption*. Assignee assumes and agrees to be bound by all of Assignor's liabilities and obligations pursuant to the Property Contracts, to the extent arising from and after the Conveyance Date, and agrees to perform and observe all of the covenants and conditions contained in the Property Contracts, to the extent arising from and after the Conveyance Date.

3. *Indemnification*. Assignee further covenants and agrees to indemnify and hold harmless Assignor for, from and against any actions, suits, proceedings or claims, and all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred in connection therewith, based upon or arising out of any breach or alleged breach of any of the Property Contracts or out of any other facts connected with the Property Contracts, occurring or alleged to have occurred from and after the Conveyance Date. Assignor covenants and agrees to indemnify and hold harmless Assignee for, from and against any actions, suits, proceedings or claims, and all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred in

connection therewith, based upon or arising out of any breach or alleged breach of any of the Property Contracts or out of any other facts connected with the Property Contracts, occurring or alleged to have occurred before the Conveyance Date.

4. *Binding Effect*. This Assignment shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns.

5. *Construction; Definitions*. This Assignment shall be construed according to laws of the Commonwealth of Massachusetts. Capitalized terms used and not otherwise defined herein shall have the meanings given to such terms in the Purchase Agreement.

6. *Counterparts*. This Assignment may be executed in two or more counterparts, which taken together shall constitute one original instrument.

DATED as of the day and year first above written.

ASSIGNOR:
[SIGNATURE BLOCK]

ASSIGNEE:

[SIGNATURE BLOCK]

EXHIBIT G

Form of Non-Foreign Affidavit

NON-FOREIGN AFFIDAVIT

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform [, a], the transferee, that withholding of tax is not required upon the disposition of a U.S. real property interest by Eisai Inc., a Delaware corporation ("Seller"), the undersigned hereby certifies the following:

1. Seller is not a foreign person, foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);

2. Seller is not a disregarded entity as defined in § 1.1445-2(b)(2)(iii) of the Income Tax Regulations.

3. Seller's U.S. taxpayer identification number is [ ]; and

4. Seller's address is [ ].

The undersigned understands that this certification may be disclosed to the Internal Revenue Service by the transferee and that any false statement contained herein could be punished by fine, imprisonment, or both. Under penalties of perjury, the undersigned declares that he/she has examined this certification and to the best of his/her knowledge and belief it is true, correct, and complete, and further declares that he/she has authority to sign this document on behalf of Seller.

Date: As of , 2014

[SIGNATURE BLOCK]

EXHIBIT H

List of Property Contracts

[Attached hereto]

EXHIBIT I

[FORM OF]
MORTGAGE AND SECURITY AGREEMENT

, a with a mailing address of ("Mortgagor), for consideration paid, grants to Eisai, Inc., a Delaware corporation with a mailing address of 4 Corporate Drive, Andover, Massachusetts ("Mortgagee"), WITH MORTGAGE COVENANTS, to secure the payment and performance of the "Obligations" as that term is defined below, the land and buildings and other improvements now or hereafter located thereon, described in Exhibit A attached hereto, together with buildings and other improvements now or hereafter located thereon, and all easements rights, appurtenances, rents, royalties, mineral, oil and gas rights and profits, awards, proceeds, water rights, and all Fixtures now or hereafter part thereof (the "Mortgaged Premises").

For reference, the Mortgaged Premises has an address of 100 Federal Street, Andover, Massachusetts.

This Mortgage is given and made by the Mortgagor to the Mortgagee as security for (i) the repayment of the indebtedness of the Mortgagor owed to the Mortgagee as evidenced by that certain Promissory Note dated of even date herewith, and (ii) the performance of the terms, conditions, and covenants of the Mortgagor set forth in the Note, and this Mortgage (collectively, the "Obligations").

This mortgage is upon the STATUTORY CONDITION and upon the further conditions that: (i) all covenants and agreements on the part of Mortgagor herein contained or herein referred to shall be fully paid and performed; and (ii) all Obligations shall be fully and timely kept and performed; for any breach of which Mortgagee shall have the STATUTORY POWER OF SALE.

AND, Mortgagor does hereby further covenant and warrant as follows:

Mortgagor covenants to pay when due all taxes, charges, assessments, water rates, sewer use charges and other charges which may form the basis of a lien or expense upon or in connection with the Mortgaged Premises or any interest therein or upon any of the Obligations secured hereby.

Mortgagor covenants to keep the buildings and other improvements, if any, now or hereafter on the Mortgaged Premises insured against fire and such other casualty, casualties or contingencies with such coverages and in such amounts as Mortgagee may, from time to time, reasonably require.

