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

FORM 10-Q
QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended March 31, 2002 Commission File No. 0-12957

[LOGO]ENZON, INC.
(Exact name of registrant as specified in its charter)

Delaware	22-2372868
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
20 Kingsbridge Road, Piscataway, New Jersey (Address of principal executive offices)	08854 (Zip Code)

(732) 980-4500
(Registrant's telephone number, including area code:)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes |X| No |_|

As of May 10, 2002, there were 42,999,673 shares of common stock, par value $.01 per share, outstanding.

PART I FINANCIAL INFORMATION
Item 1. Financial Statements

ENZON, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
March 31, 2002 and June 30, 2001

	March 31, 2002 (unaudited)	June 30, 2001 *
ASSETS		
Current assets:		
Cash and cash equivalents	$ 128,623,024	$ 310,223,837
Short-term investments	34,197,312	129,520,083
Accounts receivable	20,495,041	11,087,748
Inventories	2,344,505	1,852,144
Other current assets	4,504,474	2,837,199
Total current assets	190,164,356	455,521,011
Property and equipment	18,754,368	13,181,671
Less accumulated depreciation and amortization	9,845,386	9,761,999
	8,908,982	3,419,672
Other assets:		
Marketable securities	326,574,444	76,634,780
Cost method equity investments	40,040,777	40,777
Debt issue costs, net	11,403,523	12,774,951
Patents and other assets, net	1,628,668	1,284,626
	379,647,412	90,735,134
Total assets	$ 578,720,750	$ 549,675,817
LIABILITIES AND STOCKHOLDERS' EQUITY		

Current liabilities:		
Accounts payable	$ 4,618,149	$ 4,670,259
Accrued expenses	4,404,376	4,740,081
Accrued interest	4,500,000	--
Total current liabilities	13,522,525	9,410,340
Accrued rent	561,582	581,438
Royalty advance-Aventis	694,814	694,814
Notes payable	400,000,000	400,000,000
	401,256,396	401,276,252
Stockholders' equity:		
Preferred stock-$.01 par value, authorized 3,000,000 shares; issued and outstanding 7,000 shares at March 31, 2002 and June 30, 2001 (liquidation preference aggregating $340,000 at March 31, 2002 and $333,000 at June 30, 2001)	70	70
Common stock-$.01 par value, authorized 90,000,000 shares, issued and outstanding 42,998,347 shares at March 31, 2002 and 41,990,859 shares at June 30, 2001	429,984	419,909
Additional paid-in capital	262,540,017	257,682,479
Accumulated other comprehensive (loss) income	(4,303,108)	884,935
Deferred compensation	(1,278,958)	(1,509,171)
Accumulated deficit	(93,446,176)	(118,488,997)
Total stockholders' equity	163,941,829	138,989,225
Total liabilities and stockholders' equity	$ 578,720,750	$ 549,675,817

* Condensed from audited financial statement.

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

ENZON, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
Three and Nine Months Ended March 31, 2002 and 2001
(Unaudited)

	Three months ended March 31,		Nine months ended March 31,	
	2002	2001	2002	2001
Revenues:				
Net sales	$ 5,729,330	$ 5,382,060	$ 16,683,135	$14,964,832
Royalties	14,072,174	2,410,200	33,688,960	3,701,897
Contract revenue	42,649	2,139,494	217,548	2,457,784
Total revenues	19,844,153	9,931,754	50,589,643	21,124,513
Costs and expenses:				
Cost of sales	1,376,450	988,380	4,222,870	2,860,592
Research and development expenses	5,062,732	3,684,268	12,548,297	8,829,537
Selling, general and administrative expenses	3,658,621	2,640,889	12,305,403	8,228,926
Total costs and expenses	10,097,803	7,313,537	29,076,570	19,919,055
Operating income	9,746,350	2,618,217	21,513,073	1,205,458
Other income (expense):				
Interest income	3,892,568	2,255,642	14,819,789	6,420,343
Interest expense	(4,956,895)	--	(14,871,764)	--
Other income	3,217,878	1,483	3,217,878	13,352
	2,153,551	2,257,125	3,165,903	6,433,695
Income before taxes	11,899,901	4,875,342	24,678,976	7,639,153
Tax benefit	267,174	632,879	363,845	577,603
Net income	$ 12,167,075	$ 5,508,221	$ 25,042,821	$ 8,216,756
Basic earnings per common share	$ 0.28	$ 0.13	$ 0.59	$ 0.20
Diluted earnings per common share	$ 0.28	$ 0.13	$ 0.57	$ 0.19

Weighted average number of common shares outstanding basic	42,969,222	41,802,586	42,635,799	41,490,866
Weighted average number of common shares and dilutive potential common shares outstanding	43,933,865	43,718,044	43,899,449	43,509,342

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

ENZON, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
Nine Months Ended March 31, 2002 and 2001
(Unaudited)

	Nine Months Ended March 31, 2002	March 31, 2001
Cash flows from operating activities:		
Net income	$ 25,042,821	$ 8,216,756
Adjustment for depreciation and amortization, including debt issue costs	2,022,995	414,487
Non-cash expense for issuance of common stock	230,213	--
Loss on retirement of assets	3,832	22
Amortization of bond premium/discount	(2,978,323)	(725,311)
Decrease in accrued rent	(19,856)	(19,857)
Increase in royalty advance - Aventis	--	3,134
Changes in assets and liabilities	(7,905,247)	(10,439,859)
Net cash provided by (used in) operating activities	16,396,435	(2,550,628)
Cash flows from investing activities:		
Capital expenditures	(6,038,248)	(854,726)
Purchase of cost method equity investments	(40,000,000)	--
Proceeds from sale of marketable securities	252,249,000	19,600
Maturities of marketable securities	88,365,387	33,488,000
Purchases of marketable securities	(497,441,000)	(41,009,000)
Net cash used in investing activities	(202,864,861)	(8,356,126)
Cash flows from financing activities		
Proceeds from exercise of common stock options	4,867,613	4,767,984
Net decrease in cash and cash equivalents	(181,600,813)	(6,138,770)
Cash and cash equivalents at beginning of period	310,223,837	31,935,410
Cash and cash equivalents at end of period	$ 128,623,024	$ 25,796,640

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

ENZON, INC. AND SUBSIDIARIES
Notes To Consolidated Condensed Financial Statements
(Unaudited)

(1) Organization and Basis of Presentation

The unaudited consolidated condensed financial statements have been prepared from the books and records of Enzon, Inc. and its subsidiaries in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required for complete annual financial statements. In the opinion of management, all adjustments (consisting only of normal and recurring adjustments) considered necessary for a fair presentation have been included. Certain prior year balances were reclassified to conform to the 2002 presentation. Interim results are not necessarily indicative of the results that may be expected for the year.

(2) Comprehensive Income

The following table reconciles net income to comprehensive income:

	Three Months ended March 31,		Nine Months ended March 31,	
	2002	2001	2002	2001
Net income	$ 12,167,000	$5,508,000	$ 25,043,000	$8,217,000
Other comprehensive income (loss):				
Unrealized holding gain (loss) arising during the period on securities	(3,036,000)	1,189,000	(5,188,000)	1,189,000
Total other comprehensive income (loss)	(3,036,000)	1,189,000	(5,188,000)	1,189,000
Total comprehensive income	$ 9,131,000	$6,697,000	$ 19,855,000	$9,406,000

(3) Earnings Per Common Share

Basic earnings per share is computed by dividing the net income available to common shareholders adjusted for cumulative undeclared preferred stock dividends for the relevant period, by the weighted average number of shares of Common Stock issued and outstanding during the periods. For purposes of calculating diluted earnings per share for the three and nine months ended March 31, 2002 and 2001 the denominator includes both the weighted average number of shares of Common Stock outstanding and the number of dilutive Common Stock equivalents. The number of dilutive Common Stock equivalents includes the effect of non-qualified stock options calculated using the treasury stock method, the number of shares issuable upon conversion of the outstanding Series A preferred stock and the unvested shares of restricted stock which have been issued. The number of shares issuable upon conversion of the Company's 4.5% Convertible Subordinated Notes due 2008 (the "Notes") have not been included as the effect of their inclusion would be antidilutive. As of March 31, 2002, the Company had 6,536,000 dilutive potential common shares outstanding that could potentially dilute future earnings per share calculations.

The following table reconciles the basic and diluted earnings per share calculation:

	Three months ended March 31,		Nine months ended March 31,	
	2002	2001	2002	2001

Net income	$12,167,000	$ 5,508,000	$25,043,000	$ 8,217,000
Less: Preferred stock dividends	4,000	4,000	11,000	11,000
Net income available to common stockholders	$12,163,000	$ 5,504,000	$25,032,000	$ 8,206,000
Weighted average number of common shares issued and outstanding - basic	42,969,222	41,802,586	42,635,799	41,490,866
Effect of dilutive common stock equivalents:				
Conversion of preferred stock	16,000	16,000	16,000	16,000
Assumed exercise of non-qualified stock options	948,643	1,899,458	1,247,650	2,002,476
	43,933,865	43,718,044	43,899,449	43,509,342

(4) Inventories

The composition of inventories at March 31, 2002 and June 30, 2001 is as follows:

	March 31, 2002	June 30, 2001
Raw materials	$ 800,000	$ 421,000
Work in process	1,321,000	737,000
Finished goods	224,000	694,000
	$2,345,000	$1,852,000

(5) Cash Flow Information

The Company considers all highly liquid securities with original maturities of three months or less to be cash equivalents. Cash payments for interest were approximately $9,000,000 for the nine months ended March 31, 2002. There were no cash payments for interest for the nine months ended March 31, 2001. There were no income tax payments made for the nine months ended March 31, 2002 and 2001.

(6) Stock Option Plans

During the nine months ended March 31, 2002, we issued 882,583 stock options at an average exercise price of $52.94 per share under our Non-Qualified Stock Option Plan, as amended, of which 550,000 were granted to executive officers and 78,333 were granted to non-employee directors of the Company. None of the options granted during the period are exercisable as of March 31, 2002. Of the total options granted, 645,000 contain accelerated vesting provisions, under which the vesting and exercisability of such shares will accelerate if the closing price of the Company's common stock exceeds $100 per share for at least twenty consecutive trading days as reported by the NASDAQ National Market. All options were granted with exercise prices that equaled or exceeded the fair market value of the underlying stock on the date of grant.

On December 4, 2001, the stockholders approved a proposal to adopt the Company's 2001 Incentive Stock Plan and to reserve 2,000,000 shares for issuance under such plan.

(7) Stockholder's Equity

On December 4, 2001, the stockholders voted to amend the Company's Certificate of Incorporation to increase the authorized shares of common stock from 60,000,000 to 90,000,000.

(8) Income Taxes

The Company expects to be profitable for the year ending June 30, 2002, and accordingly has recognized a tax provision for the three and nine months ended March 31, 2002 of $238,000 and $493,000, respectively. The tax provision represents the Company's anticipated Alternative Minimum Tax liability based on the anticipated fiscal 2002 taxable income. The tax provision was offset by a sale of a portion of the Company's New Jersey state net operating loss carry forwards. During the nine months ended March 31, 2002 and March 31, 2001, the Company recognized a tax benefit of $857,000 and $728,000 resulting from the sale of approximately $10,888,000 and $9,255,000, respectively, of its state net operating loss carry forwards.

(9) Business Segments

A single management team that reports to the Chief Executive Officer comprehensively manages the business operations. The Company does not operate separate lines of business or separate business entities with respect to any of its approved products or product candidates. In addition, the Company does not conduct any operations outside of the United States. The Company does not prepare discrete financial statements with respect to separate product areas. Accordingly, the Company does not have separately reportable segments as defined by Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information".

(10) Collaborative Agreements

Schering-Plough

In August 2001, the Company's development partner for PEG-INTRON(R), Schering-Plough Corporation, received approval from the United State Food and Drug Administration (FDA) for PEG-INTRON for use in combination therapy with REBETOL(R) capsules for the treatment of chronic hepatitis C. In October 2001, Schering-Plough announced the U.S. launch of PEG-INTRON and REBETOL combination therapy for the treatment of chronic hepatitis C. Under its licensing agreement with Schering-Plough, Enzon is entitled to royalties on worldwide sales of PEG-INTRON. The royalties received on these sales are recognized when earned.

Inhale Therapeutics

In January 2002, the Company entered into a broad strategic alliance with Inhale Therapeutic Systems, Inc. that includes the following components:

- The companies agreed to enter into a collaboration to jointly develop three products to be specified over time using Inhale's Inhance(TM) pulmonary delivery platform and SEDS(TM) supercritical fluids platform. Inhale will be responsible for formulation development, delivery system supply, and in some cases, early clinical development. Enzon will have responsibility for most clinical development and for commercialization.

- The two companies also agreed to collaborate on the development of single-chain antibody (SCA(R)) products to be administered by the pulmonary route.

- Enzon granted to Inhale the exclusive right to grant sub-licenses under Enzon's PEG patents to third parties. Enzon will receive a share of profits for certain products that currently incorporate Enzon's branched PEG technology and royalties on sales of products that are subject to new sub-licenses that Inhale grants to its partners under Enzon's PEG patents. Enzon retains the right to use all of its PEG technology for its own product portfolio, as well as those products it develops in co-commercialization collaborations with third parties.

- Enzon purchased $40 million of newly issued Inhale convertible preferred stock in January 2002. The preferred stock is convertible into Inhale common stock at a conversion price of $22.79 per share. In the event Inhale's common stock price three years from the date of issuance of the preferred stock or earlier in certain circumstances is less than $22.79, the conversion price will be adjusted down, although in no event will it be less than $18.23 per share. Conversion of the preferred stock into common stock can occur anywhere from 1 to 4 years following the issuance of the preferred stock or earlier in certain circumstances. The preferred stock investment will be accounted for under the cost method.

- The two companies also agreed in January 2002 to a settlement of the patent infringement suit filed in 1998 by Enzon against Inhale's subsidiary, Shearwater Polymers, Inc. Inhale will receive licensing access to the contested patents under a cross-license agreement. Enzon received a one-time payment of $3 million from Inhale to cover expenses incurred in defending Enzon's branched PEG patents which is included in other income.

(11) Leases

In March 2002, the Company entered into a lease for a facility in Bridgewater, NJ which will serve as its corporate headquarters. This 19,000 square-foot space will be occupied by executive and administrative staff. The lease has a term of five years, followed by one five year renewal option period.

Future minimum lease payments associated with this lease are as follows (these costs do not include the Company's other operating lease commitments):

Year Ending June 30,	
2002	$ 39,000
2003	470,000
2004	470,000
2005	472,000
2006	489,000
2007 and thereafter	449,000
	$2,389,000

(12) Subsequent Events

In April 2002 the Company entered into a multi-year strategic collaboration with Micromet AG, a private company. The companies have agreed to combine their patent estates and complementary expertise in single-chain antibody (SCA) technology to create a leading platform of therapeutic products based on antibody fragments. The companies will establish a new R&D Unit located at Micromet's research facility in Germany. The unit will be staffed initially with 25 scientists and plans to be fully operational by the end of calendar year 2002. In conjunction with this collaboration, Enzon will eliminate its SCA operations and will incur a one-time charge of $500,000 to $750,000 in the fourth quarter of fiscal year 2002. The Company and Micromet plan to share equally the costs of research and development, and share the revenues generated from technology licenses and from future commercialization of any developed products. Enzon also purchased an $8 million convertible note issued by Micromet. The note is convertible to Micromet stock at a price of $1,015 per share, carries an interest rate of 3% and is payable in March 2006 if it is not converted.

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

Information contained herein contains "forward-looking statements" which can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. We cannot assure you that the future results covered by the forward-looking statements will be achieved. The matters set forth in the "Risk Factors" section of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2001, which is incorporated herein by reference, constitute cautionary statements identifying important factors with respect to such forward-looking statements, including certain risks and uncertainties, that could cause actual results to vary materially from the future results indicated in such forward-looking statements. Other factors could also cause actual results to vary materially from the future results indicated in such forward-looking statements.

Results of Operations

Three months ended March 31, 2002 vs. Three months ended March 31, 2001

Revenues. Revenues for the three months ended March 31, 2002 increased by 100% to $19,844,000, as compared to $9,932,000 for the three months ended March 31, 2001. The components of revenues are sales of our products, royalties we earn on the sales of products by others, and contract revenues. Sales increased by 6% to $5,729,000 for the three months ended March 31, 2002, as compared to $5,382,000 for the three months ended March 31, 2001. This increase was primarily due to increased ONCASPAR sales. Sales of ONCASPAR during the three months ended March 31, 2002 declined compared to the three months ended December 31, 2001 by 12% or $306,000 as we limited distribution of the product to only the approved indication, due to a shortage of L-asparaginase, a raw material used in the product. Additional supplies of L-asparaginase were received from our supplier in the three months ended March 31, 2002, and we expect the distribution restriction to be lifted during the three months ending June 30, 2002. Sales of ADAGEN increased by 6% for the three months ended March 31, 2002 to $3,492,000 as compared to $3,307,000 for the three months ended March 31, 2001.

Royalties for the three months ended March 31, 2002, increased to $14,072,000 as compared to $2,410,000 in the prior year. The increase was primarily due to the commencement of sales of PEG-INTRON in combination with REBETOL(R) in the U.S. and increased sales in Europe. Schering-Plough, our marketing partner for PEG-INTRON, began selling PEG-INTRON in the European Union in June 2000 and in the U.S. in February 2001. PEG-INTRON also received marketing approval for use in combination with REBETOL for the treatment for chronic hepatitis C in the European Union in March 2001 and in the U.S. in August 2001. Schering-Plough launched PEG-INTRON as combination therapy with REBETOL in the U.S. in October 2001.

We expect ADAGEN sales to grow at similar levels as achieved for the current quarter over the next year. Royalties on PEG-INTRON are expected to increase as Schering-Plough continues the roll out of PEG-INTRON in combination with REBETOL in the U.S. We also expect to receive a lower revenue stream for ONCASPAR in future quarters when Aventis resumes distribution of the product and our revenue stream reverts back to the 27.5% royalty on sales.

During the three months ended March 31, 2002, we had export sales and royalties on export sales of $6,870,000, of which $6,492,000 were in Europe. Export sales and royalties recognized on export sales for the prior year quarter were $2,979,000, of which $2,769,000 were in Europe.

Contract revenue for the three months ended March 31, 2002 decreased by 98% to $43,000 as compared to $2,139,000 in the same period in the prior year. Contract revenue for the three months ended March 31, 2001 included a $2,000,000 milestone payment from our development partner Schering-Plough which was earned as a result of the FDA's approval of PEG-INTRON during such quarter.

Cost of Sales. Cost of sales, as a percentage of sales increased to 24% for the three months ended March 31, 2002 as compared to 18% for the prior year. This

increase was due to lower cost of goods sold during the prior year, as certain finished goods which had previously been reserved for due to certain previously disclosed manufacturing problems related to ONCASPAR were cleared and sold in the prior year.

Research and Development. Research and development expenses increased by 37% to $5,063,000 for the three months ended March 31, 2002 from $3,684,000 for the same period last year. The increase was primarily due to increased clinical trial costs for PROTHECAN (PEG-camptothecin) and PEG-paclitaxel and increased payroll and related expenditures. Research and development activities are expected to continue to increase significantly as we continue the advancement of the current and additional Phase II clinical trials for PROTHECAN, we continue our Phase I clinical trials for PEG-paclitaxel and we conduct pre-clinical and clinical trials for additional compounds.

Selling, General and Administrative. Selling, general and administrative expenses for the three months ended March 31, 2002 increased by 39% to $3,659,000, as compared to $2,641,000 in 2001. The increase was primarily due to increased payroll and related expenditures.

Other Income/Expense. Interest income for the three months ended March 31, 2002 increased to $3,893,000, as compared to $2,256,000 for the prior year. The increase in interest income was attributable to the increase in interest bearing investments primarily due to the issuance of $400,000,000 of 4.5% convertible subordinated notes during June 2001. Other income increased to $3,218,000 primarily due to a $3,000,000 payment from Inhale Therapeutics related to the settlement of the patent infringement suit against Inhale's subsidiary Shearwater Polymers, Inc. This one-time payment was reimbursement for expenses incurred in defending Enzon's branched PEG patent. Interest expense increased to $4,957,000 for the three months ended March 31, 2002 due to the issuance of the $400,000,000 in 4.5% convertible subordinated notes in June 2001.

Provision for taxes. We expect to be profitable for the year ending June 30, 2002, and accordingly have recognized a tax provision for the three months ended March 31, 2002. The tax provision represents our anticipated Alternative Minimum Tax liability based on our anticipated fiscal 2002 taxable income. The tax provision was offset by the sale of a portion of our New Jersey State net operating loss carry forwards. During the quarter ended March 31, 2002 and March 31, 2001, we recognized a tax benefit of $505,000 and $728,000 from the sale of approximately $6,410,000 and $9,255,000, respectively, of our state net operating loss carry forwards. A tax provision of $238,000 for the quarter ended March 31, 2002 and $95,000 for the quarter ended March 31, 2001 was recorded.

Nine months ended March 31, 2002 vs. Nine months ended March 31, 2001

Revenues. Revenues for the nine months ended March 31, 2002 increased by 139% to $50,590,000 as compared to $21,125,000 for the same period last year. The components of revenues are sales, which consist of our sales of products and royalties we earn on the sale of products by others, and contract revenues. Sales increased by 6% to $16,683,000 for the nine months ended March 31, 2002, as compared to $14,965,000 for the prior year. The increase was due to increased ONCASPAR sales. The increase in ONCASPAR sales was due to the lifting of FDA imposed distribution and labeling restrictions, which were in place during a substantial portion of the prior year period. ADAGEN sales for the nine months ended March 31, 2002 and 2001 were $9,745,000 and $9,796,000, respectively.

Royalties for the nine months ended March 31, 2002, increased to $33,689,000 as compared to $3,702,000 in the prior year period. The increase was primarily due to the commencement of sales of PEG-INTRON in combination with REBETOL in the U.S. and increased sales of PEG-INTRON in Europe. Schering-Plough launched PEG-INTRON as combination therapy with REBETOL in the U.S. in October 2001.

Contract revenue for the nine months ended March 31, 2002 decreased by 98% to $217,000 as compared to $2,458,000 in the same period in the prior year. This decrease was related primarily to a $2,000,000 milestone payment from our development partner Schering-Plough which was earned as a result of the FDA'a approval of PEG-INTRON in the nine months ended March 31, 2001.

During the nine months ended March 31, 2002, we had export sales and royalties on export sales of $18,872,000, of which $17,679,000 were in Europe.

Export sales and royalties recognized on export sales for the prior year period were $6,669,000, of which $6,148,000 were in Europe.

Cost of Sales. Cost of sales, as a percentage of sales increased to 25% for the nine months ended March 31, 2002, as compared to 19% for the nine months ended March 31, 2001. This increase was due to lower cost of goods sold during the prior year period as certain finished goods, which had previously been reserved for due to the previously disclosed manufacturing problems related to ONCASPAR, were cleared and sold in the prior year.

Research and Development. Research and development expenses increased by 42% to $12,548,000, as compared to $8,830,000 for the nine months ended March 31, 2001. The increase was primarily due to increased clinical trial costs for PROTHECAN and PEG-paclitaxel and increased payroll and related expenditures.

Selling, General and Administrative. Selling, general and administrative expenses for the nine months ended March 31, 2002 increased by 50% to $12,305,000, as compared to $8,229,000 in the prior year. The increase was primarily due to (i) increased payroll and related expenditures, (ii) increased costs related to patent litigation with Shearwater Polymers, Inc., and (iii) costs related to the identification and review of potential strategic alliances to gain access to technologies, products and companies.

Other Income/Expense. Interest income for the nine months ended March 31, 2002 increased to $14,820,000, as compared to $6,420,000 for the prior year. The increase in interest income was primarily due to the increase in interest bearing investments as a result of the issuance of $400,000,000 of 4.5% convertible subordinated notes during June 2001. Other income increased to $3,218,000 primarily due to a $3,000,000 payment from Inhale Therapeutics due to the settlement of the patent infringement suit against Inhale's subsidiary Shearwater Polymers, Inc. This one-time payment was reimbursement for expenses incurred in defending Enzon's branched PEG patent. Interest expense increased to $14,872,000 for the nine months ended March 31, 2002 due to the issuance of the $400,000,000 in 4.5% convertible subordinated notes in June 2001.

Provision for taxes. We expect to be profitable for the year ending June 30, 2002, and accordingly we have recognized a tax provision for the nine months ended March 31, 2002. The tax provision represents our anticipated Alternative Minimum Tax liability based on our anticipated fiscal 2002 taxable income. The tax provision was offset by the sale of a portion of our New Jersey State net operating loss carry forwards. During the nine months ended March 31, 2002 and March 31, 2001 we recognized a tax benefit of $857,000 and $728,000 from the sale of approximately $10,888,000 and $9,255,000, respectively, of our state net operating loss carry forwards. A tax provision of $493,000 for the nine months ended March 31, 2002 and $150,397 for the nine months ended March 31, 2001 was recorded.

