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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

OR

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

For the transition period from to

Commission file number: 000-50549

GTx, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**62-1715807**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
175 Toyota Plaza **7th Floor** **Memphis, Tennessee**	**38103**
(Address of principal executive offices)	(Zip Code)

(901) 523-9700
(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 o

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

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

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o	Smaller reporting company o
(Do not check if a smaller reporting company)	

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

As of August 5, 2015, 140,374,112 shares of the registrant's Common Stock were outstanding.

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FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2015
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PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GTx, Inc.
CONDENSED BALANCE SHEETS
(in thousands, except share data)

	June 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,323	$ 17,880
Short-term investments	25,111	31,415
Prepaid expenses and other current assets	1,856	856
Total current assets	41,290	50,151
Property and equipment, net	12	29
Intangible and other assets, net	558	471
Total assets	$ 41,860	$ 50,651
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 797	$ 512
Warrant liability	70,798	30,430
Accrued expenses and other current liabilities	1,573	1,850
Total current liabilities	73,168	32,792
Other long-term liabilities	—	30
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.001 par value: 400,000,000 shares and 200,000,000 shares authorized at June 30, 2015 and December 31, 2014, respectively; 140,374,112 and 140,325,643 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	140	140
Additional paid-in capital	513,659	512,460
Accumulated deficit	(545,107)	(494,771)
Total stockholders' (deficit) equity	(31,308)	17,829
Total liabilities and stockholders' equity	$ 41,860	$ 50,651

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

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GTx, Inc.
CONDENSED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Expenses:				
Research and development expenses	$ 2,956	$ 7,894	$ 5,904	$ 14,254
General and administrative expenses	2,005	3,052	4,116	5,681
Total expenses	4,961	10,946	10,020	19,935
Loss from operations	(4,961)	(10,946)	(10,020)	(19,935)
Other income, net	25	2	52	4
Loss on change in fair value of warrant liability	(43,016)	—	(40,368)	—
Net loss	$ (47,952)	$ (10,944)	$ (50,336)	$ (19,931)
Net loss per share:				
Basic and diluted	$ (0.34)	$ (0.15)	$ (0.36)	$ (0.28)
Weighted average shares outstanding:				
Basic and diluted	140,374,112	75,433,302	140,355,099	70,997,330

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

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GTx, Inc.
CONDENSED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2015	2014
Cash flows from operating activities:		
Net loss	$ (50,336)	$ (19,931)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on change in fair value of warrant liability	40,368	—
Depreciation and amortization	29	65
Share-based compensation	1,141	3,951
Directors' deferred compensation	58	63
Changes in assets and liabilities:		
Prepaid expenses and other assets	(1,095)	(1,062)
Accounts payable	285	184
Accrued expenses and other liabilities	(307)	(1,253)
Net cash used in operating activities	(9,857)	(17,983)
Cash flows from investing activities:		
Purchase of property and equipment	(4)	(4)
Purchase of short-term investments, held to maturity	(30,213)	(9,265)
Proceeds from maturities of short-term investments, held to maturity	36,517	3,385
Net cash provided by (used in) investing activities	6,300	(5,884)
Cash flows from financing activities:		
Net proceeds from the issuance of common stock and warrants	—	21,135
Tax payments related to shares withheld for vested restricted stock units	—	(617)
Payments on capital lease and financed equipment obligations	—	(2)
Net cash provided by financing activities	—	20,516
Net (decrease) increase in cash and cash equivalents	(3,557)	(3,351)
Cash and cash equivalents, beginning of period	17,880	14,529
Cash and cash equivalents, end of period	$ 14,323	$ 11,178

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

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GTx, Inc.
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(in thousands, except share and per share data)
(unaudited)

1. Business and Basis of Presentation

Business

GTx, Inc. ("GTx" or the "Company"), a Delaware corporation incorporated on September 24, 1997 and headquartered in Memphis, Tennessee, is a biopharmaceutical company dedicated to the discovery, development and commercialization of small molecules for the treatment of cancer, including treatments for breast and prostate cancer, and other serious medical conditions.