Mortgagor covenants to cause, at the request of Mortgagee, Mortgagee to be named as an additional insured on any liability insurance policy maintained in respect to the Mortgaged

Premises and further covenants to effect such liability insurance at the request of Mortgagee, such insurance to be on such terms and in such form and for such periods and amounts as Mortgagee shall, from time to time, reasonably approve or require.

Subject to ordinary wear and tear, Mortgagor covenants to keep the Mortgaged Premises in good order, condition and repair, and further covenants that Mortgagor will not permit or suffer any strip or waste of the Mortgaged Premises.

Mortgagor hereby assigns to Mortgagee all rents, profits and payments which, from time to time, hereafter may become due to Mortgagor in connection with the Mortgaged Premises or any part thereof and all deposits held as security for obligations of persons in connection with the Mortgaged Premises or any part thereof, now or hereafter held and Mortgagor covenants not to assign any such rents, profits, payments or deposits to others, nor, without the written permission of Mortgagee, to accept in advance any rents, profits or payments covering a period in excess of one (1) month.

Mortgagor has good record fee simple title to the Mortgaged Premises and has good right, full power and lawful authority to grant and convey the same in the manner aforesaid; and that as of the date hereof the Mortgaged Premises is free and clear of all encumbrances and exceptions, except for the Permitted Title Exceptions, if any, as set forth on Exhibit B which is annexed hereto and made a part hereof.

Mortgagor is hereby authorized to apply the proceeds of any insurance recovered by reason of any loss and all awards by any public authority accruing by reason of any direct or consequential damage to the Mortgaged Premises to the restoration or repair of the Mortgaged Premises, failing which such proceeds will be applied to the satisfaction of the Obligations secured hereby, whether or not this mortgage or any of the Obligations secured hereby are in default.

Mortgagor covenants that Mortgagor will not transfer, or encumber, nor will Mortgagor suffer the transfer of title to, or encumbrance of, the Mortgaged Premises or any part thereof, without the prior written consent of Mortgagee, provided, however, that Mortgagee's prior written consent shall not be required for zoning restrictions, easements, rights-of-way, restrictions on use of real property, covenants, liens given to a public utility or any municipality or governmental or other public authority when required by such utility or other authority in connection with the operation of the Mortgaged Premises, and other similar encumbrances and minor title defects which, in the aggregate, do not materially detract from the value of the Mortgaged Premises or interfere in any material respect with the ordinary conduct of the business of the Borrower.

Mortgagor covenants that no occupant, including without limitation, Mortgagor, will use the Mortgaged Premises or any portion thereof in violation in any material respect of any law, bylaw, ordinance or restriction affecting the same or the use thereof.

Mortgagor hereby authorizes Mortgagee, if Mortgagor has not paid or cured such amounts after not less than thirty (30) days prior written notice to Mortgagor: to pay any taxes,

assessments and water rates and other charges of governmental authority to whomsoever laid or assessed whether on the Mortgaged Premises or on any interest therein or on any of the Obligations secured hereby, with interest, costs and charges accrued thereon, which may at any time be a lien upon the Mortgaged Premises or on any part thereof; to pay any amount which may become due under any mortgage, lien or encumbrance prior in right to the mortgage herein granted; to pay the premiums for any insurance required hereunder; to incur and pay expenses, including reasonable attorney's fees, in protecting Mortgagee's rights hereunder and the security hereby granted; to pay any balance due under any security agreement on any articles or fixtures now or hereafter included as a part of the Mortgaged Premises or used in connection therewith; to expend such sums for repairs as may be necessary to keep the Mortgaged Premises in good order, condition and repair; to add all amounts so paid ("Protective Advances") to the principal sum secured hereby, and until repaid such amounts to bear interest at the same rate as the principal sum secured hereby; to apply to any of these purposes or to the repayment of any amounts so paid by Mortgagee any sums paid hereunder by Mortgagor as principal, interest, taxes or otherwise.

It shall be a breach of this Mortgage if the Mortgaged Premises is in violation in any material respect of any federal, state or local environmental law, or lien arising therefrom, which violation is not cured, or lien removed, within any period afforded by law to cure same.

Mortgagor hereby covenants that if there shall be any breach of the statutory condition respecting any Mortgage which is prior in right hereto, Mortgagee hereunder shall have the right to declare all Obligations immediately due and payable.

Except as otherwise specifically provided for in this Mortgage, it shall be a breach of the conditions of this Mortgage and an event permitting Mortgagee to exercise its remedies hereunder, if, without Mortgagee's prior written consent in each instance, which consent shall not be unreasonably withheld, conditioned or delayed: there is any sale, conveyance, or transfer of all or any portion of the Mortgaged Premises; provided, however, that Mortgagee's consent to any sale, conveyance or transfer of the Mortgaged Premises shall not be required if the Obligations are paid in full in connection with any such sale, conveyance or transfer.