Liquidity and Capital Resources

Total cash reserves, which include cash, cash equivalents and marketable securities, were $489,395,000 as of March 31, 2002, as compared to $516,379,000 as of June 30, 2001. The decrease in total cash reserves was due to the purchase of $40 million of Inhale Therapeutics convertible preferred stock as part of the strategic alliance entered into in January 2002. We invest our excess cash primarily in United States government-backed securities.

As of March 31, 2002, we had $400,000,000 of 4.5% convertible subordinated notes outstanding. The notes bear interest at an annual rate of 4.5%. Interest is payable on January 1 and July 1 of each year beginning January 1, 2002. Accrued interest on the notes was approximately $4,500,000 as of March 31, 2002. The holders may convert all or a portion of the notes into common stock at any time on or before July 1, 2008. The notes are convertible into our common stock at a conversion price of $70.98 per share, subject to adjustment in certain events. The notes are subordinated to all existing and future senior indebtedness. On or after July 7, 2004, we may redeem any or all of the notes at specified redemption prices, plus accrued and unpaid interest to the day preceding the redemption date. The notes will mature on July 1, 2008 unless earlier converted, redeemed at our option or redeemed at the option of the noteholder upon a fundamental change, as described in the indenture for the notes.

Neither we nor any of our subsidiaries are subject to any financial covenants under the indenture. In addition, neither we nor any of our subsidiaries are restricted under the indenture from paying dividends, incurring debt, or issuing or repurchasing our securities.

To date, our sources of cash have been the proceeds from the sale of our stock through public offerings and private placements, the issuance of the 4.5% convertible subordinated notes, sales of and royalties on sales of ADAGEN, ONCASPAR and PEG-INTRON, sales of our products for research purposes, contract research and development fees, technology transfer and license fees and royalty advances.

Under our amended license agreement with Aventis, we received a payment of $3,500,000 in advance royalties in January 1995. Royalties due under the amended license agreement will be offset against an original credit of $5,970,000, which represents the royalty advance plus reimbursement of certain amounts due Aventis under the original agreement and interest expense, before cash payments will be made under the agreement. The royalty advance is shown as a long-term liability. The corresponding current portion of the advance is included in accrued expenses on the consolidated balance sheets. We will reduce the advance as royalties are recognized under the agreement. Through March 31, 2002, an aggregate of $4,307,000 in royalties payable by Aventis has been offset against the original credit.

As of March 31, 2002, 1,043,000 shares of Series A preferred stock had been converted into 3,325,000 shares of common stock. Accrued dividends on the converted Series A preferred stock in the aggregate of $3,770,000 were settled by the issuance of 235,000 shares of common stock and cash payments of $1,947,000. The preferred shares outstanding at March 31, 2002 are convertible into approximately 16,000 shares of common stock. Dividends accrue on the remaining outstanding shares of Series A preferred stock at a rate of $14,000 per year. As of March 31, 2002, there were accrued and unpaid dividends totaling $168,000 on the 7,000 shares of Series A preferred stock outstanding. We have the option to pay these dividends in either cash or common stock.

Our current sources of liquidity are cash, cash equivalents, marketable securities and interest earned on such cash reserves, sales of and royalties earned on sales of ADAGEN, ONCASPAR and PEG-INTRON, and license fees. Based upon our currently planned research and development activities and related costs and our current sources of liquidity, we anticipate our current cash reserves will be sufficient to meet our capital, debt service and operational requirements for the foreseeable future.

We may seek additional financing, such as through future offerings of equity or debt securities or agreements with collaborators with respect to the development and commercialization of products, to fund future operations and potential acquisitions. We cannot assure you, however, that we will be able to obtain additional funds on acceptable terms, if at all.

In January 2002, we purchased $40 million of newly issued Inhale convertible preferred stock. The preferred stock is convertible into Inhale common stock at a conversion price of $22.79 per share. In the event Inhale's common stock price three years from the date of issuance of the preferred stock, or earlier in certain circumstances, is less than $22.79, the conversion price will be adjusted down, although in no event will it be less than $18.23 per share.

In March 2002, we entered into a lease for a 19,000 square feet facility located in Bridgewater, NJ that will serve as our corporate headquarters. The lease has a term of 5 years, followed by one five year renewal option period. The future minimum lease payments are approximately $2,389,000 throughout the five year term of the lease. Total other commitments for operating leases total $5,059,000 through the year 2007.

In April 2002, we entered into a multi-year strategic collaboration with Micromet AG, a private company to combine our patent estates and complementary expertise in single-chain antibody (SCA) technology to create a leading platform of therapeutic products based on antibody fragments. As part of the collaboration, we purchased an $8 million note issued by Micromet. The note is convertible to Micromet stock at a price of $1,015 per share,

carries an interest rate of 3% and is due March 2006.

Critical Accounting Policies

In December 2001, the SEC requested that all registrants discuss their most "critical accounting policies" in management's discussion and analysis of financial condition and results of operations. The SEC indicated that a "critical accounting policy" is one which is both important to the portrayal of the company's financial condition and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We believe the following accounting policy to be critical:

Revenue Recognition. We have formed collaborative research and development agreements and alliances with several pharmaceutical companies. These agreements are in the form of research and development and license option agreements. The agreements are for both early and late stage compounds. For the early stage compounds, the agreements are relatively short-term agreements that are renewable depending on the success of the compounds as they move through preclinical development. The agreements call for milestone payments on achieving significant milestone events, and in some cases ongoing research funding. The agreements also contemplate royalty payments on sales if and when the compound receives FDA marketing approval.

In accordance with Staff Accounting Bulletin No. 101 ("SAB 101") Revenue Recognition in Financial Statements, upfront payments are recorded as deferred revenue and recognized over the estimated service period. If the estimated service period is subsequently modified, the period over which the upfront fee is recognized is modified accordingly on a prospective basis. Nonrefundable revenue from the achievement of research and development milestones, which represent the achievement of a significant step in the research and development process, are recognized when and if the specific milestones are achieved. None of the payments received to date are refundable regardless of the outcome of the project. Research funding is recorded in the period during which the expenses covered by the funding occurred.

Recently Issued Accounting Standards

In July 2001, the FASB issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS 141 requires that all business combinations be accounted for under a single method - the purchase method. Use of the pooling-of-interests method no longer is permitted. SFAS 141 requires that the purchase method be used for business combinations initiated after June 30, 2001. SFAS 142 requires that goodwill no longer be amortized to earnings, but instead be reviewed for impairment. SFAS 142 which will officially be adopted July 1, 2002, has no impact on our historical financial statements as we do not have any goodwill or intangible assets, which resulted from business combinations.

In August 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets. Since the requirement is to recognize the obligation when incurred, approaches that have been used in the past to accrue the asset retirement obligation over the life of the asset are no longer acceptable. SFAS 143 also requires the enterprise to record the contra to the initial obligation as an increase to the carrying amount of the related long-lived asset (i.e., the associated asset retirement costs) and to depreciate that cost over the life of the asset. The liability is increased at the end of each period to reflect the passage of time (i.e., accretion expense) and changes in the estimated future cash flows underlying the initial fair value measurement. Enterprises are required to adopt SFAS 143 for fiscal years beginning after June 15, 2002. We are in the process of evaluating SFAS 143 and the effect that it will have on our consolidated financial statements and current impairment policy, but we do not expect any material effect.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS 144 requires that one accounting model be used for long-lived assets to be disposed of by sale,

whether previously held and used or newly acquired. SFAS 144 is effective for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The following discussion about our exposure to market risk of financial instruments contains forward-looking statements. Actual results may differ materially from those described.

Our holdings of financial instruments are comprised of debt securities, and time deposits. All such instruments are classified as securities available-for-sale. We do not invest in portfolio equity securities or commodities or use financial derivatives for trading purposes. Our debt security portfolio represents funds held temporarily pending use in our business and operations. We manage these funds accordingly. We seek reasonable assuredness of the safety of principal and market liquidity by investing in rated fixed income securities while at the same time seeking to achieve a favorable rate of return. Our market risk exposure consists principally of exposure to changes in interest rates. Our holdings are also exposed to the risks of changes in the credit quality of issuers. We typically invest the majority of our investments in the shorter-end of the maturity spectrum, and at March 31, 2002 all of our holdings were in instruments maturing in four years or less.

The table below presents the principal amounts and related weighted average interest rates by year of maturity for our investment portfolio as of March 31, 2002.

	2002	2003	2004	2005	2006	Total
Fixed Rate	$14,109,000	$71,207,000	$ 76,937,000	$122,693,000	$ 80,129,000	$ 365,075,000
Average Interest Rate	6.18%	2.41%	3.48%	3.80%	4.37%	3.68%
	$14,109,000	$71,207,000	$ 76,937,000	$122,693,000	$ 80,129,000	$ 365,075,000

Our 4.5% convertible subordinated notes in the principal amount of $400,000,000 due July 1, 2008 have fixed interest rates. The fair value of fixed interest rate convertible notes is affected by changes in interest rates and by changes in the price of our common stock.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

On January 7, 2002, we settled our previously reported patent infringement lawsuit against Shearwater Polymers, Inc. a wholly-owned subsidiary of Inhale Therapeutic Systems, Inc. for a description of the terms on certain agreements entered into in connection with such settlement, see Note 9 to the unaudited financial statements included in Item 1 of Part I hereof.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits (numbered in accordance with Item 601 of Regulation S-K).

Exhibit Number	Description	Page Number or Incorporation By Reference

3(i)	Certificate of Incorporation as amended	~~
3(ii)	By laws, as amended	*(4.2)
3(iv)	Certificate of Amendment to Certificate of Incorporation of Enzon, Inc. dated December 4, 2001	#
4.1	Indenture dated as of June 26, 2001, between the Company and Wilmington Trust Company, as trustee, including the form of 4 1/2% Convertible Subordinated Note due 2008 attached as Exhibit A thereto	++++(4.1)
4.2	Registration Rights Agreement dated as of June 26, 2001, between the Company and the initial purchasers	++++(4.2)
10.1	Form of Change of Control Agreements dated as of January 20, 1995 entered into with the Company's Executive Officers	###(10.2)
10.2	Lease - 300-C Corporate Court, South Plainfield, New Jersey	***(10.3)
10.3	Lease dated April 1, 1995 regarding 20 Kingsbridge Road, Piscataway, New Jersey	###(10.7)
10.4	Lease 300A-B Corporate Court, South Plainfield, New Jersey	++(10.10)
10.5	Form of Stock Purchase Agreement between the Company and the purchasers of the Series A Cumulative Convertible Preferred Stock	+(10.11)
10.6	Employment Agreement with Peter G. Tombros dated as of August 10, 2000	//(10.15)
10.7	Stock Purchase Agreement dated as of June 30, 1995	~(10.16)
10.8	Independent Directors' Stock Plan	~~~(10.24)
10.9	Underwriting Agreement dated March 20, 2000 with Morgan Stanley & Co. Inc., CIBC World Markets Corp., and SG Cowen Securities Corporation	/(10.29)
10.10	Employment Agreement dated May 9, 2001, between the Company and Arthur J. Higgins	///(10.30)
10.11	Amendment dated May 23, 2001, to Employment Agreement between the Company and Arthur J. Higgins dated May 9, 2001	///(10.31)
10.12	Form of Restricted Stock Award Agreement between the Company and Arthur J. Higgins	////(4.3)
10.13	Form of Employee Retention Agreement dated as of August 3, 2001 between the Company and certain key employees	+++
10.14	Lease - 685 Route 202/206, Bridgewater, New Jersey	o
10.15	Employment Agreement with Ulrich Grau dated as of March 6, 2002	o
10.16	Amendment dated May 31, 2001 to Employment Agreement between the Company and Peter G. Tombros	o

o Filed herewith.

* Previously filed as an exhibit to the Company's Registration Statement on Form S-2 (File No. 33-34874) and incorporated herein by reference thereto.

*** Previously filed as an exhibit to the Company's Registration Statement on Form S-18 (File No. 2-88240-NY) and incorporated herein by reference thereto.

\+ Previously filed as an exhibit to the Company's Registration Statement on Form S-1 (File No. 33-39391) filed with the Commission and incorporated herein by reference thereto.

++ Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1993 and incorporated herein by reference thereto.

+++	Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2001 and incorporated herein by reference thereto.
++++	Previously filed as an exhibit to the Company's Registration Statement on Form S-3 (File No. 333-67509) filed with the Commission and incorporated herein by reference thereto.
##	Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 1997 and incorporated herein by reference thereto.
###	Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995 and incorporated herein by reference thereto.
~	Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 1995 and incorporated herein by reference thereto.
~~	Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996 and incorporated herein by reference thereto.
~~	Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 1996 and incorporated herein by reference thereto.
/	Previously filed as an exhibit to the Company's Registration Statement on Form S-3 (File No. 333-30818) filed with the Commission and incorporated herein by reference thereto.
//	Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended June 30, 2000 and incorporated herein by reference thereto.
///	Previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on June 13, 2001 and incorporated herein by reference thereto.
////	Previously filed as an exhibit to the Company's Registration Statement on Form S-8 (File No. 333-64110) filed with the Commission and incorporated herein by reference thereto.
#	Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2001 and incorporated herein by reference thereto.

(b) Reports on Form 8-K.

On January 8, 2002 we filed with the Commission a current report on Form 8-K dated January 7, 2002 reporting under Item 5 our broad strategic alliance with Inhale Therapeutic Systems, Inc.

On January 16, 2002 we filed with the Commission a Current Report on Form 8-K dated January 16, 2002 reporting under Item 5 that Schering-Plough believes that the Access Assurance Program will soon need to transition to a wait list for newly enrolling patients in the U.S. initially.

On February 26, 2002 we filed with the Commission a Current Report on Form 8-K dated February 25, 2002 reporting under Item 5 that Robert Parkinson, Jr. was elected to the Board of Directors.

On February 26, 2002 we filed with the Commission a Current Report on Form 8-K dated February 26, 2002 reporting under Item 5 that Inhale Therapeutic Systems, Inc. entered into two licensing agreements which will involve Enzon's proprietary PEG technology.

On March 7, 2002 we filed with the Commission a Current Report on Form 8-K dated March 7, 2002 that Schering-Plough would remove a large block of patients from the PEG-INTRON Access Assurance Program wait list since the program was transitioned to a wait-list system in January 2002.

On March 19, 2002 we filed with the Commission a Current Report on Form 8-K dated March 18, 2002 reporting under Item 5 that Ulrich M. Grau, Ph.D. was appointed as the Company's Chief Scientific Officer.

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.

ENZON, INC.
(Registrant)

Date: May 15, 2002

By: /s/ Arthur J. Higgins

Arthur J. Higgins
Chairman, President and
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Kenneth J. Zuerblis

Kenneth J. Zuerblis
Vice President, Finance,
Chief Financial Officer
(Principal Financial
and Accounting Officer) and
Corporate Secretary

Exhibit 10.14

LEASE AND LEASE AGREEMENT, dated as of March 27, 2002, between ROUTE 206 ASSOCIATES, a New Jersey partnership, with offices at 520 Route 22, P.O. Box 6872, Bridgewater, NJ 08807 (the "Landlord"), and ENZON, INC., a Delaware corporation, with an office at 20 Kingsbridge Road, Piscataway, NJ 08854 (the "Tenant").

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

1. Definitions.

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

2. Lease of the Leased Premises.

2.1. The Landlord shall, and hereby does, lease to the Tenant, and the Tenant shall, and hereby does, accept and lease from the Landlord, the Leased Premises during the Term. The Leased Premises consist of 18,809 square feet of gross rentable floor space on the third floor of 685 Route 202/206, Bridgewater, New Jersey as more fully described in the definition of Leased Premises set forth in Exhibit E attached hereto.

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

3. Rent.

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

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

Years	Annual Rate	Monthly Installments
one through three	$470,225.04	$39,185.42
four and five	$489,034.08	$40,752.84

The annual rate of Basic Rent for the Leased Premises during any Renewal Term shall be calculated as set forth in subsection 6.1.4 of this Agreement for the respective Renewal Term.

3.3. The Tenant shall punctually pay the applicable Basic Rent in equal monthly installments in advance on the first day of each month during the Term, with the exception of Basic Rent for the first full calendar month of the Initial Term. The Tenant shall pay the Basic Rent for the first full calendar month of the Initial Term upon execution and delivery of this Agreement. The Tenant shall punctually pay the Basic Rent for a period of less than a full calendar month at the beginning of the Term on the Commencement Date.

3.4. The Basic Rent and the Additional Rent for any period of less than a full calendar month shall be prorated. In the event that any installment of Basic Rent cannot be calculated by the time payment is due, such portion as is then known or calculable shall be then due and payable; and the balance shall be due thirty (30) days next following the Landlord's giving notice to the Tenant of the amount of the balance due, subject to Tenant's right to make inquiry regarding said calculation and receive reasonable back-up documentation from Landlord with respect thereto.

3.5. The Additional Rent for the Leased Premises during the Term shall be

promptly paid by the Tenant in the respective amounts and at the respective times set forth in this Agreement.

3.6. That portion of any amount of Rent or other amount due under this Agreement which is not paid within five (5) days next following the date that such amount is first due shall incur a late charge equal to the sum of: (i) five percent of that portion of any amount of Rent or other amount due under this Agreement which is not so paid, and (ii) interest on that portion of any amount of Rent or other amount due under this Agreement which is not paid within five (5) days next following the date that such amount is first due at the Base Rate(s) in effect from time to time plus two additional percentage points from the day such portion is first due through the day of receipt thereof by the Landlord. Any such late charge due from the Tenant shall be due immediately upon invoicing.

4. Term.

4.1. The Initial Term shall commence on the Commencement Date and shall continue for five years from the beginning of the Initial Year, unless sooner terminated in accordance with section 24 of this Agreement. The Term shall commence on the Commencement Date and shall continue until the later of the conclusion of the Initial Term or the conclusion of any Renewal Term, unless sooner terminated in accordance with section 24 of this Agreement. Anything herein contained to the contrary notwithstanding, if (i) the Work is being done exclusively by contractors selected and retained by the Landlord and (ii) the conditions set forth in subsection 4.2 of this Agreement shall not have been satisfied by July 1, 2002 (the "Outside Date"), then in that event, Tenant shall have the right at any time thereafter, at its option, upon ten (10) days prior written notice to Landlord, to terminate this Lease and any and all obligations hereunder, and receive a prompt refund of its Security Deposit and prepaid rents provided that the termination shall be ineffective if the conditions set forth in subsection 4.2 of this Agreement shall have been satisfied within the ten (10) period. The Outside Date shall be deferred one day for each day that delivery of the Tenant Plan occurs after the Tenant Plan Due Date. Anything herein contained to the contrary notwithstanding, if (i) the Work is being done exclusively by contractors selected and retained by the Landlord and (ii) the required permits for the performance of the Work are not issued by the authorities having jurisdiction by May 15, 2002, notwithstanding Landlord's good faith efforts to secure the same, then Landlord shall have the right to terminate this Lease by written notice dispatched to Tenant on or before May 20, 2002. If required permits for the performance of the Work are not issued by the authorities having jurisdiction by June 3, 2002, then Tenant shall have the right to terminate this Lease by written notice dispatched to Landlord on or before June 10, 2002; provided that these dates shall be deferred one day for each day that delivery of the Tenant Plan occurs after the Tenant Plan Due Date. If either party terminates this Lease pursuant to the foregoing two sentencest, Tenant shall be entitled to receive a prompt refund of its Security Deposit and prepaid rents.

4.2. Unless one or more of the conditions contemplated by subsection 4.3 of this Agreement occurs, the Commencement Date shall be the later of:

4.2.1. the Target Date; or

4.2.2. ten (10) days after the date that the last of each of the following conditions set forth in this

subsection 4.2.2 of the Agreement that is specifically applicable shall have occurred:

4.2.2.1. if the Work is being performed exclusively by contractors selected and retained by the Landlord, the date the Leased Premises can first be legally occupied for its intended use pursuant to a temporary or permanent certificate of occupancy;

4.2.2.2. the Work is substantially completed (except for (i) any long lead time items that may be required that can not be delivered to the Leased Premises in sufficient time to be incorporated into the work in proper sequence and (ii) any preparation work that is not being performed exclusively by contractors selected and retained by the

Landlord); and

4.2.2.3. the Landlord can deliver actual and exclusive possession of the Leased Premises, free of rubbish and debris, to the Tenant (except for any contractors not selected and retained by the Landlord and their rubbish and debris).

4.2.2.4. Within ten (10) days of the execution of this Lease, each party agrees to notify the other party of the name and telephone number of its construction representative for the project. The ten (10) day period specified in subsection 4.2.2 shall commence when the Landlord's construction representative notifies the Tenant's construction representative that the conditions set forth in subsection 4.2.2 of this Agreement will be met.

4.2.2.5. The Commencement Date shall occur even though no temporary or permanent certificate of occupancy has been issued if the issuance of the certificate of occupancy is delayed because any work which is being performed by contractors engaged by Tenant is incomplete or fails to meet applicable code requirements (a "Completion Delay").

4.2.2.6. If a Completion Delay occurs then, when the Completion Delay is removed by Tenant, the Landlord shall remain responsible promptly to secure a certificate of occupancy. If the certificate of occupancy is a temporary certificate, the Landlord shall remain responsible promptly to correct and complete any items necessary to secure an unconditional certificate of occupancy.

4.3. In the event one or more of the conditions contemplated by this subsection 4.3 of the Agreement occurs, notwithstanding anything to the contrary set forth in subsection 4.2 of this Agreement, the Commencement Date shall be the earliest applicable date specified below:

4.3.1. the earliest date the Tenant takes any of the following actions shall be the Commencement Date in the event the Tenant takes possession of the Leased Premises for the operation of its business; it being agreed that anything in this Lease contained to the contrary notwithstanding, Tenant shall have access to the Leased Premises on a rent-free basis for thirty (30) days prior to the Commencement Date for purposes of taking measurements, installing cabling and wiring and furniture, furnishings and equipment;

4.3.2. the Target Date in the event the Tenant does not timely: (i) deliver the Tenant Plan to the Landlord by the Tenant Plan Due Date and (ii) sign and return the notice contemplated by the second sentence of subsection 5.3 of this Agreement to the Landlord; or

4.3.3. the date that the last of the conditions set forth in subsection 4.2.2 of this Agreement that is specifically applicable shall have occurred if (i) the Tenant shall have made a written

request to Landlord to complete the work before the Target Date and (ii) Landlord shall have done so.

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

5. Preparation of the Leased Premises.

5.1. The Tenant shall cause the Tenant Plan to be prepared and shall deliver the complete Tenant Plan to the Landlord not later than the Tenant Plan Due Date. The Tenant Plan shall be prepared at the Tenant's expense which shall be reimbursable from the Allowance. It shall include the details specified in the definition of Tenant Plan and the location and extent of any special floor loading; special air conditioning requirements, if any; plumbing requirements, if any; and estimated total electrical load, including lighting requirements, lighting switch requirements and electrical outlet requirements, if any, in excess of the building standard being provided by the Landlord, setting forth the amount of the load, locations and types.

5.2. The Landlord shall cause the work required to complete the Tenant Plan (the "Work") to be performed by the Landlord or the Landlord's contractors in a good and workmanlike manner substantially in accordance with the Tenant Plan utilizing the Allowance to pay the price of the Work. The price shall include 5% of the Landlord's contractors' aggregate price for the Landlord's overhead and 5% of the contractor's aggregate price as the Landlord's general contracting fee, but only to the extent that the cost of the Work, as agreed by Landlord and Tenant in writing, exceeds the total amount of the Allowance. If the cost of the Work including the fees exceeds the Allowance, Tenant shall pay the balance of such price to the Landlord in proportion to the progress of such work, as and when billed by the Landlord at convenient intervals, with payment of any remaining final balance due from the Tenant prior to the Commencement Date. If the cost of the Work is less than the Allowance, the balance shall be credited to Base Rent first falling due, until exhausted. The Work shall not include the installation of any telecommunications or computer wiring or the cost thereof. Tenant, at its expense, may install its own security system regulating access to the Leased Premises but, in such event (i) Tenant must provide the names and contact numbers for employees available to provide access for emergency services on a 24 hour per day basis; (ii) Tenant must arrange for access for the cleaning contractor and its personnel at the normal times which such contractor and its personnel perform their services; (iii) Tenant must supply access information to the Bridgewater Fire Department so that they can gain access in an emergency; and (iv) Tenant must comply with the requirements of section 13 of this Agreement.