The Company is developing selective androgen receptor modulators ("SARMs"), including its lead product candidate, enobosarm (GTx-024). SARMs are a new class of drugs that the Company believes have the potential to be used as a novel hormonal therapy for the treatment of advanced breast cancer, as well as the potential to treat other serious medical conditions where building lean body mass is important. The Company announced during the second quarter of 2014 positive results from an ongoing Phase 2 proof-of-concept, open-label clinical trial evaluating a 9 mg oral daily dose of enobosarm for the treatment of patients with estrogen receptor ("ER") positive and androgen receptor ("AR") positive metastatic breast cancer who have previously responded to hormonal therapy. The Company's current strategy is focused on further development of enobosarm in two breast cancer indications targeting the androgen receptor. The Company initiated a Phase 2 proof-of-concept clinical trial in the second quarter of 2015 designed to evaluate the efficacy and safety of enobosarm in patients with advanced AR positive triple-negative breast cancer. The Company also plans to initiate a second Phase 2 clinical trial in the third quarter of 2015 evaluating enobosarm in patients with ER positive and AR positive advanced breast cancer. Additionally, the Company is evaluating enobosarm and other compounds in its SARM portfolio for indications outside of oncology where unmet medical needs in muscle-related diseases may benefit from building muscle, such as Duchenne muscular dystrophy, which is a rare genetic disorder characterized by progressive muscle degeneration and weakness.

In March 2015, the Company entered into an exclusive license agreement with the University of Tennessee Research Foundation ("UTRF") to develop UTRF's proprietary selective androgen receptor degrader, or SARD, technology which has the potential to provide compounds that can degrade multiple forms of AR for those patients who do not respond or are resistant to current therapies to inhibit tumor growth in patients with progressive castration-resistant prostate cancer ("CRPC"). The Company's evaluation of the licensed SARD technology is at a very early stage and any future preclinical or clinical development of the SARD technology, beyond identifying potential lead clinical compounds, will require us to obtain additional funding.

The Company is also developing GTx-758 (Capesaris®), an oral nonsteroidal selective ER alpha agonist, for the treatment of advanced prostate cancer. The Company is presently conducting a Phase 2 clinical trial evaluating GTx-758 as a secondary hormonal therapy in men with metastatic and high risk non-metastatic CRPC. The Company does not plan to dedicate further resources to this program after the conclusion of this Phase 2 clinical trial and is discussing this data with potential strategic partners to determine their interest in partnering or acquiring this asset, as well as the library of ER alpha agonist compounds.

The Company estimates that its current cash, cash equivalents and short-term investments, together with interest thereon, will be sufficient to meet its projected operating requirements through the end of 2016, during which time it expects to obtain results from the patients enrolled in the first stage of each of its ongoing and planned open-label Phase 2 clinical trials of enobosarm in patients with AR positive advanced breast cancer.

Basis of Presentation

The accompanying unaudited condensed financial statements reflect, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of GTx's financial position, results of operations and cash flows for each period presented in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and

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GTx, Inc.
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(in thousands, except share and per share data)
(unaudited)

Article 10 of Regulation S-X. Accordingly, information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted from the accompanying condensed financial statements. These interim condensed financial statements should be read in conjunction with the audited financial statements and related notes thereto, which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. Operating results for the three and six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the entire fiscal year ending December 31, 2015.

Use of Estimates

The preparation of condensed financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts and results could differ from those estimates.

Warrant Liability

In November 2014, the Company issued warrants to purchase 64,311,112 shares of its common stock. The Company classifies the warrants as a liability on its balance sheet since the warrants contain certain terms that could require the Company (or its successor) to purchase the warrants for cash in an amount equal to the value (as calculated utilizing a contractually-agreed Black-Scholes-Merton option pricing valuation model ("Black-Scholes Model")) of the unexercised portion of the warrants in connection with certain change of control transactions occurring on or prior to December 31, 2016, with such cash payment capped at an amount equal to $0.125 per unexercised share underlying each warrant. In addition, each warrant was subject to net cash settlement if, at the time of any exercise, there was then an insufficient number of authorized and reserved shares of common stock to effect a share settlement of the warrant. Under the terms of the warrants, as of May 6, 2015, the net cash settlement feature of the warrants automatically became inoperative; accordingly, the warrants are exercisable only for shares of the Company's common stock.