Mortgagor covenants that in the event the legal ownership of the Mortgaged Premises becomes vested in any other person than Mortgagor, Mortgagee may, without notice to Mortgagor, deal with such successor or successors in interest with reference to this mortgage and the Obligations secured hereby in the same manner as with Mortgagor, without in any way affecting or discharging Mortgagor's liability hereunder or the Obligations hereby secured; and no forbearance on the part of Mortgagee and no extensions of the time for the payment, the performance of any of the Obligations of Mortgagor as set forth herein or other indulgences shall operate to release, discharge, modify, change or affect the liability of Mortgagor herein, either in whole or in part.

In the event of redemption after foreclosure proceedings have been commenced, Mortgagee shall be entitled to collect all costs, charges and expenses, including reasonable attorney's fees, incurred up to the time of redemption. In case of a foreclosure sale Mortgagee shall be entitled to retain out of the monies arising from such sale all sums then secured by this

mortgage, whether then or thereafter payable, including all costs, charges, or expenses, including reasonable attorney's fees, incurred or sustained by Mortgagee by reason of any default in the performance or observance of any condition of this mortgage.

As to the Fixtures, Mortgagee shall have all the rights and remedies of a Secured Party under the Uniform Commercial Code as now in effect in the Commonwealth of Massachusetts including, but not limited to, the option to proceed as to both the real estate and Fixtures under the law relating to foreclosure of real estate mortgages, and such further remedies as from time to time may hereafter be provided in Massachusetts for a Secured Party, and upon the further condition that all such rights of Mortgagee under this Mortgage may be exercised together or separately.

Included in this mortgage as part of the real estate of the Mortgaged Premises are all of the following articles now or hereafter on the Mortgaged Premises or used therewith; portable or sectional buildings, furnaces, heaters, ranges, mantels, gas and electric light fixtures, refrigerators, refrigeration equipment, ventilating and air conditioning equipment, garbage incinerator, receptacles and disposals, door bells and alarm systems, built-in cases, cabinets, counters and drawers, screens, screen doors, awnings, and all other fixtures or equipment of whatever kind and nature at present contained in said Mortgaged Premises, or placed therein prior to the full payment and discharge of this Mortgage ("Fixtures").

Mortgagor hereby grants to Mortgagee a continuing security interest in all of the Fixtures in which a security interest may be granted under the Uniform Commercial Code as such is in effect in the Commonwealth of Massachusetts as may be amended from time to time, together with all proceeds and products, whether now or at any time hereafter acquired to secure all Obligations.

Mortgagor on Mortgagee's written request shall promptly cause this Mortgage and Security Agreement and any required financing statements to be recorded and re-recorded, registered and re-registered, filed and re-filed at such times and places as may be required by law or reasonably deemed advisable by Mortgagee to create, preserve or protect the priority hereof and of any lien created hereby upon the Mortgaged Premises or any part thereof; and Mortgagor shall from time to time do and cause to be done all such things as may be required by law, including all things which may from time to time be necessary under the Uniform Commercial Code of Massachusetts fully to create, preserve and protect the priority hereof and of any lien created hereby upon said property.

If any provision of this Mortgage or portion of such provision or the application thereof to any person or circumstance shall to any extent be held invalid or unenforceable, the remainder of this Mortgage (or the remainder of such provision) and the application thereof to other persons or circumstances shall not be affected thereby.

The use of the singular herein shall include the plural, and the use of the plural shall include the singular, and the use of the masculine gender shall include the feminine and the use of the feminine shall include the masculine.

Any demand, notice or request by either party to the other shall be given in the manner provided in that certain Purchase Agreement by and between Mortgagor and Mortgagee dated as of May , 2014.

Notwithstanding anything to the contrary set forth in this Mortgage, Mortgagor shall have the right at any time and from time to time to prepay in whole or in part the Obligations without any prepayment penalty or premium of any kind. At such time as the Obligations are paid and satisfied in full, Mortgagee agrees to execute and deliver to Mortgagor, at Mortgagor's cost, a discharge of mortgage in proper form for recording in the public land records where the Property is located.

Time shall be of the essence of each provision of this Mortgage.

Signed as a sealed instrument as of this day of , 2014.

Sarepta Therapeutics, Inc.

By: _____
Name:
Title:

COMMONWEALTH OF MASSACHUSETTS

, ss.

On this day of , 2014, before me, the undersigned notary public, personally appeared , proved to me through satisfactory evidence of identification, which was , to be the person whose name is signed on the preceding or attached document, and acknowledged to me that signed it voluntarily for its stated purpose.