5.3. Prior to commencing the work, within ten (10) business days of receipt of the Tenant Plan Landlord shall provide a quote of the price to perform the Work. Within five (5) days of receipt of the quote from Landlord, Tenant shall confirm, in writing, that the price is acceptable. If Tenant is not satisfied with the price and the parties are unable to agree upon the price then the Tenant shall be free to engage its own contractors to perform the work provided that Tenant shall select the heating, air-conditioning, sprinkler and electrical contractors from a list of qualified contractors furnished to Tenant by Landlord. In such event, Tenant shall secure all permits and perform the work in a good and workmanlike manner in accordance with all applicable codes and secure a certificate of occupancy. Landlord shall advance the Allowance at reasonable intervals within not more than ten (10) days following Tenant's draw request, as the Work progresses.

5.4. Within four (4) weeks of the Commencement Date, Landlord shall also perform the work required by the Work Letter set forth in Exhibit C at no cost to the Tenant.

6. Options.

6.1 Tenant is hereby granted one option to renew this Lease for one five year period upon the following terms and conditions:

6.1.1 At the time of the exercise of the option to renew and at the time of said renewal, (a) the Tenant shall not be in default following the delivery of notice and the expiration of all applicable cure periods in accordance with the terms and provisions of this Lease; and (b) Tenant shall occupy and be in operation at the entire Leased Premises pursuant to this Lease subject to approved subleases or sublease permitted hereby and subject to arrangements contemplated by Section 17.7, below.

6.1.2 Notice of the exercise of the option shall be sent to the Landlord in writing at least nine (9) months before the expiration of the Initial Term.

6.1.3 The Renewal Term shall be for a period of five years to commence at the expiration of the Initial Term, and all of the terms and conditions of this Agreement, other than the amount of Annual Rent, shall apply during any such renewal term.

6.1.4 Subject to the last sentence of this paragraph, the Annual Rent to be paid during the Renewal Term shall be $545,460.96 payable in equal monthly installments of $45,455.08.

6.2. Tenant is hereby granted the following additional rights:

6.2.1. If Landlord learns that the suite contiguous to the Leased Premises will become available, it shall first offer the same to Tenant by written notice. This is the "Right of First Offer". The notice shall contain the terms upon which the space is offered including the basic rent, the commencement date, the term, the allowance, if any, and any other terms which Landlord proposes. If Tenant wishes to lease the space on the terms offered, it shall notify the Landlord in writing within seven (7) business days of Tenant's receipt of such written notice setting forth all of the above-required information, and, thereupon, Tenant shall be bound to lease the same on the same terms as are set forth in this Agreement modified by the specific terms which are set forth in Landlord's notice. Tenant shall execute a lease amendment to incorporate these terms including an obligation to execute a Commencement Date certificate and estoppel certificates. If Tenant fails to serve the written acceptance of the offer within the seven (7) business day period, the Right of First Offer shall thereupon expire and be of no further force and effect. Notwithstanding the provisions of the preceding sentence, the Right of First Offer shall revive if Landlord does not consummate a lease with another tenant within five (5) months after the expiration of the Right of First Offer as above provided or if Landlord proposes to enter into a lease with another tenant on terms which are materially more favorable than the terms offered to Tenant. For this purpose, the terms shall be considered materially more favorable if the net effective rent offered to the other tenant is ninety-two and one-half (92.5%) percent, or less, than the net effective rent offered to Tenant or if the term offered to the other tenant is eighty percent , or less, of the term offered to Tenant. With respect to any further offers required under this provision, if Tenant fails to serve a written acceptance of the offer within a five (5) business day period following receipt of Landlord's written offer, the Right of First Offer shall, with respect to such offer, thereupon expire and be of no further force and effect.

6.2.2. Until Landlord lets the available space in the basement, Tenant may notify Landlord that it elects to lease the same for the balance of the Term. This is the "Additional Right of First

Offer". After service of a notice electing to lease the basement space, Tenant shall be bound to lease the same for the balance of the Term for $13 per foot per year payable in equal monthly installments. An amendment to this Agreement shall be executed incorporating the storage space. The inclusion of the storage space shall not change the Tenant's Share. Tenant, at its expense, shall be responsible to install the necessary fencing, lighting, outlets and switches and other modifications required by applicable law for the use of the storage space. Tenant shall comply with the provisions of applicable law and the provisions of this Agreement including, without limitation, section 12 in performing the work and in

the occupancy of the storage space. The storage space shall be used primarily for storage of records and other office equipment and supplies. If Landlord leases the basement space to other tenants before service of a notice from the Tenant exercising this Additional Right of First Offer, the Additional Right of First Offer shall thereupon expire and be of no further force and effect.

7. Use and Occupancy.

7.1. The Tenant may only occupy and use the Leased Premises during the Term exclusively as a general office and such other ancillary and accessory uses as are consistent with applicable codes.

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

7.2.1. the Tenant shall not do, or permit or suffer the doing of, anything which might have the effect of creating an increased risk of, or damage from, fire, explosion or other casualty;

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

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

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

7.2.5. The Tenant and the Tenant's employees, other agents and Guests shall not permit the Leased Premises to be regularly occupied by more persons than are permitted by applicable codes. If the Leased Premises are occupied by more than one individual per 200 square feet of usable floor space of the Leased Premises then Tenant shall be responsible for any supplemental heating, cooling and ventilation which may be required and the performance of the heating and cooling systems according to the specifications set forth in subsection 8.1.5 of this Agreement is not guaranteed;

7.2.6. the Tenant and the Tenant's employees, other agents and Guests shall comply with all

Federal, state and local statutes, ordinances, rules, regulations and orders as they pertain to the Tenant's particular method or manner of use and occupancy of the Leased Premises, to the conduct of the Tenant's business and to the use of the Common Facilities, except that this subsection shall not require the Tenant to make any changes that may be required thereby that are generally applicable to commercial office tenancies or to the Building as a whole;

7.2.7. the Tenant and the Tenant's employees, other agents and Guests shall comply with the requirements of the Board of Fire

Underwriters (or successor organization) and of any insurance carriers providing liability, property, casualty or excess insurance coverage regarding the Property, the Building, the Common Facilities or any portions thereof, and any other improvements on the Property, except that this subsection shall not require the Tenant to make any changes that may be required thereby that are generally applicable to commercial office tenancies or to the Building as a whole;

7.2.8. the Tenant and the Tenant's employees, other agents and Guests shall not bring or discharge any material or substance (solid liquid or gaseous) which is a Hazardous Substance, or conduct any activity, in or on the Property, the Building, the Common Facilities or the Leased Premises that shall have been identified:

(i) by the scientific community, or

(ii) by any Federal, state or local statute (including, without limiting the generality of the foregoing, the Spill Compensation and Control Act (58 N.J.S.A. 10-23.11 et seq.); the Industrial Site Recovery Act ("ISRA")(13 N.J.S.A. 1 K-6 et seq.); the Resource Conservation and Recovery Act of 1976 (42 U.S.C. 6901 et seq.) as amended; the Comprehensive Environmental Response Compensation and Liability Act of 1980 (42 U.S.C. 9601 et seq.); the Federal Water Pollution Control Act/Clean Water Act (33 U.S.C. 1251 et seq.); the Clean Water Act (33 U.S.C. 1251 et seq.); the Clean Air Act (42 U.S.C. 7401 et seq.); the Toxic Substances Control Act (15 U.S.C. 2601 et seq.); the Hazardous Materials Transportation Act (49 U.S.C. 5101 et seq.) and the Safe Drinking Water Act (42 U.S.C. 300f through 300j) as amended, and the regulations adopted and publications promulgated pursuant to said laws; and in any revisions or successor codes as toxic or hazardous to health or to the environment ("Environmental Laws") As used herein, "Hazardous Substance" means any material or substance which is toxic, ignitable, reactive, or corrosive; or which is defined as "hazardous waste", "extremely hazardous waste" or a "hazardous substance" by Environmental Laws; or which is an asbestos, polychlorinated biphenyl or a petroleum product; or which is regulated by Environmental Laws;

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

limits. The electric system is designed to deliver an average of 8 watts per rentable square foot of which 2 watts is lighting, in addition to the power for Base Building HVAC. The Tenant Plan shall provide for any necessary circuitry for microwave ovens and any other kitchen equipment;

7.2.10. on a timely basis the Tenant shall pay directly and promptly to the respective taxing authorities any taxes (other than Taxes) charged, assessed or levied exclusively on Tenant's personal property within the Leased Premises or arising

exclusively from the Tenant's use and occupancy of the Leased Premises; and

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

8. Utilities, Services, Maintenance and Repairs.

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

8.1.1. such maintenance and repair of the Building (except the Leased Premises and Other Leased Premises); the Common Facilities; and the heating, ventilation and air conditioning systems (but not including supplemental cooling installed by or at the request of Tenant), any plumbing systems and the electrical systems in the Building, the Common Facilities, the Leased Premises and Other Leased Premises all as is customarily provided for first class office buildings in the immediate area;

8.1.2. maintenance and repair of the Leased Premises, except for refinishing walls and wall treatments, base, ceilings, floor treatments and doors in general from time to time or for gouges, spots, marks, damage or defacement caused by anyone other than the Landlord, its employees and other agents, and except for the Tenant's furniture, furnishings, equipment and other property;

8.1.3. such garbage removal from the Building and the Common Facilities and such janitorial services for the Building, the Leased Premises and Other Leased Premises as is customarily provided for first class office buildings in the immediate area including, without limitation, removal of trash and properly prepared recycling from the Leased Premises;

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

8.1.5. such heat, ventilation and air conditioning (but not including supplemental cooling installed by or at the request of Tenant) for the Building, the Leased Premises and Other Leased Premises as is customarily provided for first class office buildings in the immediate area for the comfortable use of the Building during Regular Business Hours. Except as otherwise provided, so long as the outside conditions are no worse than those listed below, the heating and cooling systems shall perform to the following specifications:

	Inside Conditions	Outside Conditions
Cooling Season:	78(Degree)F dry bulb +/-2(Degree) RH 50% +/-5%	94(Degree)F dry bulb 73(Degree)F wet bulb
Heating Season:	70(Degree)F +/-2(Degree) dry bulb:maximum	13(Degree)F dry bulb;

8.1.6. water (including heated water) to the Building and, if the

appropriate plumbing has been installed therein, to the Leased Premises;

8.1.7. sewage disposal for the Building;

8.1.8. passenger elevator service for the Building, 24 hours, 365 days per year;

8.1.9. snow clearance from, and sweeping of, Parking Facilities and private access roads which are part of the Property or the Common Facilities;

8.1.10. the maintenance of landscaping which is part of the Property or the Common Facilities; and

8.1.11. Landlord shall use commercially reasonable efforts to provide full cafeteria service on the first floor of the Building serving five (5) days each week and seating not fewer than 90 patrons at any given time in its adjacent seating area. If the cafeteria is reduced in size or eliminated then the Basic Rent per foot shall be adjusted downward by the same amount by which the Base Year Operating Expenses is reduced. The Basic Rent shall be re-determined by multiplying the adjusted Gross Footage by the adjusted Basic Rent per foot.

8.2. Except as specifically set forth in subsection 8.1 of this Agreement, the Tenant shall maintain and repair the Leased Premises and keep the Leased Premises in as good condition and repair, reasonable wear and use excepted, as the Leased Premises are upon the completion of any improvements contemplated by section 5 of this Agreement.

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

9.1. All Tenant Electric Charges shall be borne by the Tenant. It is agreed that the Tenant Electric Charges are $1.50 per square foot per year, subject to the provisions of subsection 10.10 of this Agreement.

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

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

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

9.3.2. the Tenant's Share of: the amounts by which Operational Expenses and Taxes incurred during each such period of 12 months (or shorter period) exceed Base Year Operational Expenses and Base Year Taxes, respectively (or proportional amount thereof for periods

shorter than 12 months) shall be allocated to, and borne by, the Tenant as more specifically set forth in section 10 of this Agreement.

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

10.1. Subject to Tenant's right to request and promptly obtain from Landlord detailed back-up information, Tenant's right to contest in good faith amounts invoiced by Landlord, and Tenant's right to audit and inspect Landlord's books and records, all as more fully hereinafter provided, the Tenant shall promptly

pay the following additional amounts to the Landlord at the respective times set forth below:

10.1.1. commencing with the first day after the end of the No Pass Through Period, and on the first day of each month thereafter during the Term, one-twelfth of the Tenant's Share of the amount by which Taxes for the then current calendar year exceeds Base Year Taxes, computed in accordance with subsection 10.5 of this Agreement. When Landlord knows of facts which cause a revision of the estimate, it may serve a revised estimate and, for the balance of the current calendar year, the estimated payments shall be made accordingly;

10.1.2. within thirty (30) days of the Landlord's giving notice to the Tenant after the close of each calendar year closing during the Term, commencing with the first calendar year closing after the close of the No Pass Through Period, and after the end of the Term, the Tenant's Share of the difference between the Landlord's previously projected amount of Taxes for such period and the actual amount of Taxes for such period, in either case in excess of Base Year Taxes, computed in accordance with subsection 10.6 of this Agreement (unless such difference is a negative amount, in which case the Landlord shall credit such difference against any amounts next due from the Tenant under subsections 10.1.1 and 10.5 of this Agreement) or refund such amount to Tenant if at the expiration of the Term;

10.1.3. commencing with the first day after the end of the No Pass Through Period, and on the first day of each month thereafter during the Term, one-twelfth of the Tenant's Share of the amount by which Operational Expenses for the then current calendar year exceed Base Year Operational Expenses, computed in accordance with subsection 10.7 of this Agreement. When Landlord knows of facts which cause a revision of the estimate, it may serve a revised estimate and, for the balance of the current calendar year, the estimated payments shall be made accordingly;

10.1.4. within thirty (30) days of the Landlord's giving notice to the Tenant after the close of each calendar year closing during the Term, commencing with the first calendar year closing after the close of the No Pass Through Period, and after the end of the Term, the Tenant's Share of the difference between the Landlord's previously projected amount of Operational Expenses for such period and the actual amount of Operational Expenses for such period, in either case in excess of Base Year Operational Expenses, computed in accordance with subsection 10.8 of this Agreement (unless such difference is a negative amount, in which case the Landlord shall credit such difference against any amounts next due from the Tenant under subsections 10.1.3 and 10.7 of this Agreement) or refund such amount to Tenant if at the expiration of the Term;

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

of any Annual Amortized Capital Expenditure, computed in accordance with subsection 10.9 of this Agreement;

10.1.6. on the first day of each month during the Term, the monthly Tenant Electric Charges, set forth in section 9.1 of this Agreement as the same may be revised in accordance with subsection 10.10 of this Agreement; and

10.1.7. promptly as and when billed therefor by the Landlord, the amount of any expense which would otherwise fall within the

definition of Operational Expenses, but which is specifically paid or incurred by the Landlord for operation and maintenance of the Building, the Common Facilities or the Property outside Regular Business Hours at the specific request of the Tenant.

10.2. "Operational Expenses" means all expenses paid or incurred by the Landlord in connection with the Property, the Building, the Common Facilities and any other improvements on the Property and their operation and maintenance (other than Taxes (which are separately allocated to the Tenant in accordance with subsections 10.1.1 and 10.1.2 of this Agreement), Capital Expenditures (which are separately allocated to the Tenant in accordance with subsection 10.1.5 of this Agreement) and those expenses contemplated by subsections 10.1.6 and 10.1.7 of this Agreement)) including, without limiting the generality of the foregoing:

10.2.1. Utilities Expenses;

10.2.2. the expense of providing the services, maintenance and repairs contemplated by subsection 8.1 of this Agreement, whether furnished by the Landlord's employees or by independent contractors or other agents including without limitation the costs associated with inspections required by law or for determining necessity for maintenance;

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

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

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

public liability insurance; elevator, boiler and machinery insurance; excess liability coverage insurance; use and occupancy insurance; workers' compensation and health, accident, disability and group life insurance for all employees; casualty rent insurance and such other insurance with such limits as may, from time to time, be customary for first class office buildings in the immediate area or which Landlord may be required to secure by institutional mortgage lenders;

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

10.2.7. reasonable and customary management fees of any independent

managing agent for the Property, the Building or the Common Facilities; and if there shall be no independent managing agent, or if the managing agent shall be a person affiliated with the Landlord, the management fees that would customarily be charged for the management of the Property, the Building and the Common Facilities by an independent, first class managing agent in the immediate area, not to exceed five (5%) percent of Basic Rent;

10.2.8. the cost of replacements forconsumable supplies used in the operation, service, maintenance, inspection and repair of the Building, the Common Facilities and the Property;

10.2.9. the cost of repainting or otherwise redecorating any part of the Building or the Common Facilities incurred after the expiration of first five years of the Term;

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

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

10.2.12. any and all other commercially reasonable expenditures of the Landlord in connection with the operation, repair or maintenance of the Property, the Common Facilities or the Building as a first-class office building and facilities in the immediate area which are properly treated as an expense fully deductible as incurred in accordance with generally applied real estate accounting practice. In determining Base Year Operational Expenses, Landlord may adjust any line item which, when compared to the same line item for the year prior to the Base Year, has increased at a rate which is more than double the increase in the Index at the end of the year prior to the Base Year compared to the Index at the end of the Base Year. In such event, the actual expense incurred for the line item in the Base Year shall be adjusted to equal the amount incurred for the same line item for the year prior to the Base Year multiplied by the sum of one plus the percentage increase in the Index for the one year period. Similarly, with respect to any line item which, when compared to the same line item for the year prior to the Base Year has decreased at a rate which is more than double any percentage change in the Index at the end of the year prior to the Base Year compared to the Index at the end of the Base Year, the actual expense incurred for the line item in the Base Year shall be adjusted to equal the amount incurred for the same line item for the year prior to the Base Year multiplied by one minus the percentage change in the Index for the one year period.

10.3. "Capital Expenditures" means the following described expenditures incurred or paid by the Landlord during the term of this Lease in connection with the Property, the Building, the Common Facilities and any other improvements on the Property:

10.3.1. all costs and expenses incurred by the Landlord in connection with retro-fitting the entire Building or the Common Facilities, or any portion thereof, to comply with any change in Federal, state or local statute, rule, regulation, order or requirement which change first takes effect after the execution of this Lease; and

10.3.2. all costs and expenses incurred by the Landlord in connection with the installation of any energy, labor or other cost saving device or system on the Property or in the Building or the Common Facilities but only to the extent that the Landlord's reasonable projection of the Annual Amortized Capital Expenditure is less than or equal to the Landlord's reasonable estimate of the cost which would have been incurred on an annual basis had the Capital Expenditure not been made.

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

10.4.1. principal or interest on any mortgage indebtedness on the Property, the Building or any portion thereof or any ground rents;

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

10.4.3. expenditures for any leasehold improvement which is made in connection with the preparation of any portion of the Building for occupancy by a new tenant or which is not also made generally to or for the benefit of the Leased Premises and all Other Leased Premises or generally to the Building or the Common Facilities;

10.4.4. to the extent the Landlord actually receives or is eligible to collect proceeds of property and casualty insurance policies on the Building, other improvements on the Property or the Common Facilities, expenditures for repairs or replacements occasioned byfire or other casualty to the Building or the Common Facilities;

10.4.5. expenditures for repairs, replacements or rebuilding occasioned by any of the events contemplated by section 16 of this Agreement;

10.4.6. expenditures for costs, including legal, accounting, advertising and leasing commissions, incurred in connection with efforts to lease portions of the Building and to procure new tenants for the Building;

10.4.7. expenditures for the salaries and benefits of the employees, if any, of the Landlord above the level of on-site manager;

10.4.8. depreciation of the Building, the Common Facilities and any other improvement on the Property in accordance with GAAP; and

10.4.9. Notwithstanding any contrary provisions of Section 10 neither "Operating Expenses" nor "Capital Expenditures" shall include costs or expenditures for any of the following:

10.4.9.1. any costs or expenditures regarded as capital costs or expenditures other than those expressly provided at Section 10.3 above;

10.4.9.2. fines and penalties;

10.4.9.3. tort claims and expenses of the investigation and defense thereof;

10.4.9.4. amounts in excess of fair market rates in respect of any transaction with, or provision of any item or service by, Landlord or any affiliate of Landlord;

10.4.9.5. personal property or equipment rental costs if the purchase of same would not be includable in Operating Expenses;

10.4.9.6. cost of acquisition of the land, construction of the Building, site improvements, parking areas and facilities now or hereafter forming a part of the Property;

10.4.9.7. costs associated with the refinancing of any of Landlord's debt;

10.4.9.8. reserves for future expenditures or liabilities which would be incurred subsequent to the then current accounting years;

10.4.9.9. any bad debt loss, rent loss or reserves for bad debt or rent loss;

10.4.9.10. any and all legal and other fees, audit fees, inspection fees (other than those described in subsection 10.2.2 of this Agreement), appraisal fees, leasing, commissions, advertising expenses and other costs incurred in connection with the acquisition, development, leasing and ownership of the Property;

10.4.9.11. costs of repairing or restoring any portion of the Building and the Property damaged or destroyed by any casualty or peril whether insured or uninsured, and costs of restoration following a taking by condemnation or eminent domain;

10.4.9.12. costs associated with the clean-up, remediation and removal of any hazardous wastes or substances and any and all other costs of causing the Property to comply with applicable environmental laws and other applicable laws and codes;

10.4.9.13. costs of compliance with the Americans with Disabilities Act; and

10.4.9.14. cost of rent insurance exceeding one year's coverage, if obtained;.

In addition to the foregoing, Landlord's Operating Expenses shall be reduced by each of the following before the calculation of Tenant's Share: (i) recoveries by Landlord from any third parties as a result of any act, omission, default or negligence of such parties, or as the result of a breach or default by such parties under the provisions of applicable agreements which have caused Landlord to incur such costs and expenses, and (ii) recoveries by Landlord from insurance policies. to the extent that the proceeds thereof reimburse Landlord for costs and expenses which have previously been included or which would otherwise be included in Landlord's Operating Expenses.

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

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

10.5.2. the amount of Base Year Taxes;

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

10.5.4. the Tenant's Share of item 10.5.3 above and supporting calculations including a copy of the current year's tax bill.

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

10.6.1. the actual amount of Taxes for the preceding calendar year in excess of Base Year Taxes (or proportional amount thereof for shorter periods during the Term);

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

Term);

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

10.6.4. the Tenant's Share of item 10.6.3 above and supporting calculations including a copy of the current year's tax bill.

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

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

10.7.2. the amount of the Base Year Operational Expenses;

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

10.7.4. the Tenant's Share of item 10.7.3 above and supporting calculations including a copy of the reasonably detailed back-up documentation.

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

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

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

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

10.8.4. the Tenant's Share of item 10.8.3 above and supporting calculations including a copy of the reasonably detailed back-up documentation.

10.9. As soon as practicable after incurring any Capital Expenditure, the Landlord shall furnish the

Tenant with a notice setting forth:

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

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

10.9.3. the amount of the Annual Amortized Capital Expenditure; and

10.9.4. the Tenant's Share of item 10.9.3 above and supporting calculations including a copy of the reasonably detailed back-up documentation.

10.10. From time to time after the Commencement Date, the Landlord may furnish the Tenant with a notice setting forth its estimate of Tenant Electric Charges per month. Unless the Tenant desires to question the Landlord's then most recent estimate of Tenant Electric Charges exclusively in the manner set forth below, the Landlord's then most recent estimate shall be binding and shall continue in effect until any question raised by the Tenant is otherwise resolved in

accordance with this subsection 10.10 of the Agreement. If the Tenant desires to question the Landlord's estimate of Tenant Electric Charges, the Tenant shall give notice to the Landlord of its desire. Upon receipt of the Tenant's notice, the Landlord shall obtain a reputable, independent electrical engineer's formal written estimate and computation of the Tenant Electric Charges. The engineer's estimate and computation of Tenant Electric Charges shall thereupon control for a 12 month period commencing with the date as of which it is given effect as to Tenant Electric Charges, and until the Landlord furnishes the Tenant with a subsequent notice setting forth its estimate of Tenant Electric Charges per month, except to the extent that the Landlord may increase them in proportion to increases in Utilities Expenses during the same period. The bill of the independent engineer shall be paid by Tenant if the engineer recomputes Tenant's Electric Charges to the same or a higher amount, and by Landlord if Tenant's Electrical Charges are recomputed by such engineer to a lower amount.

10.11. Within the one (1) year period after the Landlord gives any notice enumerated in subsections 10.5 through 10.10 of this Agreement, the Tenant or the Tenant's authorized agent or other professional, upon one week's prior notice to the Landlord, may inspect the Landlord's books and records, as they pertain to the particular expense or expenses in question, at the Landlord's office regarding the subject of any such notice to verify the amount(s) and calculation(s) thereof. After payment of the Tenant's Share in accordance with the provisions of section 10 of this Agreement, no further audit shall be conducted with respect to Operational Expenses, Taxes, Capital Expenditures, Base Year Operational Expenses or Base Year Taxes except with respect to items which may have been questioned within the one (1) year period. Tenant agrees that no audit will be conducted by an auditor engagedsolely on a contingent fee basis. If an audit is conducted, the Landlord shall have the right to verify that the provisions of this prohibition have been satisfied.