As a result of the provision of the warrant requiring cash settlement upon certain change of control transactions, the Company is required to account for these warrants as a liability at fair value and the estimated warrant liability is required to be revalued at each balance sheet date until the earlier of the exercise of the warrants or the expiration of the provision on December 31, 2016 that could require cash settlement upon certain change of control transactions. Upon the exercise of the warrants or the expiration of the provision on December 31, 2016 that could require cash settlement upon certain change of control transactions, the fair value of the warrants will be reclassified from a liability to stockholders' equity on the Company's balance sheets and no further adjustment to the fair value would be made in subsequent periods. See Note 4, *Stockholders' Equity*, for further information regarding these warrants and the Company's valuation of the warrant liability.

Fair Value of Financial Instruments and Warrant Liability

The carrying amounts of the Company's financial instruments (which include cash, cash equivalents, short-term investments, and accounts payable) and its warrant liability approximate their fair values. The fair value of the warrant liability is estimated using the Black-Scholes-Merton pricing valuation model. See Note 4, *Stockholders' Equity*, for additional disclosure on the valuation methodology and significant assumptions. The Company's financial assets and liabilities are classified within a three-level fair value hierarchy that prioritizes the inputs used to measure fair value, which is defined as follows:

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Level 1 — Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date

Level 2 — Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly

Level 3 — Inputs that are unobservable for the asset or liability

Asset and liabilities measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014 included only the Company's warrant liability of $70,798 and $30,430, respectively, which was classified within Level 3 of the hierarchy. A loss of $43,016 and $40,368 related to the change in the fair value of the warrant liability was recognized during the three and six months ended June 30, 2015, respectively, as a non-cash loss in the Company's condensed statement of operations.

As the Company has the positive intent and ability to hold its certificates of deposit classified as short-term investments until maturity, these investments have been classified as held to maturity investments and are stated at cost, which approximates fair value. The Company considers these to be Level 2 investments as the fair values of these investments are determined using third-party pricing sources, which generally utilize observable inputs, such as interest rates and maturities of similar assets.

Research and Development Expenses

Research and development expenses include, but are not limited to, the Company's expenses for personnel, supplies, and facilities associated with research activities, screening and identification of product candidates, formulation and synthesis activities, manufacturing, preclinical studies, toxicology studies, clinical trials, regulatory and medical affairs activities, quality assurance activities and license fees. The Company expenses these costs in the period in which they are incurred. The Company estimates its liabilities for research and development expenses in order to match the recognition of expenses to the period in which the actual services are received. As such, accrued liabilities related to third party research and development activities are recognized based upon the Company's estimate of services received and degree of completion of the services in accordance with the specific third party contract.

Cash, Cash Equivalents and Short-term Investments

The Company considers highly liquid investments with initial maturities of three months or less to be cash equivalents.

At June 30, 2015 and December 31, 2014, short-term investments consisted of Federal Deposit Insurance Corporation insured certificates of deposit with original maturities of greater than three months and less than one year.

Income Taxes

The Company accounts for deferred taxes by recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Accordingly, at June 30, 2015 and December 31, 2014, net of the valuation allowance, the net deferred tax assets were reduced to zero. Income taxes are described more fully in Note 9 to the Company's financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

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GTx, Inc.
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(in thousands, except share and per share data)
(unaudited)

(in thousands, except share and per share data)

Other Income, net

Other income, net consists of foreign currency transaction gains and losses associated with conducting clinical trials in foreign countries, interest earned on the Company's cash, cash equivalents and short-term investments, interest expense, and other non-operating income or expense.

Recent Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board issued Accounting Standard Update 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The new guidance is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern within one year of the date the financial statements are issued and to provide related footnote disclosure. This new guidance is effective for the first annual period ending after December 15, 2016 and interim periods thereafter.

Subsequent Events

The Company has evaluated all events or transactions that occurred after June 30, 2015 up through the date the condensed financial statements were issued. There were no material recognizable or nonrecognizable subsequent events during the period evaluated.