_____
(official signature and seal of notary)

My commission expires _____

PROMISSORY NOTE

$5,000,000.00

FOR VALUE RECEIVED, the undersigned, **Sarepta Therapeutics, Inc.**, a Delaware corporation with offices at 215 First Street, Cambridge, MA 02142 (the "**Borrower**"), hereby promises to pay to the order of Eisai, Inc., a Delaware corporation with an address of 4 Corporate Drive, Andover, Massachusetts (the "**Payee**"), or such other address as the Payee shall designate in a written notice to the Borrower, the principal amount of Five Million Dollars ($5,000,000.00) with interest on the outstanding balance at the then applicable lowest short-term federal rate per annum, such interest accruing from the date hereof. Two payments of $2,500,000 each, plus interest shall be due and payable on July 15, 2015 and January 15, 2016 (the **"Maturity Date"**). Interest shall be prorated for any partial months.

The entire outstanding balance of this Note, together with all accrued but unpaid interest thereon and all other sums due under this Note, shall be due and payable on the Maturity Date.

If any of the following events shall occur:

1. the Borrower shall fail to pay either installment payment on or before its due date; or

2. any default (subject to applicable notice, grace and cure periods) shall occur under the Mortgage (as defined below) or any other document or agreement securing this Note;

3. bankruptcy or insolvency of the Borrower;

then, and in every such event (an Event of Default), Payee may declare this Note and all interest thereon to be forthwith due and payable on demand, whereupon this Note and all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower.

This Note is secured by a Mortgage on a parcel of real estate located at 100 Federal Street, Andover, Massachusetts from the Borrower, as mortgagor, to the Payee hereof, as mortgagee (the "**Mortgage**").

Every maker, endorser and guarantor of this Note or the obligation represented hereby waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral and to the addition or release of any other party or person primarily or secondarily liable.

The Borrower shall pay on demand all costs, including court costs and reasonable attorney's fees paid or incurred by any holder hereof in connection with the obligations evidenced by this Note or in enforcing this Note upon an Event of Default.

The remedies of Payee as provided herein or at law or in equity shall be cumulative and concurrent, and may be pursued singly, successively, or together at the sole discretion of Payee, and may be exercised as often as occasion therefore shall occur. The failure at any time to exercise any right or remedy shall not constitute a waiver of the right to exercise the right or remedy at any other time.

As used herein, the term "Payee" shall mean the payee or endorsee of this Note who is in possession of it or the bearer if this Note is at the time payable to bearer.

Notwithstanding the foregoing or any other provision of this Note to the contrary, Borrower shall have the right to pay to the Payee the entire principal balance or any portion thereof plus all accrued and unpaid interest at any time and from time to time without penalty or prepayment.

This Note shall be governed by, and construed in accordance with, the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the undersigned has executed this Promissory Note as an instrument under seal, as of this day of , 2014.

BORROWER
Sarepta Therapeutics, Inc.

By: _____
Name:
Title:

Witness:

_____
Print Name:

Exhibit 31.1

CERTIFICATION

I, Christopher Garabedian, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sarepta Therapeutics, Inc. (the "Registrant");

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 (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer 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.

August 7, 2014

/s/ Christopher Garabedian
Christopher Garabedian
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Sandesh Mahatme, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sarepta Therapeutics, Inc. (the "Registrant");

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 (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer 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.

August 7, 2014

/s/ Sandesh Mahatme

Sandesh Mahatme
Senior Vice President, Chief Financial Officer
(Principal Financial *and Accounting* Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

I, Christopher Garabedian, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that this Quarterly Report of Sarepta Therapeutics, Inc. on Form 10-Q for the quarterly period ended June 30, 2014, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Sarepta Therapeutics, Inc.

August 7, 2014

/s/ Christopher Garabedian

Christopher Garabedian,
President and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Sarepta Therapeutics, Inc. and will be retained by Sarepta Therapeutics, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by Sarepta Therapeutics, Inc. for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will 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 Sarepta Therapeutics, Inc. specifically incorporates it by reference.

Exhibit 32.2

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

I, Sandesh Mahatme, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that this Quarterly Report of Sarepta Therapeutics, Inc. on Form 10-Q for the quarterly period ended June 30, 2014, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Sarepta Therapeutics, Inc.

August 7, 2014

/s/ Sandesh Mahatme

Sandesh Mahatme
Senior Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Sarepta Therapeutics, Inc. and will be retained by Sarepta Therapeutics, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by Sarepta Therapeutics, Inc. for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will 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 Sarepta Therapeutics, Inc. specifically incorporates it by reference.