10.12. The mere enumeration of an item within the definitions of Operational Expenses and Capital Expenditures in subsections 10.2 and 10.3 of this Agreement, respectively, shall not be deemed to create an obligation on the part of the Landlord to provide such item unless the Landlord is affirmatively required to provide such item elsewhere in this Agreement; provided, however, no charges shall be passed through by Landlord for services not furnished to Tenant. Landlord, at Tenant's expense, shall maintain any supplementary facilities which are agreed to be installed by Landlord for Tenant including, without limitation, supplementary heating, cooling or ventilation; electronic locking devices; and kitchen facilities such as faucets, drains, pumps and insta-hot lines.

10.13. Without limitation of Tenant's rights as enumerated above, it is agreed that if at any time a dispute

shall arise as to any amount or sum of money to be paid by Tenant under the provisions of this Lease hereof. Tenant shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of Tenant to institute suit for the recovery of such sum, and if it shall be adjudged that there was no legal obligation on the part of Tenant to pay such sum or any part thereof, then Tenant shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of the Lease.

11. Leasehold Improvements, Fixtures and Trade Fixtures.

All leasehold improvements to the Leased Premises, fixtures installed in the Leased Premises and the blinds and floor treatments or coverings shall be the property of the Landlord at the expiration or other termination of the Term, regardless of when, by which party or at which party's cost the item is installed. Movable furniture, furnishings, trade fixtures and equipment of the Tenant which are in the Leased Premises shall be the property of the Tenant.

12. Alterations, Improvements and Other Modifications by the Tenant.

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

the Leased Premises.

12.2. The Tenant shall not make any alterations, improvements or modifications to the Leased Premises, the Building or the Property or make any boring in the ceiling, walls or floor of the Leased Premises or the Building (other than as contemplated by this Lease, on the Tenant Plan as approved by the Landlord or in the ordinary course of outfitting a business office) unless the Tenant shall have first:

12.2.1. furnished to the Landlord detailed, New Jersey architect-certified construction drawings, construction specifications and, if they pertain in any way to modifications to the heating, ventilation and air conditioning or other systems of the Building, related engineering design work and specifications regarding, the proposed alterations, improvements or other modifications;

12.2.2. not received a notice from the Landlord reasonably objecting thereto in any respect within ten (10) days of the furnishing thereof (which shall not be deemed the Landlord's affirmative consent for any purpose). Landlord may also notify Tenant within the same period, but not thereafter, that, at the expiration or earlier termination of the Term, Landlord will require Tenant to remove any alteration which would require Landlord to incur any unusual expense, delay or inconvenience (specifying the items which must be removed and the reason for Landlord's determination);

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

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

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

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

12.2.4.3. the Tenant shall not permit or suffer the filing of any notice of construction lien claim or other lien or prospective lien by any such contractor or subcontractor with respect to the Property, the Common Facilities, the Building or any other improvements on the Property; and if any of the foregoing should be filed by any such contractor or subcontractor, the Tenant shall, within thirty (30) days after notice of the lien, obtain and file the complete discharge and release thereof or provide such payment bond(s) from a reputable, financially sound institutional surety as will, in the reasonable opinions of the Landlord, the holders of any mortgage indebtedness on, or other interest in, the Property, the Building, the Common Facilities or any other improvements on the Property, or any portions thereof, and their respective title insurers, be adequate to assure the complete discharge and release thereof;

12.2.4.4. in connection with any contracts providing for an expenditure by Tenant in excess of $25,000, or in the instance of any work reasonably determined by Landlord to be ultrahazardous, prior to any such

contractor's entering upon the Property, the Building or the Leased Premises or commencing work the Tenant shall have delivered to the Landlord (a) all the Tenant's certificates of insurance set forth in section 14 of this Agreement, conforming in all respects to the requirements of section 14 of this Agreement, except that the effective dates of all such insurance policies shall be prior to any such contractor's entering upon the Property, the Building or the Leased Premises or commencing work (if any work is scheduled to begin before the Commencement Date) and (b) similar certificates of insurance from each of the Tenant's contractors providing for coverage in equivalent amounts, together with their respective certificates of workers' compensation insurance, employer's liability insurance and products-completed operations insurance, the latter providing coverage in at least the amount required for the Tenant's comprehensive general public liability and excess insurance;

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

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

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

12.2.4.8. the Tenant shall have the sole responsibility for the security of the Leased

Premises and all contractors' materials, equipment and work, regardless of whether their work is in progress or completed.

12.3. After the Commencement Date, the Tenant shall not apply any wall covering (except latex based flat paint) or other treatment to the walls of the Leased Premises without the prior written consent of the Landlord, which consent shall not be unreasonably withheld or delayed and shall be deemed given if Landlord shall fail to respond to Tenant's request (either consenting or reasonably withholding consent with explanatory comment) within ten (10) days next following Tenant's request. It shall be reasonable for Landlord to withhold consent if the wall covering is flammable or if Landlord is likely to incur unusual expense or delay in removing the same.

13. Landlord's Rights of Entry and Access.

The Landlord and its authorized agents shall have the following rights of entry and access to the Leased Premises:

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

13.2. Upon at least five (5) day's prior verbal advice to the Tenant's authorized representative (who shall be designated from time to time by Tenant in writing) during normal business hours, for the purpose of erecting or constructing improvements, modifications, alterations and other changes to the Building or any portion thereof, , whether for the benefit of the Landlord, the Building, all tenants of Other Leased Premises in the Building, or one or more tenants of Other Leased Premises, or others including, without limiting the generality of the foregoing, the Leased Premises, the Common Facilities or the Property (provided, however, that no access in or through the Leased Premises shall be requested or granted for the performance of work outside of the Leased Premises unless such work shall benefit the Leased Premises, or unless there are no other commercially reasonable means of undertaking and completing such work); or, upon at least one (1) day's prior verbal advice to the Tenant's authorized representative (who shall be designated from time to time by Tenant in writing) during normal business hours,for the purpose of repairing or maintaining the Leased Premises; and without prior notice for the purpose of cleaning the Leased Premises. If the entry is for the purpose of repairing or maintaining the Leased Premises, Tenant's authorized representative may defer Landlord's entry for up to two (2) days at the time the one (1) day notice is given. In connection with any such improvements, modifications, alterations, other changes, repairs, maintenance or cleaning, the Landlord may close off such portions of the Property, the Building and the Common Facilities and interrupt such services as may be necessary to accomplish such work, without liability to the Tenant therefor and without such closing or interruption being deemed an eviction or constructive eviction or requiring an abatement of Rent. However, in accomplishing any such work, the Landlord shall endeavor not to materially interfere with the Tenant's use and enjoyment of any portion of the Leased Premises or the conduct of the Tenant's business and to minimize interference, inconvenience and annoyance to the Tenant and in the event Tenant's use shall be interrupted or materially impaired for any period in excess of twenty-four (24) hours, then Rent shall equitably abate until such interruption or impairment shall be fully terminated.

13.3. Upon not less than five (5) days prior verbal notice, during normal business hours and at a time mutually convenient for Landlord and Tenant, for the purpose of operating, inspecting or examining the Building, including the Leased Premises, or the Property.

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

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

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

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

14. Liabilities and Insurance Obligations.

14.1. The Tenant shall, at the Tenant's own expense, purchase before the Commencement Date, and maintain in full force and effect throughout the Term and any other period during which the Tenant may have possession of the Leased Premises, the following types of insurance coverage from financially sound and reputable insurers, licensed by or lawfully doing business in the State of New Jersey to provide such insurance and acceptable to the Landlord, in the minimum amounts set forth below, each of which insurance policies shall be for the benefit of Tenant, and shall name the Landlord, the Landlord's managing agent and mortgagees and ground lessors known to the Tenant, if any, of the Building, the Common Facilities, the Property or any interest therein, their successors and assigns as additional persons insured, and none of which insurance policies shall contain a "co-insurance" clause:

14.1.1. commercial general liability insurance (including "broad form

and contractual liability" coverage) and excess ("umbrella") insurance which, without limiting the generality of the foregoing, considered together shall insure against such risks as bodily injury, death and property damage, with a combined single limit of not less than $3,000,000.00 for each occurrence; and

14.1.2. "all-risks" property insurance covering the Leased Premises in an amount sufficient, as reasonably determined by the Landlord from time to time, to cover the replacement costs for all Tenant's alterations, improvements, fixtures and personal property located in or on the Leased Premises; provided, however that Tenant shall have the right to self-insure the risks set forth in this Section 14.1.2. If Tenant shall serlf-insure, Tenant shall indemnify Landlord against any claims for which Landlord would have been protected had the Tenant secured such insurance (including the effect of the waiver of subrogation contained in such policy).

14.2. With respect to risks:

14.2.1. as to which this Agreement requires either party to maintain insurance, or

14.2.2. as to which either party is effectively insured and for which risks the other party may be liable,

14.2.3. the party required to maintain such insurance and the party effectively insured shall use its best efforts to obtain a clause, if available from the respective insurer, in each such insurance policy expressly waiving any right of recovery, by reason of subrogation to such party's rights or otherwise, the respective insurer might otherwise have or obtain against the other party, so long as such a clause can be obtained in the respective insurance policy without additional premium cost. If such a clause can be obtained in the respective insurance policy, but only at additional premium cost, such party shall, by notice to the

other party, promptly advise the other party of such fact and the amount of the additional premium cost. If the other party desires the inclusion of such a clause in the notifying party's respective insurance policy, the other party shall, within 10 days of receipt of the notifying party's notice, by notice advise the notifying party of its desire and enclose therewith its check in the full amount of the additional premium cost; otherwise the notifying party need not obtain such a clause in the respective insurance.

14.3. Each party hereby waives any right of recovery against the other party for any and all damages for property losses and property damages which are actually insured by either party (or which are self-insured as above provided), but only to the extent:

14.3.1. that the waiver set forth in this subsection 14.3 does not cause or result in any cancellation of, or diminution in, the insurance coverage otherwise available under any applicable insurance policy;

14.3.2. of the proceeds of any applicable insurance policy (without adjustment for any deductible amount set forth therein) recoverable by such party for such respective loss or damages or which would have been recoverable had the party not self-insured.

The waiver set forth in this subsection 14.3 of the Agreement shall not apply with respect to liability insurance policies (as opposed to property and casualty insurance policies).

14.4. The Tenant hereby waives any right of recovery it might otherwise have against the Landlord for losses and damages caused actively or passively, in

whole or in part, by any of the risks the Tenant actually insures or which the Tenant is required to insure against in accordance with subsections 14.1.1 or 14.1.2 of this Agreement, unless such waiver would cause or result in a cancellation of, or diminution in, the coverage of the Tenant's policies of insurance against such risks. The Landlord hereby waives any right of recovery it might otherwise have against the Tenant for losses and damages caused actively or passively, in whole or in part, by any of the risks the Landlord actually insures, or which Landlord is required to insure against in accordance with this Agreement, unless such waiver would cause or result in a cancellation of, or diminution in, the coverage of the Landlord's policies of insurance against such risks.

14.5. The Landlord shall have no liability whatsoever to the Tenant or the Tenant's employees, other agents or Guests or anyone else for any death, bodily injury, property loss or other damages suffered by any of them or any of their property except to the extent caused by the gross negligence or intentional misconduct of the Landlord or any party for whose conduct Landlord is legally responsible..

14.6. Each policy of insurance required under subsection 14.1 of this Agreement shall include provisions to the effect that:

14.6.1. no act or omission of the Tenant, its employees, other agents or Guests shall result in a loss of insurance coverage otherwise available under such policy to any person required to be named as an additional insured in accordance with subsection 14.1 of this Agreement; and

14.6.2. the insurance coverage afforded by such policy shall not be diminished, cancelled, permitted to expire or otherwise terminated for any reason except upon 30 days' prior written notice from the insurer to every person named as an additional insured in accordance with subsection 14.1 of this Agreement.

14.7. With respect to each type of insurance coverage referred to in subsection 14.1 of this Agreement, prior to the Commencement Date the Tenant shall cause its insurer(s) to deliver to the Landlord the

certificate(s) of the insurer(s) setting forth the name and address of the insurer, the name and address of each additional insured, the type of coverage provided, the limits of the coverage, any deductible amounts, the effective dates of coverage and that each policy under which coverage is provided affirmatively includes provisions to the effect set forth in subsection 14.6 of this Agreement. In the event any of such certificates indicates a coverage termination date earlier than the end of the Term or the end of any other period during which the Tenant may have possession of the Leased Premises, no later than 10 days before any such coverage termination date, the Tenant shall deliver to the Landlord respective, equivalent, new certificate(s) of the insurer(s).

15. Casualty Damage to Building or Leased Premises.

15.1. In the event of any damage to the Building or any portion thereof by fire or other casualty, with the result that the Leased Premises are rendered unusable, in whole or in part, then, subject to the rights of the parties to terminate this Lease as hereinafter provided in subsection 15.1.1, the Landlord shall, within twenty (20) business days of the casualty, determine the period of time required to restore the Building and the Leased Premises (but not including the improvements constructed or installed prior to the Term or during the Term in excess of the original Allowance for the same) and notify Tenant of Landlord's determination including the number of days which restoration is estimated to take.

15.1.1. If, in Landlord's opinion, the restoration described above will take more than 180 days from the date of the casualty to complete then Landlord may elect to terminate this Agreement effective as of the date of casualty. Notice of the Landlord's election shall be served upon the Tenant within the twenty (20) business day period described above. If Landlord does not elect to terminate, Tenant may elect to terminate this Lease by a written notice to Landlord sent within ten (10) days after receipt of Landlord's determination of the time to

rebuild.

If, in Landlord's reasonable opinion the cost to repair the damage exceeds the amount of insurance coverage by $500,000, or more, which is not covered by insurance because of the standard exclusions or limitations in the insurance which Landlord carries, then Landlord also may elect to terminate this Agreement effective as of the date of casualty. Notice of the Landlord's election shall be served upon the Tenant within the twenty (20) business day period described above.

15.1.2. If, in Landlord's opinion, the restoration described above will take 180 days or less, or, if neither party terminates this Agreement pursuant to the provisions of subsection 15.1.1, then Landlord shall restore the Building and the Leased Premises as aforesaid. In either of such events, the Landlord shall cause restoration to proceed diligently and expediently to the extent the Landlord has received proceeds of any property, casualty or liability insurance on the damaged portions (or would have received such proceeds had it obtained such coverage).

If Landlord proceeds with restoration but does not substantially complete the same within the greater of (i) one hundred eighty days from the date of the casualty; or (ii) the number of days which Landlord specified in the notice given pursuant to the provisions of subsection 15.1 of this Agreement, then Tenant may serve a notice at any time thereafter that this Agreement will terminate on a date specified by Tenant in its notice, unless the restoration is substantially completed within the thirty (30) day period after service of such notice. For this purpose, the completion of the portions of the Leased Premises which are being restored shall be determined by the same criteria as originally applied to completion of the Work. If this Agreement terminates pursuant to this provision, Tenant shall receive

a prompt refund of its Security Deposit and any prepaid rent.

15.2. Rent shall abate from the date of the casualty until:

15.2.1. such time as the Leased Premises are again fully usable and be reduced during such period by the amount which bears the same proportion to the Rent otherwise payable during such period as the gross rentable floor space of the Leased Premises which are rendered unusable bears to the gross rentable floor space of the Leased Premises. The restoration of the improvements constructed or installed prior to the Term or during the Term in excess of the original Allowance for the same shall be the Tenant's responsibility. Tenant shall make reasonable, good faith efforts to integrate the restoration which is its responsibility with the work which is being performed by Landlord. To the extent that is not feasible, Tenant shall be allowed an additional, reasonable interval to complete its work, not to exceed sixty days and Rent shall abate during the interval required for such restoration. The Landlord shall cooperate with Tenant to integrate the restoration of such improvements during the reconstruction period; or

15.2.2. this Agreement is canceled pursuant to the provisions of subsections 15.1.

15.3. If either party terminates this Agreement pursuant to the provisions of subsection 15.1.1 then Landlord, in such event, may proceed with restoration (or non-restoration) in any manner it chooses, without any liability to Tenant.

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

16. Condemnation.

If the Leased Premises, or any portion thereof, or the Building or the Common Facilities, or any substantial portion of any of the foregoing, shall be acquired for any public or quasi-public use or purpose by statute, right of eminent domain or private sale in lieu thereof, with the result the Tenant can not reasonably use and occupy the Leased Premises for the purpose set forth in subsection 7.1 of this Agreement, then this Lease shall terminate (and all rental obligations shall be adjusted) as of the date that possession must be delivered to the condemning authority. The Tenant hereby waives any claim against the Landlord and the condemning authority for any thing of value, tangible or intangible, including, without limiting the generality of the foregoing, the putative value of any leasehold interest or loss of the use of same, except for any right the Tenant might have to make a claim, independent of, and without reference to or having any effect on, any award or claim of the Landlord, against the condemning authority or other acquiring party regarding the value of the Tenant's installed trade fixtures and other installed equipment which are not removable from the Leased Premises or for ordinary and necessary moving expenses occasioned thereby.

17. Assignment or Subletting by Tenant.

17.1. Except as may be specifically set forth in this section 17 (including, without limitation, subsection 17.6) of the Agreement, the Tenant shall not:

17.1.1. assign this Agreement or any of the Tenant's rights hereunder;

17.1.2. sublet the Leased Premises or any portion thereof;

17.1.3. license the use or occupancy of the Leased Premises or any portion thereof;

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

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

17.2. Except as may be specifically set forth in this section 17 (including, without limitation, subsection 17.6) of the Agreement, the Tenant shall not assign this Agreement or any of the Tenant's rights hereunder or sublet the Leased Premises or any portion thereof without first giving seven (7) business days' prior notice to the Landlord of its desire to assign or sublet and requesting the Landlord's consent which consent shall not be unreasonably withheld, delayed or conditioned. The Tenant's notice to the Landlord shall include:

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

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

17.2.3. a description of the use to which the proposed assignee or sublessee intends to put the Leased Premises or portion thereof if not substantially the same as permitted in subsection 7.1 and, if the use is not substantially the same, any other information reasonably requested by the Landlord;

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

proposed assignee or sublessee may desire to submit;

17.2.5. by diagram and measurement of the actual square feet of floor space, the precise portion of the Leased Premises proposed to be sublet;

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

17.3. By the expiration of the seven (7) business day notice period provided in subsection 17.2 of this Agreement, the Landlord, in its sole discretion, shall take one of the following actions by notice to the Tenant:

17.3.1. grant consent on the terms and conditions set forth in subsection 17.4 of this Agreement;

17.3.2. reasonably and in good faith decline to grant consent for any of the reasons set forth in subsection 17.5 of this Agreement; or

17.3.3. elect to terminate the Term as of (a) the end of the third full month after the Tenant has

given notice of the Tenant's desire to assign or sublet or (b) the proposed effective date of the proposed assignment or sublease.

17.4. The Landlord's consent to the Tenant's proposed assignment or sublease, if granted under subsection 17.3.1 of this Agreement, shall be subject to all the following terms and conditions:

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

17.4.2. the Tenant shall remain liable under this Agreement, jointly and severally with any proposed assignee or sublessee, for the timely performance of all obligations of the Tenant set forth in this Agreement;

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

17.4.4. with respect to any consideration or other thing of value received or to be received by the Tenant directly in consideration for such assignment or sublease (other than advance rent payments and security deposits and those amounts payable in equal monthly installments each month during the proposed term of any such assignment or sublease), the Tenant shall pay to the Landlord one-half of any such amount and one-half of the fair market value (in excess of Tenant's basis) of any other thing of value within 10 days of receipt of same after Tenant shall have fully recovered any brokerage fees, attorneys fees, repair and improvement costs, fees payable to Landlord pursuant to Section 17.4.6, below, and other costs and expenses incurred by Tenant in connection with such assignment or subletting;

17.4.5. with respect to any amount payable to the Tenant in equal monthly installments each month during the proposed term of any such assignment or sublease in connection with such assignment or sublease, which amount is in excess of the amount which bears the same ratio to the monthly installment

of Rent due from the Tenant as the usable floor space of the Leased Premises subject to the assignment or sublease bears to the usable floor space of the entire Leased Premises, the Tenant shall pay one-half of such excess to the Landlord together with the Tenant's monthly installment of Rent after Tenant shall have fully recovered any brokerage fees, attorneys fees, repair and improvement costs, fees payable to Landlord pursuant to Section 17.4.6, below, and other costs and expenses incurred by Tenant in connection with such assignment or subletting; and

17.4.6. Tenant shall reimburse Landlord for the reasonable expenses incurred in connection with the review of the proposed assignment or sublease and the documentation related thereto, not to exceed $500 per transaction.

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

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

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

17.5.3. the general reputation, financial position or type of business of, or the anticipated use of the Leased Premises by, the proposed assignee or proposed sublessee is substantially inconsistent with uses of those of tenants of Other Leased Premises;

17.5.4. the proposed consideration to be paid to the Tenant during any period of 12 months is less than sixty (60%) percent the amount of the Market Rental Rate divided by the gross rentable floor space of the Leased Premises and multiplied by that portion of the gross rentable floor space of the Leased Premises proposed to be subject to the proposed assignment or sublease; or

17.5.5. the gross rentable floor space of the portion of the Leased Premises proposed to be sublet is less than one-third of the gross rentable floor space of the Leased Premises.

17.5.6. Tenant agrees that no advertisement offering any portion of the Leased Premises for sublet or assignment shall state a rental rate which is less than the Basic Rent, but it may state "terms to be negotiated".

17.6. Anything in this section 17 to the contrary notwithstanding, and expressly without triggering any advance notice requirement or Landlord termination or recapture right, the Tenant shall have the right to assign this Agreement or sublet the Leased Premises or portions thereof without the prior written consent of the Landlord and without the application of subsections 17.1 and 17.2 of this Agreement if one of the following is applicable:

17.6.1 the assignee or sublessee is an Affiliate of the Tenant and the Affiliate relationship was not created to avoid the operation of this section of the Agreement; or

17.6.2. the proposed assignee or sublessee is an entity (a) resulting from the merger or consolidation of the Tenant with or into such entity or (b) purchasing substantially all the assets (subject to substantially all the liabilities) of the Tenant or (c) purchasing substantially all the issued and outstanding capital stock or other equity interests of the Tenant.

An "Affiliate" of any entity means a person or entity controlling, controlled by, or under common control with, that person or entity.

17.7. The provisions of section 17 of this Agreement shall not at any time prohibit Tenant from permitting any Venture Partner (as hereinafter defined) to share temporarily a portion of the Leased Premises in common with Tenant for the limited purpose of working together on the matter which is the subject of Tenant's agreement with such Venture Partner, provided that (i) such portion of the Leased Premises which is subject to sharing of space shall be at all times less than fifty (50%) percent of the Leased Premises, and (ii) Tenant notifies Landlord in writing of the space sharing agreement with such Venture Partner. "Venture Partner" shall mean any person or party with whom Tenant has made an agreement to collaborate jointly in a business undertaking. The provisions of this subsection 17.7 relating to space sharing with any Venture Partner shall not be deemed at any time to relieve Tenant of its obligations under the Lease with respect to any portion of the Leased Premises which is the subject of a space sharing arrangement with any Venture Partner.

18. Signs, Displays and Advertising.

18.1. The Tenant shall have one sign identifying the Landlord's assigned number for the Leased Premises at the principal entrance to the Leased Premises. The Tenant may identify itself in or on each of:

the signs at the principal entrance to the Leased Premises, the Building directory and the directory, if any, on the floor of the Building on which the Leased Premises is located. All such signs, and the method and materials used in mounting and dismounting them, shall be in accordance with the Landlord's specifications. All such signs shall be provided and mounted by the Landlord at the Landlord's expense, except that the Tenant shall bear any expense of identifying itself on the sign at the principal entrance to the Leased Premises. Landlord shall put the Tenant's name on the monument sign (or a new monument sign installed by Landlord) in a size and style comparable to other names on such sign.

18.2. No other sign, advertisement, fixture or display shall be used by the Tenant on the Property or in the Building or the Common Facilities. Any signs other than those specifically permitted under subsection 18.1 of this Agreement shall be removed promptly by the Tenant or by the Landlord at the Tenant's expense.

19. Quiet Enjoyment.

The Landlord is the owner of the Building, the Property and those Common Facilities located on the Property. The Landlord has the right and authority to enter into and execute and deliver this Agreement with the Tenant. So long as an Event of Default shall not have occurred and be continuing after the delivery of all required notices and the expiration of applicable cure periods, the Tenant shall and may peaceably and quietly have, hold and enjoy the Leased Premises during the Term in accordance with this Agreement free from hindrance or molestation of or by Landlord or any person or party claiming by, through or under Landlord subject to the provisions of section 25 of this Agreement.