2. Share-Based Compensation

Share-based payments include stock option grants and restricted stock units ("RSUs") under the Company's stock option and equity incentive plans and deferred compensation arrangements for the Company's non-employee directors. The Company recognizes compensation expense for its share-based payments based on the fair value of the awards over the period during which an employee or non-employee director is required to provide service in exchange for the award. The Company's share-based compensation plans are described more fully in Note 3 to the Company's financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

The following table summarizes share-based compensation expense included within the condensed statements of operations for the three and six months ended June 30, 2015 and 2014:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Research and development expenses	$ 337	$ 950	$ 526	$ 2,330
General and administrative expenses	412	817	673	1,684
Total share-based compensation	$ 749	$ 1,767	$ 1,199	$ 4,014

Share-based compensation expense recorded as general and administrative expense for the three months ended June 30, 2015 and 2014 included share-based compensation expense related to deferred compensation arrangements for the Company's non-employee directors of $27 and $31, respectively. Share-based compensation expense recorded as general and administrative expense for the six months ended June 30, 2015 and 2014 included share-based compensation expense related to deferred compensation arrangements for the Company's non-employee directors of $58 and $63, respectively. As a result of the modification of the Company's former chief executive officer's options upon his resignation in April 2014, the Company recognized a one-time, noncash net compensation expense of $215, which was included in general and administrative expenses for the three and six months ended June 30, 2014. This amount reflects the net of the aggregate incremental fair value associated with the

modifications of $359, partially offset by the reversal of $144 of previously recognized share-based compensation expense for the Company's former chief executive officer's unvested options.

The Company uses the Black-Scholes Model to value stock options. The expected life of options is determined by calculating the average of the vesting term and the contractual term of the options. The expected price volatility is based on the Company's historical stock price volatility. The risk-free interest rate is determined using U.S. Treasury rates where the term is consistent with the expected life of the stock options. Expected dividend yield is not considered as the Company has not made any dividend payments and has no plans of doing so in the foreseeable future. The amount of share-based compensation expense recognized is reduced ratably over the vesting period by an estimate of the percentage of options granted that are expected to be forfeited or canceled before becoming fully vested.

The fair value of options granted was estimated using the following assumptions for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Expected price volatility	90.0%	86.5%	90.0%	86.5%
Risk-free interest rate	1.5%	2.3%	1.5%	2.3%
Weighted average expected life in years	6 years	6.9 years	6 years	6.9 years

The following is a summary of stock option transactions for all of the Company's stock option and equity incentive plans since the Company's most recent fiscal year end:

	Number of Shares	Weighted Average Exercise Price Per Share

Options outstanding at December 31, 2014	8,104,434	$	4.24
Options granted	360,000		0.76
Options expired	(152,100)		6.12
Options exercised	—		—
Options outstanding at June 30, 2015	8,312,334		4.05

During the six months ended June 30, 2015, the Company granted 7,700,000 RSUs to employees of which a portion of each award vests annually over a three year period from the date of grant. The Company estimates the fair value of RSUs using the closing price of its stock on the grant date. The fair value of RSUs is amortized on a straight-line basis over the requisite service period of the awards. The non-vested RSUs had a weighted average grant date fair value per share of $0.67.

3. Basic and Diluted Net Loss Per Share

Basic and diluted net loss per share attributable to common stockholders is calculated based on the weighted average number of common shares outstanding during the period. Diluted net loss per share gives effect to the dilutive potential of common stock consisting of stock options, unvested RSUs and common stock warrants.

Weighted average potential shares of common stock of 80,210,446 and 17,695,578 for the three months ended June 30, 2015 and 2014, respectively, and 81,645,772 and 14,267,924 for the six months ended June 30, 2015 and 2014, respectively, were excluded from the calculations of diluted loss per share as inclusion of the potential shares would have had an anti-dilutive effect on the net loss per share for these periods. The increase in the weighted average potential shares of common stock excluded from the calculation of diluted net loss per share increased from

the prior year due to the issuance of warrants under two Company financing transactions that occurred during the year ended December 31, 2014 and due to the issuance of RSUs during the first quarter of 2015.