20. Intentionally Omitted.

21. Surrender.

21.1 Upon expiration or earlier termination of the Term, or at any other time at which the Landlord, by virtue of any provision of this Agreement has the right to re-enter and re-take possession of the Leased Premises, the Tenant shall surrender possession of the Leased Premises; remove from the Leased Premises all property owned by the Tenant or anyone else other than the Landlord; remove from the Leased Premises any alterations, improvements or other modifications to the Leased Premises that the Landlord may request by notice; provided, however, that Landlord may not require that Tenant remove any alterations, improvements or other modifications to the Leased Premises unless the requirement that the same be removed was contained in Landlord's notice to Tenant pursuant to subsection 12.2.2 of this Agreement as an express condition; make any repairs required by such removal; clean the Leased Premises; leave the Leased Premises in as good order and condition as it was upon the completion of any improvements contemplated by section 5 of this Agreement, ordinary wear and use, damage by fire or other casualty and Landlord's obligations excepted; return all copies of all keys and passes to the Leased Premises, the Common Facilities and the Building to the Landlord.

21.2 Within five (5) business days after the expiration or sooner termination of the Term, Landlord may elect ("Election Right") by written notice to Tenant to:

21.2.1 Retain any or all wiring, cables and similar installations appurtenant thereto installed by Tenant in the risers, ceilings, plenums and electrical closets of the Building ("Wiring");

21.2.2 Remove any or all such Wiring and restore the Premises and the Building to the condition existing prior to the installation of the Wiring ("Wire Restoration Work"). Landlord shall perform such Wire Restoration Work at Tenant's sole cost and expense based upon reasonable, documented third-party charges therefor; or

21.2.3 Require Tenant to perform the Wire Restoration Work at Tenant's sole cost and expense. In such event, Tenant shall submit the contract for the Wire Restoration Work to Landlord for Landlord's prior approval.

21.3 The provisions of this Clause shall survive the expiration or sooner termination of the Lease.

21.4 In the event Landlord elects to retain the Wiring pursuant to subsection 21.2.1 of this Agreement, Tenant covenants that Tenant shall be the sole owner of such Wiring, that Tenant shall have good right to surrender such Wiring, and that such Wiring shall be free of all liens and encumbrances.

21.5. Notwithstanding anything to the contrary in section 29, Landlord may retain Tenant's Security Deposit after the expiration or sooner termination of the Lease until the earliest of the following events:

21.5.1 Landlord elects to perform the Wiring Restoration Work pursuant to subsection 21.2.2 of this Agreement and the Wiring Restoration Work is complete and Tenant has fully reimbursed Landlord for all costs related thereto; or

21.5.2. Landlord elects to require the Tenant to perform the Wiring Restoration Work pursuant to subsection 21.2.3 of this Agreement and the Wiring Restoration Work is complete and Tenant has paid for all costs related thereto;

21.5.3. In the event Tenant fails or refuses to pay all costs of the Wiring Restoration Work within ten (10) business days of Tenant's receipt of Landlord's notice requesting Tenant's reimbursement for or payment of such costs, Landlord may apply all or any portion of Tenant's Security Deposit toward the payment of such unpaid costs relative to the Wiring Restoration Work.

21.5.4. The retention or application of such Security Deposit by Landlord pursuant to this section 21 does not constitute a limitation on or waiver of Landlord's right to pursue any other or further remedies at law or in equity.

21.6. Anything in this Section 21 to the contrary notwithstanding, and without limitation of Tenant's rights, Tenant shall have the right, but not the obligation, to remove, or to pay for the removal of, Wiring: (i) that was a part of Tenant's initial fit-out of the Leased Premises, or (ii) that was subsequently installed by Tenant with Landlord's consent, which consent did not stipulate that such Wiring would be required to be removed at the expiration or earlier termination of the Term.

22. Events of Default.

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

22.1. the Tenant's failure to pay any installment of Basic Rent or any amount of

Additional Rent within five (5) days next following written notice from Landlord that the same is past due, provided that if Landlord sends such a notice of delinquency twice in any consecutive twelve month period then thereafter,for the next twelve month period, Tenant's failure to pay Rent within five (5) days of the date it is due;

22.2. the Tenant's failure to complete performance of any of the Tenant's obligations under this Agreement (other than the payment of Rent) within twenty (20) days after the Landlord shall have given notice to the Tenant specifying which of the Tenant's obligations has not been performed and in what respects, unless completion of performance within such period of twenty (20) days is not practicable using diligence and expedience, then within a reasonable time of the Landlord's notice so long as the Tenant

shall have commenced substantial performance within such period of twenty (20) days and shall have continued to provide substantial performance, diligently and expediently, through to completion of performance;

22.3. the sale, transfer or other disposition of any interest of the Tenant in the Leased Premises by way of execution or other legal process in contravention of the terms of this Lease;

22.4. with the exception of those of the following events to which section 365 of the Bankruptcy Code shall apply in the context of an office lease (in which case subsection 22.5 of this Agreement shall apply):

22.4.1. the Tenant's becoming a "debtor" under section 101 of the Bankruptcy Code;

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

22.4.3. the appointment of a receiver or trustee of the Tenant's property or affairs where such party shall not be dismissed or discharged within a period of sixty (60) days; or

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

22.5. in the event of the occurrence of any of the events enumerated in subsection 22.4 of this Agreement to which section 365 of the Bankruptcy Code shall apply in the context of an office lease, the earlier of the bankruptcy trustee's rejection or deemed rejection (as those terms are used in section 365 of the Bankruptcy Code) of this Agreement.

23. Rights and Remedies.

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

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

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

23.1.3. if the Tenant remains in possession of the Leased Premises after the Tenant's obligation to surrender the Leased Premises shall have arisen, to remove the Tenant and the Tenant's and any others' possessions from the Leased Premises by any of the following means without any liability to the Tenant therefor, any such liability to the Tenant therefor which might otherwise arise being hereby waived by the Tenant: legal proceedings (summary or otherwise), writ of dispossession and

any other means and to receive Holdover Damages and, except in the circumstances contemplated by section 20 of this Agreement, to receive all expenses incurred in removing the Tenant and the Tenant's and any others' possessions from the Leased Premises, and of storing such possessions if the Landlord so elects;

23.1.4. to be awarded specific performance, temporary restraints and preliminary and permanent injunctive relief regarding Events of Default where the Landlord's rights and remedies at

law are inadequate;

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

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

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

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

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

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

23.2.1. all accrued but unpaid Rent;

23.2.2. the present value (calculated using the most recently available (at the time of calculation) published weekly average yield on United States Treasury securities having maturities comparable to the balance of the then remaining Term) of the sum of all payments of Rent remaining due (at the time of calculation) until the date the Term would have expired (had there been no election to terminate it earlier) less the present value (similarly calculated) of the fair market rent for the Leased Premises through the end of the Term (had there been no election to terminate it earlier) (and it shall be assumed for purposes of such calculations that (i) the amount of future Additional Rent due per year under this Agreement will be equal to the average Additional Rent per month due during the 12 full calendar months immediately preceding the date of any such calculation, increasing annually at a rate of three (3%) percent compounded, (ii) if any calculation is made before the first anniversary of the end of the No Pass Through Period, the average Additional Rent due for any month after the end of the No Pass Through Period will be equal to eight and fifty-eight hundredths (8.58%) percent of the sum of the Base Year Operational Expenses, Base Year Taxes and Tenant Electric Charges (considered on an annual basis), (iii) if any calculation is made before the

beginning of the Base Year, the sum of Base Year Taxes and Base Year Operational Expenses shall be assumed to be $8.00 per gross rentable square foot and (iv) if any calculation is made before the end of the Base Year, Base Year Taxes and Base Year Operational Expenses may be extrapolated based on the year to date experience of the Landlord); and

23.2.3. the Landlord's reasonably estimated cost of demolishing any leasehold improvements to the Leased Premises which the Tenant was required to remove pursuant to the provisions of subsection 21.1 of this Agreement.

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

23.4. In the event the Landlord elects the right and remedy set forth in subsection 23.1.3 of this Agreement, Holdover Damages shall mean damages at the rate per month or part thereof equal to the greater of: (a) one and one-half times one-twelfth of the then Market Rental Rate plus all Additional Rent as set forth in this Agreement or (b) double the average amount of all payments of Rent due under this Agreement during each of the last 12 full calendar months prior to the Landlord's so electing or, in the event the Term shall have terminated by expiration under subsection 24.1.1 of this Agreement, the last full 12 calendar months of the Term, in either case payable in full on the first day of each holdover month or part thereof.

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

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

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

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

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

23.7. It is expressly understood and agreed that the Landlord's sole obligation to mitigate damages shall be the appointment of an exclusive agent to market the Leased Premises. In the event the Landlord elects the right and remedy set forth in subsection 23.1.2 of this Agreement, Re-Leasing Damages shall be equal to the Rent less any rent actually and timely received by the Landlord from any lessee of the Leased Premises or any portion thereof, payable at the respective times that Rent is payable under the Agreement plus the cost, if any, to the Landlord

of building out or otherwise preparing the Leased Premises for, and leasing the Leased Premises to, any such lessee. The Landlord may relet some or all of the Leased Premises but shall have no duty to lease the Leased Premises in preference to other available space. The Tenant shall retain its rights to sublet or assign the Leased Premises, or portions thereof, pursuant to Article 17 hereof except to the extent that the Landlord shall have already relet the same which shall abrogate the Tenant's

rights, pro tanto.

23.8. If (i) an Event of Default has occurred and the Tenant moves out, whether Landlord has terminated or otherwise, or (ii) if Tenant is dispossessed, and, in either of such events, fails to remove any property, machinery, equipment and fixtures or other property prior to such default, dispossess or removal, then and in that event, the said property, machinery, equipment and fixtures or other property shall be deemed, at the option of the Landlord, to be abandoned; or in lieu thereof, at the Landlord's option, the Landlord may remove such property, in cases in which removal of same is an express obligation of Tenant hereunder, and charge the reasonable cost and expense of removal, storage and disposal to the Tenant, together with an additional ten (10%) percent of such costs for Landlord's overhead and profit, which total costs shall be deemed to be additional rent hereunder. The Tenant shall be liable for any damage which it causes in the removal of said property from the Leased Premises.

24. Intentionally Omitted.

25. Mortgage and Underlying Lease Priority.

25.1. This Agreement and the estate, interest and rights hereby created for the benefit of the Tenant are, and shall always be, subordinate to any institutional mortgage (other than a mortgage created by the Tenant or a sale, transfer or other disposition by the Tenant in the nature of a security interest in violation of subsections 17.1.4 and 22.3, respectively, of this Agreement) already or afterwards placed on the Property, the Common Facilities, the Building or any estate or interest therein including, without limiting the generality of the foregoing, any new mortgage or any mortgage extension, renewal, modification, consolidation, replacement, supplement or substitution. This Agreement and the estate, interest and rights hereby created for the benefit of the Tenant are, and shall always be, subordinate to any ground lease already or afterwards made with regard to the Property, the Common Facilities, the Building or any estate or interest therein including, without limiting the generality of the foregoing, any new ground lease or any ground lease extension, renewal, modification, consolidation, replacement, supplement or substitution. The provisions of this section 25 of the Agreement shall be self-effecting; and no further instrument shall be necessary to effect any such subordination. Nevertheless, the Tenant hereby consents that any mortgagee or mortgagee's successor in interest may, at any time and from time to time, by notice to the Tenant, subordinate its mortgage to the estate and interest created by this Agreement; and upon the giving of such notice, the subject mortgage shall be deemed subordinate to the estate and interest created by this Agreement regardless of the respective times of execution or delivery of either or of recording the subject mortgage.

25.2. With respect to any mortgage which exists on the date of the execution of this Agreement, Landlord shall use its best efforts to secure a non-disturbance agreement in mortgagee's standard form which provides that Tenant's possession will not be disturbed as long as Tenant is not in default after the delivery of notice and the passage of all applicable cure periods under the terms of this Agreement. With respect to any future mortgage, this Agreement shall only be subordinate to the lien of the mortgage if it is an institutional mortgage and if Landlord shall secure a non-disturbance agreement in mortgagee's standard form which provides that Tenant's possession will not be disturbed as long as Tenant is not in default after the delivery of notice and the passage of all applicable cure periods under the terms of this Agreement.

26. Transfer by Landlord.

26.1. The Landlord shall have the right at any time and from time to time to sell, transfer, lease or otherwise dispose of the Property, the Common Facilities or the Building or any of the Landlord's interests therein at all times subject to this Lease and Tenant's rights and privileges hereunder, or to

assign

this Agreement or any of the Landlord's rights thereunder.

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

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

26.4. Notwithstanding anything to the contrary that may be set forth in subsections 26.1, 26.2 and 26.3 of this Agreement, in the event any future mortgage contemplated by subsection 25.2 of this Agreement is enforced by the respective mortgagee pursuant to remedies provided in the mortgage or otherwise provided by law or equity and any person succeeds to the interest of the Landlord as a result of, or in connection with, any such enforcement, the Tenant shall, upon the request of such successor in interest, automatically attorn to and become the Tenant of such successor in interest without any change in the terms or provisions of this Agreement (provided that Tenant shall receive the non-disturbance protection contemplated by subsection 25.2 of this Agreement), except that such successor in interest shall not be bound by: (a) any payment of Basic Rent or Additional Rent (exclusive of prepayments in the nature of a Security Deposit) for more than one month in advance or (b) any amendment or other modification of this Agreement which was made without the consent of such mortgagee or such successor in interest; and, upon the request of such successor in interest, the Tenant shall execute, acknowledge and deliver any instrument(s) confirming such attornment.

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

26.5.1. upon the expiration or earlier termination of the term of any such ground lease before the termination of the Term under this Agreement, the Tenant shall attorn to, and become the Tenant of, the lessor under any such ground lease and recognize such lessor as the Landlord under this Agreement for the balance of the Term; provided that the lessor recognizes Tenant as its direct tenant upon all of the same terms and conditions as are provided in this Lease and

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

27. Indemnification.

27.1. Subject to the waiver and release provisions of subsections 14.4, 14.5 and 14.6 of this Agreement, the Tenant shall, and hereby does, indemnify the Landlord against any and all liabilities, obligations, damages, penalties, claims, costs, charges and expenses including, without limiting the generality of the foregoing, expenses of investigation, defense and enforcement thereof or of the obligation of Tenant set forth in this section 27 of the Agreement including, without limiting the generality of the foregoing, attorneys' fees, imposed on or incurred by the Landlord in connection with any of the following matters which occurs during the Term; provided that, Tenant shall not be liable for consequential damages in any event:

27.1.1. any matter, cause or thing arising out of the use, occupancy, control or management of the Leased Premises or any portion thereof which is not caused by the gross negligence or intentional act of Landlord or any party for whom Landlord is legally responsible;

27.1.2. any negligence or intentional act on the part of the Tenant or any party for whose conduct Tenant is legally responsible;

27.1.3. any accident, injury or damage to any person or property occurring in or about the Leased Premises which is not caused by the gross negligence or intentional act of Landlord or any party for whom Landlord is legally responsible;

27.1.4. any representation made by the Tenant in this Agreement shall have been inaccurate or incomplete in any material respect either on the date it was made or the date as of which it was made;

27.1.5. the imposition of any mechanic's, materialman's or other lien on the Property, the Common Facilities, the Building, the Leased Premises or any portion of any of the foregoing, or the filing of any notice of intention to obtain any such lien, in connection with any alteration, improvement or other modification of the Leased Premises made or authorized by the Tenant (which indemnification obligation shall be deemed to include the Tenant's obligations set forth in subsection 12.2.4.3 of this Agreement); or

27.1.6. any failure on the part of the Tenant to perform or comply with any obligation of the Tenant set forth in this Agreement.

27.2. Payment of indemnification claims by the Tenant to the Landlord shall be due upon the Landlord's giving notice thereof to the Tenant.

27.3. The Landlord shall promptly give notice of any claim asserted, or action or proceeding commenced, against it as to which it intends to claim indemnification from the Tenant and, upon notice from the Tenant so requesting, shall forward to the Tenant copies of all claim or litigation documents received by it. Upon receipt of such notice the Tenant may, by notice to the Landlord, participate therein and, to the extent it may desire, assume the defense thereof through independent counsel selected by the Tenant. The Landlord shall not be bound by any compromise or settlement of any such claim, action or proceeding without its prior written consent.

27.4. Subject to the waiver and release provisions of subsections 14.4, 14.5 and 14.6 of this Agreement, the Landlord shall, and hereby does, indemnify the Tenant against any and all liabilities, obligations, damages, penalties, claims, costs, charges and expenses including, without limiting the generality of the foregoing, expenses of investigation, defense and enforcement thereof or of the obligations of Landlord set forth in this Section 27 of the Agreement including, without limiting the generality of the foregoing, attorneys' fees, imposed on or incurred by the Tenant in connection with any of the following matters which occurs during the Term; provided that, Landlord shall not be liable for consequential damages in any event:

27.4.1. any matter, cause or thing arising out of the use, occupancy, control or management of the the Property, the Building or the Common Facilities or any portion thereof, which is not caused by the gross negligence or intentional act of Tenant or any party for whom Tenant is legally responsible;

27.4.2 any negligence or intentional act on the part of the Landlord or any party for whose conduct Landlord is legally responsible;

27.4.3. any accident, injury or damage to any person or property occurring in or about the Leased Premises, the Property, the Building or the Common Facilities or any portion thereof which is not caused by the gross negligence or intentional act of

Tenant or any party for whom Tenant is legally responsible;

27.4.4. any representation made by the Landlord in this Agreement shall have been inaccurate or incomplete in any material respect either on the date it was made or the date as of which it was made;

27.4.5. any failure on the part of the Landlord to perform or comply with any obligation of the Landlord set forth in this Agreement.

27.5. The Tenant shall promptly give notice of any claim asserted, or action or proceeding commenced, against it as to which it intends to claim indemnification from the Landlord and, upon notice from the Landlord so requesting, shall forward to the Landlord copies of all claim or litigation documents received by it. Upon receipt of such notice the Landlord may, by notice to the Tenant, participate therein and, to the extent it may desire, assume the defense thereof through independent counsel selected by the Landlord. The Tenant shall not be bound by any compromise or settlement of any such claim, action or proceeding without its prior written consent.

28. Parties' Liability.

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

28.1.1. the inability of the Landlord to provide any utility or service to be provided by the Landlord, as described in section 8 of this Agreement which is due to causes beyond the Landlord's control, or to necessary or advisable improvements, maintenance, repairs or emergency, so long as the Landlord uses reasonable efforts and diligence under the circumstances to restore the interrupted service or utility;

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

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

28.1.4. If any utility or service is interrupted and Landlord can remove the cause of such interruption with commercially reasonable measures and fails to do so for a period of seventy-two (72) hours after verbal notice, or more, then Rent shall abate until the utility or service in question is restored.

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

such performance is otherwise required under this Agreement.

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

center property of which it may form a part, the rents issues and profits thereof, and the sale and refinance proceeds therefrom.

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

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

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

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

29. Security Deposit.

29.1. The Tenant shall pay to the Landlord upon execution and delivery of this Agreement the sum of $78,370.84 as a security deposit to be held by the Landlord as security for the Tenant's performance of all the Tenant's obligations under this Agreement (the "Security Deposit"). The Landlord may commingle the Security Deposit with its general funds. Any interest earned on the Security Deposit shall belong to the Landlord. The Tenant shall not encumber the Security Deposit. The Landlord, in its sole discretion, may apply the Security Deposit to cure any Event of Default under this Agreement. If any such application is made, upon notice by the Landlord to the Tenant, the Tenant shall promptly replace the amount so applied. If there has been no Event of Default, within 30 days after termination of the Term the Landlord shall return the entire balance of the Security Deposit to the Tenant or so much thereof as Landlord shall not have previously applied to the cure of an Event of Default as hereinabove provided. The Tenant will not look to any foreclosing mortgagee of the Property, the Building, the Common Facilities or any interest therein for such return of the balance of the Security Deposit, unless the mortgagee has expressly assumed the Landlord's obligations under this Agreement or has actually received the balance of the Security Deposit.

29.2. In the alternative as Tenant may elect:

29.2.1. upon execution of this Lease, the Tenant shall post with Landlord as security for the full and faithful performance of this Lease upon the part of the Tenant to be performed an irrevocable, unconditional Letter of Credit in transferable form (together with all increases, renewals, replacements, amendments and substitutions, the "Letter of Credit") naming Landlord as beneficiary, with a term of at least one (1) year in the amount of $78,370.84

from an institution acceptable to Landlord in the reasonable exercise of its discretion (a "Qualified Bank"), presentable in New Jersey. First Union National Bank or PNC Bank each shall be considered a Qualified Bank. In no instance shall the amount of such security be considered a measure of liquidated damages. Tenant shall cause the Letter of Credit to be renewed for additional one year periods for the entire term of the Lease, and at least 15 days prior to the scheduled expiration of the Letter of Credit each year, Tenant shall provide Landlord with an extension of the Letter of Credit or replacement Letter of Credit from a Qualified Bank. If Tenant fails to provide such extension or replacement Letter of

Credit within the time period provided above, Landlord shall have the right to draw immediately upon the entire balance of the Letter of Credit and shall hold or disburse same in accordance with the provisions of this section.

29.2.2. Upon termination of this Lease, and provided Tenant is not in default hereunder following the delivery of notice and the expiration of all applicable cure periods , the Landlord shall return the Letter of Credit to the Tenant. During the term of this Lease, Landlord shall have recourse to said security to make good any default by Tenant following the delivery of notice and the expiration of all applicable cure periods, in which event Tenant shall, on demand, promptly restore said Letter of Credit to its original amount. It is agreed that should Landlord convey its interest under this Lease, the security deposit may be turned over by Landlord to Landlord's grantee or transferee, and Tenant shall cooperate with Landlord by causing an appropriate amendment to the Letter of Credit to be issued changing the name of the beneficiary. Upon any such delivery of an amendment to the Letter of Credit, provided that Tenant shall have written notice of the transfer and accurate and current contact information regarding the transferee, Tenant hereby releases Landlord herein named of any and all liability with respect to the security deposit, its application and return, and Tenant agrees to look solely to such grantee or transferee, and it is further understood that this provision shall also apply to subsequent grantees and transferees. Tenant shall not mortgage, encumber or assign said security.

30. Representations.

The Tenant hereby represents and warrants that:

30.1. its Standard Industrial Classification (SIC) code is 2836 and it will promptly give notice of any change therein during the Term to the Landlord;

30.2. no broker or other agent has shown the Leased Premises or the Building to the Tenant, or brought either to the Tenant's attention, except Julien J. Studley, Inc. (the "Broker"), whose entire commission therefor is set forth in a separate document and which commission the Tenant understands will be paid by the Landlord directly to the Broker;

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

30.4. the execution and delivery of, the consummation of the transactions contemplated by and the

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

31. Reservation in Favor of Tenant.

Neither the Landlord's forwarding a copy of this document to any prospective tenant nor any other act on the part of the Landlord prior to execution and

delivery of this Agreement by the Landlord shall give rise to any implication that any prospective tenant has a reservation, an option to lease or an outstanding offer to lease any premises.

32. Tenant's Certificates and Mortgagee Notice Requirements.

32.1. Promptly upon request of the Landlord at any time or from time to time, but in no event more than twenty (20) days after the Landlord's respective request (which request shall be made no more often than two (2) times in any twelve (12) month period), the Tenant shall execute, acknowledge and deliver to the Landlord or its designee an estoppel or other certificate, reasonably satisfactory in form and substance to the Landlord and any of its mortgagees, ground lessors or lessees or transferees or prospective mortgagees, ground lessors or lessees or transferees, with respect to any of or all the following matters:

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

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

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

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

32.1.5. to the best of Tenant's knowledge after reasonable inquiry, whether the Tenant then has no defenses or counterclaims under this Agreement or otherwise against the Landlord or with respect to the Leased Premises;

32.1.6. to the best of Tenant's knowledge after reasonable inquiry, whether Landlord is not then in breach of this Agreement in any respect;

32.1.7. whether the Tenant then has knowledge of any assignment of this Agreement, the pledging or granting of any security interest in this Agreement or in Rent due and to become due under this Agreement;

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

32.1.9. whether any Rent is not then in arrears;

32.1.10. whether Rent due or to become due under this Agreement has not been prepaid by

more than one month;

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

32.1.12. such information as the Landlord reasonably may request (and which Tenant can reasonably furnish without independent inquiry or investigation) for purposes of assuring compliance with the Industrial Site Recovery Act (13 N.J.S.A. 1K-6 et seq.), as it may be amended, and any other applicable Federal, state or local statute, ordinance, rule, regulation or order concerned with environmental matters.

32.2. If the Lease has been assigned to an assignee which is not a publicly reporting company, and in connection with the Landlord's or a prospective transferee's obtaining financing or refinancing of the Property, the Building, the Common Facilities, any portion thereof or any interest therein, the Landlord or a prospective lender shall so request, the Tenant shall furnish to the

requesting party within twenty (20) days of request summary financial information regarding assignee's financial position as of the close of its most recently completed fiscal year and its most recently completed interim fiscal period and regarding its results of operations for the periods then ended and comparable year earlier periods, certified by Tenant's chief financial officer to be a complete, accurate and fair presentation of the summary financial information purporting to be set forth therein.

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

32.4. Approximately 30 days prior to the termination of the Term, the Tenant shall apply to the New Jersey Department of Environmental Protection ("NJDEP"), to obtain the Department's unconditional certificate of non-applicability or approval of the Tenant's negative declaration or clean-up plan, together with copies of all documents furnished to NJDEP in connection with obtaining such certificate or approval, and deliver the same to Landlord upon receipt of the same.

32.5. In the event evidence of compliance with ISRA is not delivered to the Landlord prior to expiration or earlier termination of the Term (i) because Tenant fails timely to apply for the same or (ii) because of some other action for which Tenant is responsible, Tenant shall be liable for all actual, third-party costs and expenses incurred by Landlord in enforcing Tenant's obligations hereunder until such time as evidence of compliance with ISRA has been delivered to the Landlord, and together with any costs and expenses, including reasonable legal and environmental consultant fees incurred by Landlord in enforcing Tenant's obligations under subsection 7.2.8 and subsection 32.4 of this Agreement. After the Term, Tenant shall nevertheless be obligated to comply with its obligations hereunder. Evidence of compliance, as used herein, shall mean an approved "negative declaration" or a "no further action letter" issued by the

NJDEP. Evidence of compliance shall be delivered to the Landlord, together with copies of all submissions made to, and received from, the NJDEP, including all environmental reports, test results and other supporting documentation. In addition, if a Release is caused or permitted by Tenant, or parties for whom Tenant is legally responsible, during the Term then, after end of the Term, and because of the difficulty which the Landlord may experience in re-letting the Leased Premises, the Tenant shall remain liable for the payment of the annual rent in effect in the last month of the Term, prorated on a monthly basis (the "Post-Term Rent"). The Post-Term Rent shall no longer be due when and if the only remaining requirement is purely administrative action on the part of the NJDEP or from and after the commencement date of a lease of the Leased Premises to a third party. Additionally, if Tenant fails to commence the process required by subsection 32.4 of this Agreement at least 30 days prior to the expiration of the Term then the Post-Term Rent shall be equal to 150% of the annual rent in effect in the last month of the Term, prorated on a monthly basis. Such Post-Term Rent shall no longer be due when the only remaining requirement is purely administrative action on the part of the NJDEP, evidence of compliance is obtained from the NJDEP or from and after the commencement date of a lease of the Leased Premises to a third party.

Notwithstanding the provisions of the preceding paragraph, Tenant shall

have no liability for Post-Term Rent if (i) Tenant delivers to Landlord an unconditional certificate of non-applicability within ninety (90) days after the termination of the Term; and (ii) the failure to deliver the unconditional certificate of non-applicability until that time did not prevent the Landlord from re-letting the Leased Premises (or any portions thereof) to other tenants, if Landlord has a tenant ready, willing and able to lease the Leased Premises (or any portions thereor) on terms acceptable to Landlord and such tenant.

32.6. If (i) Landlord fails to remedy any condition on or affecting the Leased Premises which Landlord is responsible hereunder for remedying, and (ii) such condition, if unremedied, shall adversely affect Tenant's use and occupancy of the Leased Premises, Tenant, without any obligation to do so, in addition to Tenant's rights and remedies under this Lease, may elect to remedy such condition on behalf of Landlord after thirty (30) days prior written notice to Landlord (or such shorter response time as reasonably is required under the circumstances). Landlord shall reimburse Tenant for any actual, reasonable, documented sums paid or third-party costs incurred by Tenant in remedying such condition, including interest thereon at the Base Rate plus two (2) additional percentage points, from the respective dates of Tenant's incurring such costs, which sums and costs together with interest shall be due and payable by Landlord to Tenant within ten (10) days following receipt of invoice therefor. In the event Landlord fails to reimburse Tenant within thirty (30) days after receipt of invoice, Tenant shall send Landlord a second request for payment and if Landlord fails to reimburse Tenant within thirty (30) days after receipt of such second request for payment, Tenant shall have the right to deduct amounts owed to Tenant under this Section from installments of Base Rent next coming due under this Lease until the full amount, with interest as aforesaid, shall be recovered.

33. Waiver of Jury Trial.

The parties hereby waive any right they might otherwise have to a trial by jury in connection with any dispute arising out of or in connection with this Agreement or the use and occupancy of the Leased Premises.

34. Severability.

In the event that any provision of this Agreement, or the application of any provision in any instance, shall be conclusively determined by a court of competent jurisdiction to be illegal, invalid or otherwise unenforceable, such determination shall not affect the validity or enforceability of the balance of this Agreement.

35. Notices.

All notices contemplated by, permitted or required by this Agreement shall be in writing. All notices required by this Agreement shall be personally delivered or forwarded by recognized overnight carrier or by certified mail-return receipt requested, addressed to the intended party at its address first set forth above or, in the case of notices to the Tenant during the Term or any other period during which the Tenant shall be in possession of the Leased Premises, at the Leased Premises. A copy of any and all notices to Tenant also shall, as a condition of the effectiveness thereof, be delivered to Gary A. Smith, Esquire, Morgan, Lewis & Bockius LLP, 1701 Market Street, Philadelphia, PA 19103. All notices required under this Agreement shall be deemed given (i) upon delivery by overnight carrier; (ii) upon deposit, properly addressed and postage prepaid, in a postal depository if delivery is by certified mail; or (iii) upon personal delivery to the intended party, regardless of whether delivery shall be refused. Either party, by a notice served in accordance with the foregoing provisions, may change the address to which notices shall be sent. Notices given by an attorney for a party shall be deemed to be notices given by the party.

36. Captions.

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

37. Counterparts.

This Agreement may be executed in more than one counterpart, each of which shall

constitute an original of this Agreement but all of which, taken together, shall constitute one and the same Agreement.

38. Applicable Law.

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

39. Exclusive Benefit.

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

40. Successors.

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

41. Amendments.

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

42. Waiver.

Except as may otherwise be specifically set forth in this Agreement, the failure of any party at any time or times to require performance of any provision of this Agreement shall in no manner affect the right at a later time to enforce the same. No waiver by any party of any condition, or of the breach of any term,

covenant, representation or warranty set forth in this Agreement, whether by conduct or otherwise, in any one or more instances shall be deemed to be or construed as a further or continuing waiver of any such condition or breach, or as a waiver of any other condition or of the breach of any other term, covenant, representation or warranty set forth in this Agreement. The Landlord's acceptance of, or endorsement on, any partial payment of Rent or any late payment of Rent from the Tenant shall not operate as a waiver of the Landlord's right to the balance of the Rent due on a timely basis regardless of any writing to the contrary on, or accompanying, the Tenant's partial payment or the Landlord's putative acquiescence therein.

43. Course of Performance.

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

44. Landlord's Concession.

The Landlord shall credit against any amount otherwise due from the Tenant in accordance with section 5 of this Agreement the sum of $282,135 (the "Allowance").

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

LANDLORD:
Route 206 Associates

By: /s/ Eugene Schenkman

Eugene Schenkman Vice President
Route 206 Corp., General Partner

TENANT:
Enzon, Inc.

By: /s/ Arthur Higgins

Arthur Higgins, President and CEO

EXHIBIT A

LEASED PREMISES FLOOR SPACE DIAGRAM

EXHIBIT B

PROPERTY DESCRIPTION

ALL THAT CERTAIN tract or parcel of land located in the Township of Bridgewater, County of Somerset and State of New Jersey more particularly described, as follows:

BEGINNING at a point in the westerly sideline of U.S. Route 202-206 said point being the northeasterly corner of a lot of land now or formerly of Fennessey Buick, Inc., as described in Deed Book 1231 page 656, and from said beginning point running thence (1) along a line of partitioning as approved by the Township of Bridgewater South 82 degrees 17 minutes 56 seconds West, a distance of 546.28 feet to a point in the easterly No Access Right-of-Way line of U.S. Interstate Route 287; thence (2) along said right-of-way line, North 23 degrees 02 minutes 52 seconds West, a distance of 155.84 feet to an angle point in said right-of-way line; thence (3) still along said right-of-way line North 20 degrees 29 minutes 57 seconds West, a distance of 543.09 feet to a point, said point being the southwesterly corner of Lot 21, Block 3501, as shown on the official tax map of the Township of Bridgewater, said Lot 21 being also lands now or formerly M & M, Inc. of New Jersey; thence (4) along said Lot 21 and part of Lot 22 now or formerly M. Downey, North 82 degrees 17 minutes 56 seconds East, a distance of 510.83 feet to a point, said point being the northwest corner of Lot 23, Block 3501, now or formerly C. Dudeck; thence (5) along said Lot 23, South 07 degrees 27 minutes 04 seconds East, a distance of 75.00 feet to a point, said point being the southwest corner of said Lot 23; thence (6) still along said Lot 23, North 82 degrees 17 minutes 56 seconds East, a distance of 200.00 feet to a point in the aforementioned westerly sideline of U.S. Route 202-206; thence (7) along said westerly sideline, South 07 degrees 27 minutes 04 seconds East, a distance of 605.04 feet to the point and place of Beginning.

Containing 9.512 acres as shown on a "Proposed Partition-Map of Survey, Lot 24, Block 3501", Bridgewater Township, Somerset County, New Jersey, revised July 6, 1967,prepared by Donald H. Stires, P.E. & L.S, Somerville, New Jersey.

EXHIBIT C

WORK LETTER

The following is the Work Letter provided for in the Agreement of which this exhibit is a part. Landlord shall refurbish the third floor common area including painting, re-carpeting and wall covering comparable to the recently refurbished area on the second floor of the Building.

EXHIBIT D

BUILDING RULES AND REGULATIONS

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

these Building Rules and Regulations:

1. The sidewalks, driveways, entrances, passages, courts, lobby, esplanade areas, plazas, elevators, vestibules, stairways, corridors, halls and other Common Facilities shall not be obstructed or encumbered or used for any purpose other than ingress and egress to and from the Leased Premises. Landlord, in its discretion, may tow any vehicle left in the Common Facilities overnight; provided that the owner of such vehicle shall receive a written violation notice for its first parking infraction, and before its vehicle is towed. The Tenant shall not permit or suffer any of its employees, other agents or Guests to congregate in any of the said areas. No door mat of any kind whatsoever shall be placed or left in any public hall or outside any entry door of the Leased Premises.

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

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

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

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

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

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

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

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

10. The Tenant shall not manufacture any commodity or, except in connection with kitchen spaces accessory to Tenant's use, prepare or dispense any foods or beverages, tobacco, flowers or other commodities or articles without the prior

written consent of the Landlord.

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

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

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

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

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

unauthorized entry of persons.

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

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

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

19. Canvassing, soliciting and peddling in the Building and the Common

Facilities are prohibited and the Tenant shall cooperate to prevent same.

20. There shall not be used in any space, or in the public halls or other Common Facilities of the Building, in connection with the moving or delivery or receipt of safes, freight, furniture, packages, boxes, crates, paper, office material, or any other matter or thing, any hand trucks or dollies except those equipped with rubber tires, side guards and such other safeguards as the Landlord reasonably shall require. No hand trucks shall be used in passenger elevators, and no passenger elevators shall be used for the moving, delivery or receipt of the aforementioned articles. In connection with moving in or out any furniture, furnishings, equipment, heavy articles and heavy packages, the Tenant shall take such precautions as reasonably may be necessary to prevent excessive wear and tear in the Building's Common Facilities and the Leased Premises including, without limiting the generality of the foregoing, floor and wall treatments.

21. The Tenant shall not cause or permit any odors of cooking or other processes or any unusual or objectionable odors to emanate from the Leased Premises which might constitute a Nuisance.

22. The Landlord reserves the right not to enforce any Building Rule or Regulation against any tenants of Other Leased Premises. The Landlord reserves the right to rescind, amend or waive any Building Rule and Regulation when, in the Landlord's reasonable judgment, it appears necessary or desirable for the reputation, safety, care or appearance of the Building or the preservation of good order therein or the operation of the Building or the comfort of tenants or others in the Building; provided, however, that Landlord shall apply, enforce and waive, as applicable, Building Rules and Regulations in a reasonable, uniform and non-discriminatory manner.

EXHIBIT E

DEFINITIONS AND INDEX OF DEFINITIONS

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

1. "Additional Rent" means all amounts, other than Basic Rent and any Security Deposit, required to be paid by the Tenant to the Landlord in accordance with this Agreement.

2. "Additional Right of First Offer" is defined in subsection 6.2.2 of this Agreement.

3. "Adjusted Gross Footage" is defined in definition 34 of this Agreement.

4. "Adjusted Tenant's Share" is defined in definition 62 of this Agreement.

5. "Affiliate" is defined in subsection 17.6 of this Agreement.

6. "Agreement" means this Lease and Lease Agreement (including exhibits), as it may have been amended.

7. "Allowance" is defined in section 44 of this Agreement.

8. "Annual Amortized Capital Expenditure" means the payment amount determined as an annuity in arrears using the cost incurred by the Landlord for any Capital Expenditure as the present value, the number of years of its useful life selected by the Landlord in accordance with GAAP, but without reference to any tax regulations, as the number of periods and the Base Rate in effect when the respective improvement is first placed into service plus two additional percentage points as the annual rate of interest.

9. "Base Rate" means the prime commercial lending rate per year as announced from time to time by Fleet National Bank at its principal office.

10. "Base Year" means the full calendar year 2002 with respect to Operational Expenses (adjusted in accordance with the definition of Base Year Operational Expenses which follows) and Taxes.

11. "Base Year Operational Expenses" means Operational Expenses incurred by the Landlord during the Base Year as defined in subsection 10.2 of this Agreement. If less than 95% of the rentable area of the Building is occupied during the Base Year then the Base Year Operational Expenses shall be increased to the amount which normally would have been incurred had the occupancy been 95%. If in any subsequent calendar year less than 95% of the rentable area of the Building is occupied, the Operational Expenses for such calendar year shall be increased to the amount which normally would have been incurred had the occupancy been 95%. If the cafeteria is reduced in size or eliminated then the Base Year Operational Expenses shall be adjusted by eliminating any expense associated with the cafeteria which was incurred during the Base Year. If the cafeteria is restored, then the full Base Year Operational Expenses shall be restored.

12. "Base Year Taxes" means the product of the final assessed value, as the same may subsequently be adjusted in any appeal of the tax assessor's valuation, of the Property, the Building and any other improvements on the Property in the Base Year and the Municipality's lowest tax rate for office buildings and the property on which they stand in effect during the Base Year.

13. "Basic Rent" is defined in subsection 3.2 of this Agreement as revised by subsection 8.1.11 of this Agreement and definition 34 of this Agreement.

14. "Broker" is defined in subsection 30.2 of this Agreement.

15. "Building" means the office building erected on the Property which is commonly known as 685 Route 202/206, Bridgewater, New Jersey, as it may, in the Landlord's sole discretion, be increased, decreased, modified, altered or otherwise changed from time to time before, during or after the Term. As the Building is presently constructed it is agreed to contain 137,139 gross rentable square feet of floor space. The Building also contains 9,520 square feet of basement area.

16. "Capital Expenditure" is defined in subsection 10.3 of this Agreement.

17. "Commencement Date" is defined in section 4 of this Agreement.

18. "Common Facilities" means the areas, facilities and improvements provided by the Landlord in the Building (except the Leased Premises and the Other Leased Premises) and on or about the Property, including, without limiting the generality of the foregoing, the Parking Facilities and access roads thereto, for non-exclusive use by the Tenant in accordance with subsection 2.2 of this Agreement, as they may, in the Landlord's sole discretion, be increased, decreased, modified, altered or otherwise changed from time to time before, during or after the Term, and subject to rights which may be granted to the major tenant to utilize the lobby as a common reception area. If access roads are shared with other properties then the costs associated therewith shall be allocated on an equitable basis among the properties utilizing the access roads.

19. "Common Walls" means those walls which separate the Leased Premises from Other Leased Premises.

20. "Completion Delay" is defined in subsection 4.2.2.5 of this Agreement.

21. "Election Right" is defined in subsection 21.2 of this Agreement.

22. "Electric Charges" means all the supplying utility's charges for, or in connection with, furnishing electricity including charges determined by actual usage, any seasonal adjustments, demand charges, energy charges, energy adjustment charges and any other charges, howsoever denominated, of the supplying utility, including sales and excise taxes and the like, without any markup by the Landlord.

23. "Environmental Laws" is defined in subsection 7.2.8 (ii) of this Agreement.

24. "Event of Default" is defined in section 22 of this Agreement.

25. "Expiring Term" means, when used in the context of any Option to Renew,

the Term as it is then scheduled to expire (immediately prior to exercise of the next available Option to Renew).

26. "Gross Footage" is defined in definition 34 of this Agreement.

27. The Tenant's "Guests" shall mean the Tenant's licensees, invitees and all others in, on or about the Leased Premises, the Building, the Common Facilities or the Property, either at the Tenant's express or implied request or invitation or for the purpose of soliciting or visiting the Tenant.

28. "Hazardous Substance" is defined in subsection 7.2.8 (ii) of this Agreement.

29. "Holdover Damages" is defined in subsection 23.4 of this Agreement.

30. "Index" means the "all items" index figure for the New York Northeastern New Jersey average of the Consumer Price Index for all urban wage earners and clerical workers which uses a base period of 1982-84=100, published by the United States Department of Labor, so long as it continues to be published. If the Index is not published for a period of three consecutive months, or if its base period is changed, the term "Index" shall mean that index, as nearly equivalent in purpose, function and coverage as practicable to the original Index, which the Landlord shall have designated by notice to the Tenant.

31. "Initial Term" means the period so designated in subsection 4.1 of this Agreement.

32. "Initial Year" means the first 12 full calendar months of the Initial Term.

33. "Landlord" means the person so designated at the beginning of this Agreement and those successors to the Landlord's interest in the Property and/or the Landlord's rights and obligations under this Agreement contemplated by section 26 of this Agreement.

34. "Leased Premises" means that portion of the interior of the Building (as viewed from the interior of the Leased Premises) bounded by the interior sides of the unfinished floor and the finished ceiling on the floor (as the floors have been designated by the Landlord) of the Building, the centers of all Common Walls and the exterior sides of all walls other than Common Walls, the outline of which floor space is designated on the diagram set forth in Exhibit A attached hereto, which portion contains 15,436 usable square feet of floor space (the "Usable Footage") and 18,809 square feet of gross rentable floor space (the "Gross Footage"). If the present square footage of the cafeteria is reduced, then the Gross Footage shall be adjusted downward and the Basic Rent shall be redetermined by multiplying the Adjusted Gross Footage by the Basic Rent per foot which would otherwise be due under this Agreement. To determine the Adjusted Gross Footage, the number of usable square feet of floor space which is added to the Building's net rentable area (by reason of the elimination of some or all of the cafeteria) shall be added to 112,409 square feet (the "Revised Usable Footage"). A new factor shall be calculated (the "New Multiplier") which, when multiplied by the Revised Usable Footage, produces a product of 137,139 square feet. The Adjusted Gross Footage shall equal the product of the Usable Footage multiplied by the New Multiplier (the "Adjusted Gross Footage"). Similar adjustments shall be made each time the size of the cafeteria is adjusted but the Gross Footage shall not be increased to more than 18,809 square feet.

35. "Legal Holidays" means New Year's Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

36. "Market Rental Rate" means, at the time of reference, the gross rentable floor space of the Leased Premises multiplied by that annual rate of Basic Rent per square foot of gross rentable floor space which is the result of arm's length negotiation between sophisticated landlords and tenants for comparable other leased premises taking into consideration the term of the lease, tenant improvements allowance and other concessions.

37. "Municipality" means Bridgewater, New Jersey, or any successor municipality with jurisdiction over the Property.

38. "New Multiplier" is defined in definition 34 of this Agreement.

39. "No Pass Through Period" means, in the context of Operational Expenses and Taxes, the period beginning on the Commencement Date and ending on the day prior to the first anniversary of the Commencement Date.

40. "Nuisance" means any condition or occurrence which unreasonably or materially interferes with the authorized use and enjoyment of the Other Leased Premises and the Common Facilities by any tenant of Other Leased Premises or by any person authorized to use any Other Leased Premises or Common Facilities.

41. "Operational Expenses" is defined in subsection 10.2 of this Agreement.

42. "Option to Renew" is defined in subsection 6.1 of this Agreement.

43. "Other Leased Premises" means all premises within the Building, with the exception of the Leased Premises, that are, or are available to be, leased to tenants or prospective tenants, respectively.

44. "Outside Date" is defined in subsection 4.1 of this Agreement.

45. "Parking Facilities" means the parking area adjacent to the Building, which parking area is provided as Common Facilities which includes not fewer than four (4) standard-sized parking spaces per 1,000 usable square feet within the Building.

46. "Person" includes an individual, a corporation, a partnership, a trust, an estate, an unincorporated group of persons and any group of persons.

47. "Post-Term Rent" is defined in subsection 32.5 of this Agreement.

48. "Property" means the parcel of land, as it may, in the Landlord's sole discretion, be increased, decreased, modified, altered or otherwise changed from time to time before, during or after the Term, on which the Building is erected. As the Property is presently constituted, it is more particularly described in Exhibit B attached hereto.

49. "Regular Business Hours" means 8:00 A.M. to 7:00 P.M., Monday through Friday; and 9:00 A.M. to 1:00 P.M. on Saturdays; except on Legal Holidays.

50. "Re-Leasing Damages" is defined in subsection 23.3.

51. "Renewal Term" means, at the time of reference, any portion of the Term, other than the Initial Term, as to which the Tenant has properly exercised an Option to Renew which Option to Renew has not been rescinded in accordance with subsection 6.2 of this Agreement.

52. "Rent" means Basic Rent and Additional Rent.

53. "Revised Usable Footage" is defined in definition 34 of this Agreement.

54. "Right of First Offer" is defined in subsection 6.2.1 of this Agreement.

55. "Security Deposit" is designated in section 29 of this Agreement.

56. "Target Date" means, upon execution and delivery of this Agreement, the then estimated Commencement Date which is hereby established to be June 1, 2002.

57. "Taxes" means, in any calendar year, the aggregate amount of real property taxes, assessments and sewer rents, rates and charges, state and local taxes, transit taxes and every other governmental charge, whether general or special, ordinary or extraordinary (except corporate franchise taxes and taxes imposed on, or computed as a function of, net income or net profits from all sources and except taxes charged, assessed or levied exclusively on the Leased Premises or arising exclusively from the Tenant's

occupancy of the Leased Premises) charged, assessed or levied by any taxing authority with respect to the Property, the Building, the Common Facilities and any other improvements on the Property, less any refunds or rebates (net of expenses incurred in obtaining any such refunds or rebates) of Taxes actually received by the Landlord during such calendar year with respect to any period during the Term for the benefit of the Tenant, tenants of Other Leased Premises and the Landlord. If during the Term there shall be a change in the means or methods of taxing real property generally in effect at the beginning of the Term and another type of tax or method of taxation should be substituted in whole or in part for, or in lieu of, Taxes, the amounts calculated under such other types of tax or by such other methods of taxation shall also be deemed to be Taxes. Until such time as the actual amount of Taxes for any calendar year becomes known, the amount thereof shall be the Landlord's estimate of Taxes for that calendar year.

Tenant's proportionate share of Taxes shall only include those installments thereof becoming due during the term of this Lease. If any assessments may be paid in installments over a period of years, such assessments shall be deemed to be payable over the longest number of years permitted by the assessing authority, and only the installments coming due during the term of this Lease, together with any interest or carrying charges due will be included within the impositions payable by Tenant. In addition, Landlord agrees to take advantage of opportunities providing payment of impositions at a discount to the extent Landlord, in its reasonable business judgment, shall determine.

In addition, Tenant's obligation hereunder shall expressly exclude any excise, franchise, estate, succession or inheritance taxes, as well ass any penalties imposed for late payment of any real estate tax, assessment or other imposition (except for penalties on taxes which Landlord has not paid as a result of a bona fide contest or for which it has not received payment from Tenant) and shall in no event include any real estate tax or assessment attributable solely to a period occurring prior to the Commencement Date of this Lease.

58. "Tenant" means the person so designated at the beginning of this Agreement.

59. "Tenant Electric Charges" means (a) during Regular Business Hours, Electric Charges attributable to the Tenant's use of electricity in the Leased Premises for purposes other than heating, ventilation and air conditioning provided to the Leased Premises by the Landlord in accordance with subsection 8.1.5 of this Agreement and (b) during other than Regular Business Hours, a charge at the rate of $50.00 per hour or partial hour of use plus Electric Charges attributable to the Tenant's use of electricity in the Leased Premises for all purposes including, without limiting the generality of the foregoing, heating, ventilation and air conditioning. Landlord shall arrange for a system operating twenty-four (24) hours a day by which Tenant may secure after hours heating and air-conditioning on demand.