4. Stockholders' Equity

Common Stock and Associated Warrant Liability

On November 14, 2014, the Company completed a private placement of units consisting of an aggregate of 64,311,112 shares of common stock and warrants to purchase an aggregate of 64,311,112 shares of its common stock for net proceeds of $42,814, after deducting offering expenses. The purchasers in the private placement included certain existing GTx stockholders and certain members of the GTx management team and board of directors. The net proceeds from the private placement were allocated to the common stock and warrants based upon the fair value method. Similarly, the offering expenses were allocated between the common stock and warrants with the portion allocated to common stock offset against the proceeds allocated to stockholders' equity, whereas the portion allocated to the warrants was expensed immediately. The warrants have a per share exercise price of $0.85, became exercisable on May 6, 2015 and will continue to be exercisable for four years thereafter. Prior to May 6, 2015, each warrant was subject to net cash settlement if, at the time of any exercise, there was then an insufficient number of authorized and reserved shares of common stock to effect a share settlement of the warrant. Under the terms of the warrants, as May 6, 2015, the net cash settlement feature of the warrants automatically became inoperative; accordingly, the warrants are exercisable only for shares of the Company's common stock. The warrants, however, contain certain terms that could require the Company (or its successor) to purchase the warrants for cash in an amount equal to the value (as calculated utilizing a contractually-agreed Black-Scholes-Merton pricing valuation model) of the unexercised portion of the warrants in connection with certain change of control transactions occurring on or prior to December 31, 2016, with the cash payment capped at an amount equal to $0.125 per unexercised share underlying each warrant. Due to the provision of the warrants that could require cash settlement upon certain change of control transactions, the Company is required to account for these warrants as a liability at fair value using the Black-Scholes Model and the estimated warrant liability is required to be revalued at each balance sheet date until the earlier of the exercise of the warrants or the expiration of the provision on December 31, 2016 that could require cash settlement upon certain change of control transactions.

The fair value of the warrants at June 30, 2015 of $70,798 was estimated using the Black-Scholes-Merton pricing valuation model with the following assumptions: expected volatility of 95%, risk-free interest rate of 1.3%, expected life of approximately 3.9 years and no dividends. The fair value of the warrants at December 31, 2014 of $30,430 was estimated using the Black-Scholes Model with the following assumptions: expected volatility of 91%, risk-free interest rate of 1.5%, expected life of approximately 4.5 years and no dividends. The increase in fair value from December 31, 2014 of $40,368 was recorded as a non-cash loss on the change in fair value of warrant liability in the Company's condensed statement of operations. Significant changes to the Company's market price for its common stock will impact the implied and/or historical volatility used to fair value the warrants. Any significant increases in the Company's stock price will likely create an increase to the fair value of the warrant liability. Similarly, any significant decreases in the Company's stock price will likely create a decrease to the fair value of the warrant liability.

On March 6, 2014, the Company completed a private placement of units consisting of an aggregate of 11,976,048 shares of common stock and warrants to purchase an aggregate of 10,179,642 shares of its common stock for net proceeds of $21,135, after deducting offering expenses. The net proceeds from the private placement were allocated to the common stock and warrants based upon their relative fair values. The warrants, which had a one year term, expired unexercised on March 6, 2015.

5. University of Tennessee Research Foundation License Agreements

The Company and the University of Tennessee Research Foundation ("UTRF") are parties to a consolidated, amended and restated license agreement (the "SARM License Agreement") pursuant to which the Company was

GTx, Inc.
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(in thousands, except share and per share data)
(unaudited)

granted exclusive worldwide rights in all existing SARM technologies owned or controlled by UTRF, including all improvements thereto, and exclusive rights to future SARM technology that may be developed by certain scientists at the University of Tennessee or subsequently licensed to UTRF under certain existing inter-institutional agreements with The Ohio State University. Under the SARM License Agreement, the Company is obligated to pay UTRF annual license maintenance fees, low single-digit royalties on net sales of products and mid-single-digit royalties on sublicense revenues.