60. "Tenant Plan" means construction drawings and related construction specifications regarding the build-out of the Leased Premises (with any construction drawings in a reproducible diazo sepia mylar form and in CAD readable format) including, without limiting the generality of the foregoing, the finish schedule, signed and sealed by a New Jersey-licensed architect, complying in all respects with applicable building and fire codes and insurance underwriting standards in effect and in sufficient detail to permit the Municipality to issue any required building permits and to permit skilled contractors to supply and perform the work called for therein. The Tenant Plan shall not include any specialized computer installations or any telecommunications equipment or facilities.

61. "Tenant Plan Due Date" means March 18, 2002.

62. "Tenant's Share" of any amount means 13.715%. The Tenant's Share shall be adjusted if the present square footage of the cafeteria is reduced. The Adjusted Tenant's Share shall be determined by

dividing the Adjusted Gross Footage determined in accordance with definition 34 of this Agreement by 1,371.39 (the "Adjusted Tenant's Share"). Similar adjustments shall be made each time the size of the cafeteria is adjusted but the Tenant's Share shall not be increased to more than 13.715%.

63. "Term" means the Initial Term plus, at the time of reference, any Renewal Term.

64. "Termination Damages" is defined in subsection 23.2 of this Agreement.

65. "Usable Footage" is defined in definition 34 of this Agreement.

66. "Utilities Expenses" means Electric Charges (other than Tenant Electric Charges) and all charges for any other fuel that may be used in providing electricity and services powered by electricity that the Landlord provides in accordance with section 8 of this Agreement to the Building, the Leased Premises, Other Leased Premises, the Common Facilities and the Property, including sales and excise taxes and the like.

67. "Venture Partner" is defined in subsection 17.7 of this Agreement.

68. "Wire Restoration Work" is defined in subsection 21.2.2 of this Agreement.

69. "Wiring" is defined in subsection 21.2.1 of this Agreement.

70. "Work" is defined in subsection 5.2 of this Agreement.

71. "Work Letter" means Exhibit C attached hereto which describes the improvements which Landlord will install without installation charge to the Tenant in addition to the Work.

LEASE AND LEASE AGREEMENT

Between

Route 206 Associates

The Landlord

And

Enzon, Inc.

The Tenant

For Leased Premises In

685 Route 202/206, Bridgewater, New Jersey

March , 2002

Prepared by:
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520 Route 22
P.O. Box 6872
Bridgewater, NJ 08807
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Exhibit 10.15

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (this "Agreement") dated as of March 6, 2002 (the "Effective Date"), between Enzon, Inc. (the "Company"), a Delaware corporation with offices in Piscataway, New Jersey, and Uli Grau, Ph.D. (the "Executive"), a resident of New York, New York.

WHEREAS, the Company is a biopharmaceutical company engaged in developing advanced therapeutics for life threatening diseases; and

WHEREAS, Executive has extensive experience as an executive of a pharmaceutical company; and

WHEREAS, the Company wishes to employ the Executive to render services for the Company on the terms and conditions set forth in this Agreement, and the Executive wishes to be retained and employed by the Company on such terms and conditions;

NOW, THEREFORE, in consideration of the premises, the mutual agreements set forth below and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Employment.

The Company hereby employs the Executive, and the Executive accepts such employment and agrees to perform services for the Company, for the period and upon the other terms and conditions set forth in this Agreement.

2. Term.

Unless terminated at an earlier date in accordance with Section 9 hereof, the term of the Executive's employment hereunder shall commence on the later of April 1, 2002 or the first day of the month following the date on which the U.S. Immigration and Naturalization Service grants employment authorization to Executive to perform services for the Company (the "Commencement Date") and shall extend through March 31, 2005, subject to automatic renewal for an additional twenty-four (24) months, unless either party hereto receives written notice from the other party no later than January 31, 2005 (a "notice of non-renewal") that such other party does not wish for the term hereof to continue beyond March 31, 2005, in which event the term hereof shall end on March 31, 2005 (the period during which the Executive is employed by the Company pursuant to this Section 2 being the "Term"). In the event the Commencement Date does not occur on or prior to July 1, 2002, or such mutually agreed upon extended period of time, this Agreement shall terminate and be of no further force or effect and the parties shall have no obligation to each other under this Agreement or otherwise.

3. Position and Duties.

(a) Service with Company. During the term of the Executive's employment, the Executive agrees to perform such employment duties for the Company in an executive and managerial capacity commensurate with the position of Chief Scientific Officer of the Company. As Chief Scientific Officer, Executive shall have the authority and duty generally to supervise and direct the research and development activities of the Company, subject to the control and direction of the Chief Executive Officer of the Company, the Board of Directors of the Company (the "Board"), or any duly authorized Committee of the Board.

(b) Performance of Duties. The Executive agrees to serve the Company faithfully and to the best of his ability and to devote his full time, attention and efforts to the business and affairs of the Company during his employment by the Company. Executive will not render or perform services for any other corporation, firm, entity or person which are inconsistent with the provisions of this Agreement. While he remains employed by the Company, the Executive may participate in reasonable charitable activities and personal investment activities so long as such activities do not conflict or interfere with the performance of his obligations under this Agreement.

(c) Executive Representations and Warranties. Executive represents and warrants to the Company that his entering into and performing this Agreement

will not constitute a breach of any employment, consulting, non-competition or other agreement to which he is a party or any other obligation of Executive. Executive represents and warrants to the Company that he has not been debarred under the Generic Drug Enforcement Act of 1992 (Sections 306-308 of the Federal Food, Drug and Cosmetic Act) nor has Executive received notice of action or threat of action of debarment. Executive's employment hereunder shall be conditioned upon his submission to a pre-employment drug test and receipt of a negative test result and Executive shall comply with the Company's Substance Abuse Policy during the term of this Agreement.

4. Compensation.

(a) Base Salary. As compensation in full for all services to be rendered by the Executive under this Agreement, the Company shall pay to the Executive, less applicable deductions and withholdings, a ratable base salary (the "Base Salary") of Four Hundred Thousand Dollars ($400,000) per year, which Base Salary shall be paid in accordance with the Company's normal payroll procedures and policies for its senior management. The compensation payable to Executive during each year after the first year of the Executive's employment shall be established by the Board or the Compensation Committee thereof following an annual performance review by the Board, but in no event shall the Base Salary for any successive year of the Term be less than the Base Salary in effect during the previous year of the Term.

(b) Annual Bonus. Executive shall be entitled to participate in the Company's bonus plan for management and any successor bonus plan covering management with respect to each fiscal year of the Company ending during the Term (the "Bonus Plan"). Under the Bonus Plan, the Executive shall be eligible to receive a performance-based cash bonus for each fiscal year ending during the Term in an amount, and based on individual and/or corporate objectives, targets and factors (and evaluation as to the extent of achievement thereof), to be established and determined by the Board in its discretion following consultation between the Chief Executive Officer and Executive prior to, or within sixty (60) days after the commencement of, each fiscal

year (or in the case of the fiscal year ending June 30, 2002, within thirty (30) days following the Commencement Date). Under the Bonus Plan for the Executive, (i) the minimum cash bonus shall be zero (0), (ii) the target cash bonus shall equal 50% of the Base Salary (the "Target Bonus"), and (iii) the maximum cash bonus shall equal 82.5% of Base Salary. Any bonus payable with respect to the fiscal year ending June 30, 2002 shall be pro rated by multiplying the bonus which would have been payable for the entire fiscal year by a fraction, the numerator of which is the number of days between the Commencement Date and June 30, 2002 and the denominator of which is 365.

(c) Participation in Benefit Plans. While he is employed by the Company, Executive shall also be eligible to participate in any employee benefit plans or programs which may be offered by the Company to the extent that Executive meets the requirements for each individual plan and in all other plans in which Company executives participate. The Company provides no assurance as to the adoption or continuance of any particular employee benefit plan or program, and Executive's participation in any such plan or program shall be subject to the provisions, rules and regulations applicable thereto.

(d) Expenses. The Company will pay or reimburse Executive for all reasonable and necessary out-of-pocket expenses incurred by him in the performance of his duties under this Agreement, subject to the Company's normal policies for expense verification. The Company will also bear the cost of a corporate country club membership for use by Executive during the Term.

(e) Stock Options. Subject to Executive commencing his employment hereunder as the Company's Chief Scientific Officer on the Commencement Date, Executive shall be granted options to purchase an aggregate of 150,000 shares of Common Stock of the Company, subject to the terms of the Enzon, Inc. Non-Qualified Stock Option Plan, as amended (the "Option Plan"), and the Notice of Option Grant attached hereto as Exhibit A. Except as otherwise provided herein the Option Plan shall govern the terms of the options granted herein. Executive acknowledges that he has received and reviewed a copy of the Option Plan. The exercise price of such options shall be the last reported sale price of a share of Common Stock as reported by the Nasdaq Stock Market on the Commencement Date. Such options shall vest and become exercisable (a) as to

100,000 of such options, at the rate of 20,000 shares per year, commencing on the first anniversary of the Commencement Date, provided that any unvested portion of such 100,000 options shall immediately vest and become exercisable (subject to the requirement in the Option Plan that such options not be exercisable for the six months after the grant date thereof) when the last reported sale price of a share of the Common Stock is at least one hundred dollars ($100.00) as reported on the Nasdaq Stock Market for at least twenty (20) consecutive trading days, and (b) as to 50,000 of such options, on the fifth anniversary of the Commencement Date, provided such 50,000 options shall immediately vest and become exercisable (subject to the requirement in the Option Plan that such options not be exercisable for the six months after the grant date thereof) on the date on which the audited financial statements of the Company for a fiscal year are issued, which report net annual revenues of not less than Fifty Million Dollars ($50,000,000) from the commercial sale of product(s) used for organ rejection or autoimmune diseases ("Organ Rejection and Autoimmune Products"), provided in the case of each of clause (a) and (b) of this paragraph that, except as otherwise provided in Section 10 hereof, Executive is then employed by the Company on a full-time basis as its Chief Scientific Officer. For purposes of this Section "net annual revenues" shall mean the Company's revenues for a fiscal year of the Company derived from "net sales" of Organ Rejection and

Autoimmune Products by the Company as well as royalties paid to the Company during such fiscal year by any licensee(s) from the sale of Organ Rejection and Autoimmune Products. "Net sales" shall mean the proceeds actually received by the Company from its sale of Organ Rejection and Autoimmune Products to independent, third party customers in bona fide, arm's-length transactions less (1) actual allowances for returns, damages or otherwise, and discounts, rebates and allowances to customers, including cash, credit or free goods allowances; and (2) freight or other transportation charges, including insurance, actually allowed or paid on account of the delivery of Organ Rejection and Autoimmune Products to purchasers thereof; and (3) taxes (except income taxes) or duties paid, absorbed or otherwise imposed on the sale, including, without limitation, value added taxes. The price of the Common Stock that triggers accelerated vesting of such options shall be adjusted for stock splits, stock dividends and other similar recapitalization events. Except as otherwise provided in Section 10 hereof, once such options become exercisable they shall remain exercisable until 5:00 p.m. New York City time on the tenth (10th) anniversary of the Commencement Date. In addition, at the discretion of the Board of Directors (or its applicable committee), Executive shall be entitled to receive further grants of stock options, subject to the terms of the Option Plan.

(f) Vacation. Executive shall be entitled to vacations in accordance with the policy of the Company with respect to its senior management, in effect from time to time.

5. Noncompetition and Confidentiality Covenant.

(a) Noncompetition. The "Noncompete Period" shall be:

(i) the Term of this Agreement, and

(ii) (A) with respect to any activity covered by clause (y) or (z) below, the one (1) year period immediately following termination of Executive's employment with the Company and (B) with respect to any activity covered by clause (x) below, the two (2) year period immediately following termination of Executive's employment with the Company (whether any such termination covered by clause (A) or (B) is with or without Cause or with or without Good Reason, or whether such termination is occasioned by the Employee or the Company, or whether such termination occurs as a result of the expiration or nonrenewal of the Term).

In consideration for the compensation payable to Executive pursuant to this Agreement, including without limitation the stock options granted to Executive hereunder, during the Noncompete Period, Executive will not directly, or indirectly, whether as an officer, director, stockholder, partner, proprietor, associate, employee, consultant, representative or otherwise, become, or be interested in or associated with any other person, corporation, firm, partnership or entity, engaged to a significant degree in (x) developing, manufacturing, marketing or selling enzymes, protein-based biopharmaceuticals or other pharmaceuticals that are modified using polyethylene glycol ("PEG"), (y)

developing, manufacturing, marketing or selling single-chain antigen-binding proteins or (z) any activity which is in competition with or resembles any technology, process, product or area of business in which the Company is engaged or with Executive's participation has been actively planning to be engaged from time to time during the term of this Agreement. For purposes of the preceding sentence, to determine whether any entity is engaged in such activities to a "significant degree", comparison will be made to the Company's operations at that time. In other words, an entity will be deemed to be engaged in an activity to a significant degree if the number of employees and/or amount of funds devoted by such entity to

such activity would be material to the Company's operations at that time. Executive is hereby prohibited from ever using any of the Company's proprietary information or trade secrets to conduct any business, except for the Company's business while Executive is employed by the Company as provided in Section 5(b) hereof. The provisions contained in this Section 5(a) shall survive the termination of Executive's employment pursuant to Section 9 hereof or otherwise. In the event Executive breaches any of the covenants set forth in this Section 5(a), the running of the period of restriction set forth herein shall recommence upon Executive's compliance with the terms of this Section 5(a).

(b) Confidentiality. Executive recognizes and acknowledges that information relating to the Company's business, including, but not limited to, information relating to patent applications filed or to be filed by the Company, trade secrets relating to the Company's products or services, and information relating to the Company's research and development activities, shall be and remain the sole and exclusive property of the Company and is a valuable, special and unique asset of the Company's business. The Executive will not, during or after the term of his employment by the Company, disclose any such information to any person, corporation, firm, partnership or other entity; provided, however, that, notwithstanding the foregoing, during the term of Executive's employment with the Company, Executive may make such disclosure if such disclosure is in the Company's best interests, is made in order to promote and enhance the Company's business, and sufficient arrangements are made with the person or entity to whom such disclosure is made to ensure the confidentiality of such disclosure. The provisions of this Section 5(b) shall survive the termination of Executive's employment.

(c) Nonsolicitation of Employees. During the Noncompete Period, Executive shall not, directly or indirectly, personally or through others, encourage to leave employment with the Company, employ or solicit for employment, or advise or recommend to any other person, firm, business, or entity that they employ or solicit for employment, any employee of the Company or of any parent, subsidiary, or affiliate of the Company. The provisions of this Section 5(c) shall survive the termination of Executive's employment.

6. Ventures.

If, during the term of his employment, the Executive is engaged in or associated with the planning or implementing of any project, program, venture or relationship involving the Company and a third party or parties, all rights in such project, program, venture or relationship shall belong to the Company. Except as approved by the Board, the Executive shall not be entitled to any interest in such project, program, venture or relationship or to any commission, finder's fee or other compensation in connection therewith other than the compensation to be paid to the Executive as provided in this Agreement and the consideration payable by the Company to Vivo Healthcare under a purchase agreement between the Company and Vivo Healthcare relating to the Company's acquisition of an immunology product under development for organ rejection and autoimmune diseases, from Vivo Healthcare.

7. Acknowledgment.

Executive agrees that the covenants and agreements contained in Section 5 hereof are the essence of this Agreement; that each of such covenants is reasonable and necessary to protect and preserve the Company's interests, properties and business; that irreparable loss and damage will be suffered by the Company should Executive breach any of such covenants and agreements; that each of such covenants and agreements is separate, distinct and severable not

only from the other of such covenants and agreements but also from the other and remaining provisions of this Agreement; that the unenforceability or breach of any such covenants or agreement shall not affect the validity or enforceability of any other such covenant or agreement or any other provision of this Agreement; and that, in addition to other remedies available to it, the Company shall be entitled to both temporary and permanent injunctions and any other rights or remedies it may have, at law or in equity, to end or prevent a breach or contemplated breach by Executive of any such covenants or agreements.

(a) Geographic Extent of Executive's Obligations Concerning Section 5. Given the nature of the Company's business, the restrictions contained in Section 5 cannot be limited to any particular geographic region. Therefore, the obligations of Executive under Section 5 shall apply to any geographic area in which the Company (i) has engaged in business during the Term through its investment or trading activities or otherwise, or (ii) has otherwise established its goodwill, business reputation or any customer or vendor relations.

(b) Limitation of Covenant. Ownership by Executive, as a passive investment, of less than one percent of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded on Nasdaq shall not constitute a breach of Section 5.

(c) Blue Pencil Doctrine. If the duration or geographical extent of, or business activities covered by, Section 5 are in excess of what is valid and enforceable under applicable law, then such provision shall be construed to cover only that duration, geographical extent or activities that are valid and enforceable. Executive acknowledges the uncertainty of the law in this respect and expressly stipulates that this Agreement be given the construction which renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

(d) Disclosure. Executive shall disclose to any prospective employer, prior to accepting or continuing employment, the existence of Section 5 of this Agreement and shall provide such prospective employer with a copy of Section 5 of this Agreement. The obligation imposed by this subsection 7(d) shall terminate two years after the end of the Term.

8. Intellectual Property and Related Matters.

(a) Disclosure and Assignment. Executive will promptly disclose in writing to the Company complete information concerning each and every product, invention, discovery, practice, process or method, whether patentable or not, made, developed, perfected, devised, conceived or first reduced to practice by Executive, either solely or in collaboration with others, during the Term, or six months thereafter, whether or not during regular working hours, relating either directly or indirectly to, or useful in, any aspect of the business, products, practices or techniques of the Company ("Developments"). Executive, to the extent that he has the legal right to do so, hereby acknowledges that any and all of the Developments are the property of the Company and hereby assigns and agrees to assign to the Company any and all of Executive's right, title and interest in and to any and all of the Developments. At the request of the Company, Executive will confer with the Company and its representatives for the purpose of disclosing all Developments to the Company as the Company shall reasonably request during the period ending one year after the Term.

(b) Limitation on Section 8(a). The provisions of Section 8(a) shall not apply to any Development, for which no equipment, supplies, facility or trade secret information of the

Company was used and which was developed entirely on Executive's own time, unless (a) the invention relates (i) directly to the business of the Company, or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by Executive for the Company.

(c) Assistance of Executive. Upon request and without further compensation therefor, but at no expense to Executive, Executive will do all lawful acts, including but not limited to, the execution of papers and lawful oaths and the

giving of testimony, that in the opinion of the Company, may be necessary or desirable in enforcing the Company's intellectual property and trade secret rights, and for perfecting, affirming and recording the Company's complete ownership and title thereto.

(d) Records. Executive will keep complete, accurate and authentic accounts, notes, data and records of the Developments in the manner and form requested by the Company. Such accounts, notes, data and records shall be the property of the Company, and, upon the earlier of its request or the conclusion of his employment, Executive will promptly surrender same to it.

(e) Copyrightable Material. All right, title and interest in all copyrightable material that Executive shall conceive or originate, either individually or jointly with others, and which arise out of the performance of this Agreement, will be the property of the Company and are by this Agreement assigned to the Company along with ownership of any and all copyrights in the copyrightable material. Upon request and without further compensation therefor, but at no expense to Executive, Executive shall execute all papers and perform all other acts necessary to assist the Company to obtain and register copyrights on such materials in any and all countries. Where applicable, works of authorship created by Executive for the Company in performing his responsibilities under this Agreement shall be considered "works made for hire," as defined in the U.S. Copyright Act.

(f) Know-How and Trade Secrets. All know-how and trade secret information conceived or originated by Executive that arises out of the performance of his obligations or responsibilities under this Agreement or any related material or information shall be the property of the Company, and all rights therein are by this Agreement assigned to the Company.

(g) Survival. The obligations imposed by this Section 8 on Executive shall survive termination of this Agreement.

9. Termination of Employment.

(a) Grounds for Termination. Executive's employment pursuant to this Agreement shall terminate prior to the expiration of the Term in the event that at any time:

(i) Executive dies,

(ii) Executive becomes disabled (as defined below), so that he cannot perform the essential functions of his position with or without reasonable accommodation,

(iii) The Board elects to terminate Executive's employment for "Cause" and notifies Executive in writing of such election, or

(iv) The Board elects to terminate Executive's employment without "Cause" and notifies Executive in writing of such election.

If Executive's employment is terminated pursuant to clause (i), (ii) or (iii) of this Section 9(a), such termination shall be effective immediately. If Executive's employment is terminated pursuant to subsection (iv) of this Section 9(a), such termination shall be effective 30 days after delivery of the notice of termination.

(b) "Cause" Defined. "Cause" shall mean (i) the willful engaging by Executive in illegal conduct or gross misconduct which is demonstrably and materially injurious to the Company, (ii) Executive's refusal to attempt to perform his obligations to the Company hereunder (other than any such failure resulting from illness or incapacity), which refusal is demonstrably and materially injurious to the Company, (iii) Executive's breach of his obligations under this Agreement, which breach is demonstrably and materially injurious to the Company, or (iv) the failure of Executive to maintain his immigration status with the U.S. Immigration and Naturalization Service or the Executive's failure to maintain valid employment authorization to provide services to the Company. For purposes of this Section 9(b), no act or failure to act on Executive's part shall be deemed "willful" unless done, or omitted to be done, by Executive not in good faith and without reasonable belief that Executive's action of omission was in the best interest of the Company. Notwithstanding the foregoing, with

respect to the definitions of Cause set forth in clauses (i), (ii) and (iii) above, Executive shall not be deemed to have been terminated for Cause unless and until the Company delivers to Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board (not including Executive if he shall then serve as a director) at a meeting of the Board called and held for such purpose (after reasonable notice to Executive and an opportunity for Executive, together with counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, Executive engaged in conduct set forth above and specifying the particulars thereof in reasonable detail.

(c) Termination by Executive for Good Reason. Executive's employment pursuant to this Agreement may terminate prior to the expiration of the Term in the event Executive has a "Good Reason" to terminate his employment, which shall mean the following:

(i) Any material adverse change in Executive's status or position as an officer of the Company, including, without limitation, any material adverse change in Executive's status or position as a result of a diminution in Executive's duties, responsibilities or authority as of the Commencement Date (or any status or position to which Executive may be promoted after the Commencement Date) or the assignment to Executive of any duties or responsibilities which are inconsistent with Executive's status or position, or any removal of Executive from or any failure to reappoint or reelect Executive to such position; or

(ii) The material breach by the Company of its obligations under this Agreement; or

(iii) A reduction in Executive's annual Base Salary as the same may be increased from time to time; or

(iv) The relocation of the Company's principal executive offices to a location more than thirty-five (35) miles from the location of such offices (other than a relocation

that results in the location of the offices in closer proximity to New York City) or the Company requiring Executive to be based anywhere other than the Company's principal executive offices, except for required travel substantially consistent with Executive's business obligations.

Prior to the Executive being permitted to terminate his employment for Good Reason, the Company shall have sixty (60) days to cure any such alleged breach, assignment, reduction or requirement, after Executive provides the Company written notice of the actions or omissions constituting such breach, assignment, reduction or requirement.

(d) "Change of Control" Defined. "Change of Control" means the following:

(i) "Board Change" which, for purposes of this Agreement, shall have occurred if, over any twenty-four month period, a majority of the seats (other than vacant seats) on the Company's Board were to be occupied by individuals who were neither (A) nominated by at least one-half (1/2) of the directors then in office nor (B) appointed by directors so nominated, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest or other actual or threatened solicitation of proxies or consents by or on behalf of a Person (as defined herein) other than the Board, or

(ii) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "Exchange Act"), (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of a majority of the then outstanding voting securities of the Company (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (A) any acquisition by the Company, or (B) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (C) any public offering or private placement by the Company of its voting securities; or

(iii) a merger or consolidation of the Company with another entity in which neither the Company nor a corporation that, prior to the merger or consolidation, was a subsidiary of the Company, shall be the surviving entity; or

(iv) a merger or consolidation of the Company following which either the Company or a corporation that, prior to the merger or consolidation, was a subsidiary of the Company, shall be the surviving entity and a majority of the Outstanding Company Voting Securities is owned by a Person or Persons who were not "beneficial owners," as defined in Rule 13d-3 of the Exchange Act, of a majority of the Outstanding Company Voting Securities immediately prior to such merger or consolidation; or

(v) a voluntary or involuntary liquidation of the Company; or

(vi) a sale or disposition by the Company of at least 80% of its assets in a single transaction or a series of transactions (other than a sale or disposition of assets to a subsidiary of the Company in a transaction not involving a Change of Control or a change in control of such subsidiary).

Transactions in which the Executive is part of the acquiring group do not constitute a Change of Control.

(e) "Disabled" Defined. As used in this Agreement, the term "disabled" means any mental or physical condition that renders Executive unable to perform the essential functions of his position, with or without reasonable accommodation, for a period in excess of 180 days.

(f) Surrender of Records and Property. Upon termination of his employment with the Company, Executive shall deliver promptly to the Company all records, manuals, books, lists, blank forms, documents, letters, memoranda, notes, notebooks, reports, data, tables, calculations or copies thereof that relate in any way to the business, products, practices or techniques of the Company, and all other property, trade secrets and confidential information of the Company, including, but not limited to, all documents that in whole or in part contain any trade secrets or confidential information of the Company, which in any of these cases are in his possession or under his control.

10. Effect of Termination.

(a) Termination Without Cause or for Good Reason or Upon the Company's Notice of Non-Renewal.

In the event the Company terminates Executive's employment as the Company's Chief Scientific Officer without Cause pursuant to Section 9(a)(iv) hereof, Executive terminates his employment for Good Reason pursuant to Section 9(c) hereof or the Company provides a notice of non-renewal of the Term under Section 2 hereof,

(i) Executive shall receive cash payments equal to his annual Base Salary at the time of such termination;

(ii) Executive shall receive a cash payment equal to the Target Bonus (based on the Base Salary at the time of such termination) which would have been payable for the fiscal year which commences immediately following the date of termination;

(iii) if Executive, and any spouse and/or dependents ("Family Members") has medical and dental coverage on the date of such termination under a group health plan sponsored by the Company, the Company will reimburse Executive for the total applicable premium cost for medical and dental coverage under the Consolidated Omnibus Budget Reconciliation Act of 1986, 29 U.S.C. Sections 1161-1168; 26 U.S.C. Section 4980B(f), as amended, and all applicable regulations (referred to collectively as "COBRA") for Executive and his Family Members for a period of up to eighteen (18) months commencing on the date of such termination; provided, that the Company shall have no obligation to reimburse Executive for the premium cost of COBRA coverage as of the date Executive and his Family Members become eligible to obtain comparable benefits from a subsequent

employer;

(iv) Executive shall receive cash payments equal to any unpaid Base Salary through the date of termination;

(v) Executive shall receive a cash payment equal to a pro rata amount of the Target Bonus (based on the Base Salary at the time of such termination) for the fiscal year during which termination occurs;

(vi) all options granted to Executive pursuant to Section 4(e) hereof which have not vested at the time of such termination will terminate as of the date of such termination and will be of no further force or effect; provided however that (A) with respect to the options to purchase 100,000 shares which become exercisable on a five-year vesting schedule, a pro rated portion (based on the portion of the year between anniversaries of the Commencement Date during which Executive is employed by the Company) of the tranche of unvested options which were scheduled to vest on the anniversary of the Commencement Date immediately following the date of such termination shall vest, (B) with respect to the options to purchase 50,000 shares which become exercisable on the fifth anniversary of the Commencement Date, subject to acceleration upon the achievement of an annual net revenue milestone, a pro rated portion (based on number of full months elapsed following the Commencement Date to the date of termination divided by 60) shall vest as of the date of termination, and (C) all of the options which are exercisable at the date of termination shall remain exercisable for 190 days following the date of termination;

(vii) the options granted to Executive pursuant to Section 4(e) hereof which have not vested at the time of such termination will terminate as of the date of such termination and will be of no further force or effect; and

(viii) Executive shall continue to be entitled to any deferred compensation and other unpaid amounts and benefits earned and vested prior to Executive's termination.

(b) Termination For Cause. In the event the Company terminates Executive's employment as the Company's Chief Scientific Officer for Cause pursuant to Section 9(a)(iii) hereof, (i) Executive shall be entitled to receive payment of his Base Salary through the date of termination, (ii) Executive shall continue to be entitled to any deferred compensation and other unpaid amounts and benefits earned and vested prior to Executive's termination, (iii) all options granted to Executive pursuant to Section 4(e) hereof which have vested prior to the date of Executive's termination shall remain exercisable for a period of 190 days following Executive's termination, and (iv) all options granted to Executive pursuant to Section 4(e) hereof which have not vested prior to the date of Executive's termination will terminate as of the date of such termination and will be of no further force and effect.

(c) Death. In the event Executive's employment as the Company's Chief Scientific Officer is terminated as a result of Executive's death, (i) Executive's estate or Executive's duly designated beneficiaries shall be entitled to payment of his Base Salary through the date of Executive's death, (ii) Executive's estate or Executive's duly designated beneficiaries shall be entitled to a pro rata amount of the Target Bonus (based on the Base Salary at the time of death) for the fiscal year in which he dies, (iii) the options granted to Executive pursuant to Section 4(e) hereof which have not vested at the time of Executive's death will continue to vest in accordance with the vesting schedule set forth in Section 4(e) hereof, and shall remain exercisable (together with any options granted under Section 4(e) which had previously vested), until the earlier of (A) one year from the date of death and (B) the end of the remaining exercise term of such options set forth in Section 4(e) hereof, and (iv) Executive's estate or Executive's duly designated beneficiaries shall continue to be entitled to any deferred compensation and other unpaid

amounts and benefits earned and vested prior to Executive's death. If Executive's Family Members have medical and dental coverage on the date of such

termination under a group health plan sponsored by the Company, the Company will reimburse such Family Member for the total applicable premium cost for medical and dental coverage under COBRA for such Family Members for a period of up to twenty four (24) months commencing on the date of such termination; provided the Company shall have no obligation to reimburse such Family Members for the premium cost of COBRA coverage as of the date they become eligible to obtain comparable benefits from another employer.

(d) Disability. Upon termination of Executive's employment as the Company's Chief Scientific Officer on account of Executive's disability pursuant to Section 9(a)(ii) hereof, (i) Executive shall be entitled to payment of his Base Salary through the commencement of long term disability payments to Executive under any plan provided or paid for by the Company, (ii) Executive shall be entitled to a pro rata amount of the Target Bonus (based on the Base Salary at the time of such termination) for the fiscal year in which his employment is terminated, (iii) Executive shall be entitled to all compensation and benefits to which Executive is entitled pursuant to the Company's disability policies in effect as of the date of Executive's termination, (iv) the options granted to Executive pursuant to Section 4(e) hereof which have not vested at the date of termination of employment will continue to vest in accordance with the vesting schedule set forth in Section 4(e) hereof, and shall remain exercisable (together with any options granted under Section 4(e) which had previously vested), until the earlier of (A) one year from the date of such termination of Executive's employment and (B) the end of the remaining exercise term of such options set forth in Section 4(e), hereof, and (v) Executive shall continue to be entitled to any deferred compensation and other unpaid amounts and benefits earned and vested prior to Executive's termination. If Executive and his Family Members have medical and dental coverage on the date of such termination under a group health plan sponsored by the Company, the Company will reimburse Executive for the total applicable premium cost for medical and dental coverage under COBRA for Executive and his Family Members for a period of up to eighteen (18) months commencing on the date of such termination; provided the Company shall have no obligation to reimburse Executive and his Family Members for the premium cost of COBRA coverage as of the date they become eligible to obtain comparable benefits from another employer.

(e) Voluntary Resignation or Upon Executive's Notice of Non-Renewal. In the event Executive voluntarily terminates his employment as the Company's Chief Scientific Officer, other than for Good Reason, or the Executive's employment terminates following Executive having provided the Company with a notice of non-renewal of the Term under Section 2 hereof, (i) Executive shall be entitled to receive payment of his Base Salary through the date of termination, (ii) Executive shall continue to be entitled to any deferred compensation and other unpaid amounts and benefits earned and vested prior to Executive's termination, (iii) all options granted to Executive pursuant to Section 4(e) hereof which have vested prior to the date of such termination shall remain exercisable for a period of 190 days following such termination, and (iv) all options granted to Executive pursuant to Section 4(e) hereof which have not vested prior to the date of such termination will terminate as of the date of such termination and will be of no further force and effect.

(f) Termination Without Cause or For Good Reason In Connection With A Change in Control. In the event the Company terminates Executive's employment as the Company's Chief Scientific Officer without Cause pursuant to Section 9(a)(iv) hereof or Executive

terminates such employment for Good Reason pursuant to Section 9(c) hereof within the period which commences ninety (90) days before and ends one (1) year following a Change in Control, in lieu of the provisions of Section 10(a) or 10(e) above,

(i) Executive shall receive cash payments equal to any unpaid Base Salary through the date of termination, plus an amount equal to the pro rated portion of the Target Bonus (based on the Base Salary at the time of such termination) which would have been payable to Executive for the fiscal year during which such termination occurs;

(ii) Executive shall receive cash payments equal to the sum of the following: (1) his Base Salary at the time of such termination and (2) the Target Bonus (based on the Base Salary at the time of such termination) for the fiscal year in which such termination occurs;

(iii) if Executive and his Family Members have medical and dental coverage on the date of such termination under a group health plan sponsored by the Company, the Company will reimburse Executive for the total applicable premium cost for medical and dental coverage under COBRA for Executive and his Family Members for a period of up to eighteen (18) months commencing on the date of such termination and will continue to pay Executive an amount equal to such COBRA reimbursement during the eighteen (18) month period following such initial eighteen (18) month period after such termination; provided, that the Company shall have no obligation to reimburse Executive for the premium cost of COBRA coverage as of the date Executive and his Family Members become eligible to obtain comparable benefits from a subsequent employer;

(iv) the options granted to Executive pursuant to Section 4(e) hereof shall be fully vested and shall remain exercisable until their expiration dates; and

(v) Executive shall continue to be entitled to any deferred compensation and other unpaid amounts and benefits earned and vested prior to Executive's termination.

In the event the Executive becomes entitled to payments under this Section 10(f), the Company shall cause its independent auditors promptly to review, at the Company's expense, the applicability of Section 4999 of the Internal Revenue Code (the "Code") to such payments. If such auditors shall determine that any payment or distribution of any type by the Company to Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Total Payments"), would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional cash payment (a "Gross-Up Payment") within 30 days of such determination equal to an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, Executive would retain an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Total Payments. For purposes of the foregoing determination, Executive's tax rate shall be deemed to be the highest statutory marginal state and Federal tax rate (on a combined basis) (including his share of F.I.C.A. and Medicare taxes) then in effect. If no determination by the Company's auditors is made prior to the time a tax return reflecting the Total Payments is required to be filed by Executive, Executive will be entitled to receive a Gross-Up Payment calculated on the basis of the Total Payments reported by Executive in such tax return, within 30 days of the filing of such

tax return. In all events, if any tax authority determines that a greater Excise Tax should be imposed upon the Total Payments than is determined by the Company's independent auditors or reflected in Executive's tax return pursuant to this Section 10(f), the Executive shall be entitled to receive the full Gross-Up Payment calculated on the basis of the amount of Excise Tax determined to be payable by such tax authority from the Company within 30 days of such determination.

(g) All payments made to Executive under any of the subsections of this Section 10 which are based upon Executive's salary or bonus shall be made at times and in a manner which is in accordance with the Company's standard payroll practices for senior management; provided that any such payments which are still owed to Executive under Section 10(f) hereof as of the second anniversary of the termination of Executive's employment under Section 10(f) hereof shall be paid to Executive within thirty (30) days after such second anniversary date.

(h) If and when during the Term, the Company shall adopt (or amend) a severance plan for its executive officers, which provides for payments and benefits upon certain events of termination of employment in connection with a change of control of the Company at levels that are greater than those provided herein under Section 10(f) (or provide in connection with a change of control of the Company, for lump sum or otherwise more accelerated payments than those provided for under Section 10(g)), then promptly following adoption (or amendment) of such a plan, the Company and Executive agree to negotiate in good faith an amendment to the provisions of Sections 10(f) and/or (g) to provide

Executive with comparable payments and benefits upon certain events of termination in connection with a change of control of the Company to those provided to other senior executive officers covered by such plan with the same line of reporting to the Chief Executive Officer as Executive.

11. Miscellaneous.

(a) Entire Agreement. This Agreement (including the exhibits, schedules and other documents referred to herein) contains the entire understanding between the parties hereto with respect to the subject matter hereof and supersedes any prior understandings, agreements or representations, written or oral, relating to the subject matter hereof.

(b) Counterparts. This Agreement may be executed in separate counterparts, each of which will be an original and all of which taken together shall constitute one and the same agreement, and any party hereto may execute this Agreement by signing any such counterpart.

(c) Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law but if any provision of this Agreement is held to be invalid, illegal or unenforceable under any applicable law or rule, the validity, legality and enforceability of the other provision of this Agreement will not be affected or impaired thereby.

(d) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives and, to the extent permitted by subsection (e), successors and assigns. The Company will require its successors to expressly assume its obligations under this Agreement.

(e) Assignability. Neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable (including by operation of law)

by either party without the prior written consent of the other party to this Agreement, except that the Company may, without the consent of the Executive, assign its rights and obligations under this Agreement to any corporation, firm or other business entity with or into which the Company may merge or consolidate, or to which the Company may sell or transfer all or substantially all of its assets, or of which 50% or more of the equity investment and of the voting control is owned, directly or indirectly, by, or is under common ownership with, the Company. After any such assignment by the Company, and provided that such assignment arises by operation of law or involves an express written assumption by the assignee, the Company shall be immediately released and discharged from all further liability hereunder and such assignee shall thereafter be deemed to be the Company for the purposes of all provisions of this Agreement.

(f) Modification, Amendment, Waiver or Termination. No provision of this Agreement may be modified, amended, waived or terminated except by an instrument in writing signed by the parties to this Agreement. No course of dealing between the parties will modify, amend, waive or terminate any provision of this Agreement or any rights or obligations of any party under or by reason of this Agreement. No delay on the part of the Company in exercising any right hereunder shall operate as a waiver of such right. No waiver, express or implied, by the Company of any right or any breach by Executive shall constitute a waiver of any other right or breach by Executive.

(g) Notices. All notices, consents, requests, instructions, approvals or other communications provided for herein shall be in writing and delivered by personal delivery, overnight courier, mail, electronic facsimile or e-mail addressed to the receiving party at the address set forth herein. All such communications shall be effective when received.

Address for the Executive:

Uli Grau, Ph.D.
221 East 49th Street
New York, New York 10017

Address for the Company:

Enzon, Inc.
20 Kingsbridge Road
Piscataway, New Jersey 08854
Attn: Corporate Secretary

Any party may change the address set forth above by notice to each other party given as provided herein.

(h) Headings. The headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

(i) Governing Law. ALL MATTERS RELATING TO THE INTERPRETATION, CONSTRUCTION, VALIDITY AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW JERSEY, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW PROVISIONS THEREOF.

(j) Resolution of Certain Claims - Injunctive Relief. The Executive acknowledges that it would be difficult to fully compensate the Company for damages resulting from any breach by him of the provisions of this Agreement. Accordingly, the Executive agrees that, in addition to, but not to the exclusion of any other available remedy, the Company shall have the right to enforce the provisions of Sections 5 through 8 and 9(f) by applying for and obtaining temporary and permanent restraining orders or injunctions from a court of competent jurisdiction without the necessity of filing a bond therefor, and without the necessity of proving actual damages, and the Company shall be entitled to recover from the Executive its reasonable attorneys' fees and costs in enforcing the provisions of Sections 5 through 8 and 9(f).

(k) Arbitration. Except as otherwise specifically provided for hereunder, any claim or controversy arising out of or relating to this Agreement or the breach hereof shall be settled by arbitration in accordance with the laws of the State of New Jersey. Such arbitration shall be conducted in the State of New Jersey in accordance with the rules then existing of the American Arbitration Association. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. In the event of any dispute arising under this Agreement, the respective parties shall be responsible for the payment of their own legal fees and disbursements.

(l) Third-Party Benefit. Nothing in this Agreement, express or implied, is intended to confer upon any other person any rights, remedies, obligations or liabilities of any nature whatsoever.

(m) Withholding Taxes. The Company may withhold from any benefits payable under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement as of the Effective Date.

ENZON, INC.

By: /s/ Arthur J. Higgins

Arthur J. Higgins,
President and Chief Executive Officer

/s/ Uli Grau

Uli Grau, Ph.D.

EXHIBIT A-1

Certificate No. _____

No. of options: 100,000 Date granted: March 15, 2002 Price: _____

This Option is granted pursuant to the employment agreement dated as of March 15, 2002 (the "Employment Agreement") between the Optionee and Enzon Inc. (the "Company"). The Optionee acknowledges receipt of a copy of the Enzon Non-Qualified Stock Option Plan, as Amended (the "Plan"), and represents that he is familiar with the terms and provisions of the Plan and the Employment Agreement. The Optionee hereby accepts this Option subject to all the terms and provisions of the Plan and the Employment Agreement, it being understood and agreed that the vesting and exercise terms of this Option shall be governed by the Employment Agreement. The Optionee hereby agrees to accept as binding, conclusive, and final all decisions and interpretations of the Compensation Committee or the Board of Directors upon any questions arising under the Plan. As a condition to the issuance of shares of Common Stock of the Company under this Option, the Optionee authorizes the Company to withhold, in accordance with applicable law from any regular cash compensation payable to him, any taxes required to be withheld by the Company under Federal, state or local law as a result of his exercise of this Option.

Dated: March 15, 2002

ENZON, INC.

By:_____
Name:
Title:

_____
Ulrich M. Grau, Ph.D.

EXHIBIT A-2

Certificate No. _____

No. of options: 50,000 Date granted: March 15, 2002 Price: _____

This Option is granted pursuant to the employment agreement dated as of March 15, 2002 (the "Employment Agreement") between the Optionee and Enzon Inc. (the "Company"). The Optionee acknowledges receipt of a copy of the Enzon Non-Qualified Stock Option Plan, as Amended (the "Plan"), and represents that he is familiar with the terms and provisions of the Plan and the Employment Agreement. The Optionee hereby accepts this Option subject to all the terms and provisions of the Plan and the Employment Agreement, it being understood and agreed that the vesting and exercise terms of this Option shall be governed by the Employment Agreement. The Optionee hereby agrees to accept as binding, conclusive, and final all decisions and interpretations of the Compensation Committee or the Board of Directors upon any questions arising under the Plan. As a condition to the issuance of shares of Common Stock of the Company under this Option, the Optionee authorizes the Company to withhold, in accordance with applicable law from any regular cash compensation payable to him, any taxes required to be withheld by the Company under Federal, state or local law as a result of his exercise of this Option.

Dated: March 15, 2002

ENZON, INC.

By:_____
Name:
Title:

_____
Ulrich M. Grau, Ph.D.

Exhibit 10.16

AMENDMENT TO EMPLOYMENT AGREEMENT

Enzon, Inc. (the "Company") and Peter Tombros (the "Executive") agree to amend the Employment Agreement dated as of August 10, 2000 by and between the Company and Executive (the "Agreement") as follows:

1. Unless otherwise defined herein, capitalized terms used herein shall have the meaning ascribed thereto in the Agreement.

2. This amendment to the Agreement shall be effective as of May 31, 2001.

3. It is agreed that Executive's full-time employment as President and Chief Executive Officer of the Company was terminated by Executive pursuant to Section 4(b)(vi) of the Agreement as of May 31, 2001.

4. The first sentence of Section 2(a) of the Agreement is hereby amended in its entirety as follows:

"(a) Based upon Executive's termination of his full-time employment as President and Chief Executive Officer of the Company as of May 31, 2001 pursuant to Section 4(b)(vi) hereof, the "Noncompete Period" shall be (i) the period during which the Executive receives payments from the Company pursuant to Section 3(d) hereof plus (ii) any period of time during which Executive receives payments from the Company pursuant to Section 3(n) hereof."

5. The first two sentences of Section 3(d) of the Agreement are hereby deleted and replaced by the following:

"(d) Based upon Executive's termination of his full-time employment as President and Chief Executive Officer of the Company pursuant to Section 4(b)(vi) hereof as of May 31, 2001 (which is prior to the second anniversary of the Effective Date (the "Second Anniversary Date")), Executive shall remain a full-time employee of the Company and shall receive his base salary hereunder during the period from June 1, 2001 through the Second Anniversary Date (the Base Salary Period") at an annual rate of Three Hundred Sixty-Seven Thousand Five Hundred Dollars ($367,500). As a full-time employee during the Base Salary Period, Executive shall perform services for the Company to the extent requested by the Chief Executive Officer of the Company (the "CEO"), it being understood that (i) Executive may be required to devote up to 37 1/2 hours per week to the Company, (ii) Executive will not be required to travel on behalf of the Company and (iii) Executive will receive benefits as a full-time employee of the Company, provided that Executive will not participate in any bonus program, and further provided that Executive will not participate in the Company's health insurance plans to the extent Executive receives payments under Section (o). During such period as Executive provides services as a full-time employee under this Section 3(d), Executive shall be deemed to be an employee for purposes of the Non-Qualified Plan. It is understood and agreed that this determination of Executive's status as an employee was made by the Compensation Committee of the Board of Directors of the Company pursuant to its power to interpret and construct the provisions of the Non-Qualified Plan pursuant to Section D thereof and shall be the final and controlling determination of the Compensation Committee on the issue of Executive's employee status under the Non-Qualified Plan. In the event Executive shall be unable or unwilling to continue for any reason to provide services as a full-time employee of the Company during the Base Salary

Period, Executive shall notify the Company in writing of his inability or unwillingness to provide such services, but Executive shall nevertheless continue to receive the base salary payments payable to Executive under this Section 3(d) as severance payments for the remainder of the Base Salary Period after Executive's employment as a full-time employee of the Company terminates."

6. Section 3(n) is amended in its entirety to read as follows:

"(n) Based upon Executive's termination of his full-time employment as President and Chief Executive Officer of the Company pursuant to Section 4(b)(vi) hereof as of May 31, 2001, Executive shall make himself available to perform services for the Company as a part-time employee during the period commencing on the earlier of (i) the date Executive ceases to perform services as a full time employee pursuant to Section 3(d) hereof and (ii) as of July 2,

2002 and ending on the Termination Date (the "Part-Time Period"). During the Part-Time Period, (i) Executive will be available to perform services for the Company to the extent requested by the CEO upon at least ten (10) days prior written notice to Executive (it being understood that Executive will not be required to devote more than four (4) days per month to the Company and will not be required to travel on behalf of the Company), (ii) Executive will receive $10,000 per month, payable in accordance with Company's normal payroll procedures (provided that the amount payable to Executive pursuant to Section 3(d) hereof shall be reduced by $10,000 per month to the extent Executive receives the $10,000 monthly payment provided under this Section 3(n) during the Base Salary Period), (iii) except as provided in Section 3(o) hereof and under the Non-Qualified Plan, Executive will receive other benefits received by other part-time employees of the Company, (iv) the Company will pay all reasonable expenses incurred by Executive in providing such services under this Section 3(n) and (v) Executive will use reasonable efforts to fulfill any requests for services under this Section 3(n), but shall not be in breach of any provision hereof if health concerns prevent him from providing such services and Executive may terminate his part-time employment service obligation under this Section 3(n) (and his employment under the Non-Qualified Plan) at any time upon notice to the Company (it being understood that such termination shall not affect any of Executive's rights hereunder except for the payments provided for in this Section 3(n) which shall then terminate.) During the period in which Executive provides services as a part-time employee of the Company under this Section 3(n), Executive will be deemed to be an employee of the Company for purposes of the Non-Qualified Plan. It is understood and agreed that this determination of Executive's status as an employee was made by the Compensation Committee of the Board of Directors of the Company pursuant to its power to interpret and construct the provisions of the Non-Qualified Plan pursuant to Section D thereof and shall be the final and controlling determination of the Compensation Committee on the issue of Executive's employee status under the Non-Qualified Plan."

7. This will confirm that in the event Executive dies while employed by the Company, options held by Executive which do not contain terms governing the exercise of such options upon Executive's death and would, thus, be governed by the Non-Qualified Plan in that respect, will be exercisable by the executors, administrators, legatees or heirs of his estate within the 190 day period following Executive's death. This will confirm that in the event Executive dies within the 190 day period after his employment with the Company terminates, options held by Executive which do not contain terms governing the exercise of such options upon Executive's death, and would, thus, be governed by the Non-Qualified Plan in that respect, will be exercisable by the executors, administrators, legatees or heirs of his estate within the

remainder of such 190 day period which commenced on the date Executive's employment with the Company terminates. The foregoing provisions relating to the exercise of options upon Executive's death were determined by the Compensation Committee of the Board of the Company pursuant to its authority to interpret and construct the provisions, of the Non-Qualified Plan pursuant to Section D of such Plan.

8. Except as amended herein, the Agreement shall remain in full force and effect.

ENZON, INC.

By: /s/ Kenneth J. Zuerblis

Kenneth J. Zuerblis
Vice President, Finance and Chief Financial Officer

By: /s/ Peter Tombros

Peter Tombros