The Company and UTRF also entered into a license agreement (the "SARD License Agreement") in March 2015 pursuant to which the Company was granted exclusive worldwide rights in all existing SARD technologies owned or controlled by UTRF, including all improvements thereto. Under the SARD License Agreement, the Company is obligated to employ active, diligent efforts to conduct preclinical research and development activities for the SARD program to advance one or more lead compounds into clinical development. The Company is also obligated to pay UTRF annual license maintenance fees, low single-digit royalties on net sales of products and additional royalties on sublicense revenues, depending on the state of development of a clinical product candidate at the time it is sublicensed.

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

The following discussion should be read in conjunction with the condensed financial statements and the notes thereto included in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

Forward-Looking Information

This Quarterly Report on Form 10-Q contains forward-looking statements. The forward-looking statements are contained principally in the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors." These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Forward-looking statements include statements about:

- the implementation of our business strategies, including our ability to preserve or realize any significant value from our enobosarm (GTx-024) and GTx-758 (Capesaris®) programs;
- the therapeutic and commercial potential of, and our ability to advance the development of, enobosarm and our SARD development program;
- the timing of regulatory discussions and submissions, and the anticipated timing, scope and outcome of related regulatory actions or guidance;
- our ability to establish and maintain potential new collaborative, partnering or other strategic arrangements for the development and commercialization of our product candidates;
- the anticipated progress of our preclinical and clinical programs, including whether our ongoing and planned clinical trials will achieve clinically relevant results;
- the timing, scope and anticipated initiation, enrollment and completion of our ongoing and planned clinical trials and any other future clinical trials that we may conduct;
- our ability to obtain and maintain regulatory approvals of our product candidates and any related restrictions, limitations, and/or warnings in the label of an approved product candidate;
- our ability to market, commercialize and achieve market acceptance for our product candidates;
- our ability to protect our intellectual property and operate our business without infringing upon the intellectual property rights of others; and
- our estimates regarding the sufficiency of our cash resources, expenses, capital requirements and needs for additional financing, and our ability to obtain additional financing.

In some cases, you can identify forward-looking statements by terms such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would" and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events, are based on assumptions and are subject to risks, uncertainties and other important factors. We discuss many of these risks in this Quarterly Report on Form 10-Q in greater detail in the section entitled "Risk Factors" under Part II, Item 1A below. Given these risks, uncertainties and other important factors, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our estimates and assumptions only as of the date of this Quarterly Report on Form 10-Q. You should read this Quarterly Report on Form 10-Q and the documents that we incorporate by reference in and have filed as exhibits to this Quarterly Report on Form 10-Q, completely and with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

Overview

Business Overview

We are a biopharmaceutical company dedicated to the discovery, development and commercialization of small molecules for the treatment of cancer, including treatments for breast and prostate cancer, and other serious medical conditions. Our current strategy is focused on the further development of selective androgen receptor modulators, or SARMs, a new class of drugs that we believe have the potential to be used as a hormonal therapy for the treatment of advanced breast cancer, as well as the potential to treat other serious medical conditions, such as Duchenne muscular dystrophy, or DMD, where building lean body mass is important. In March 2015, we entered into an exclusive worldwide license agreement with the University of Tennessee Research Foundation, or UTRF, to develop its proprietary selective androgen receptor degrader, or SARD, technology, which has the potential to provide compounds that can degrade multiple forms of androgen receptor, or AR, to inhibit tumor growth in patients with progressive castration-resistant prostate cancer, or CRPC, including those who do not respond or are resistant to current therapies. We are also currently developing GTx-758, an oral nonsteroidal selective estrogen receptor alpha agonist, for the treatment of advanced prostate cancer.

Business Highlights

Our lead SARM candidate, enobosarm (GTx-024), has to date been evaluated in 21 completed or ongoing clinical trials enrolling approximately 1,554 subjects, including in three Phase 2 and two Phase 3 clinical trials. Enobosarm is the generic name given to the compound by the USAN Council and the World Health Organization and is the first compound to receive the SARM stem in its name, recognizing enobosarm as the first in this new class of compounds. We announced during the second quarter of 2014 positive results from an ongoing Phase 2 proof-of-concept, open-label clinical trial evaluating enobosarm 9 mg oral daily for the treatment of patients with estrogen receptor, or ER, positive and AR positive metastatic breast cancer who have previously responded to hormonal therapy. Based on the positive results of the Phase 2 proof-of-concept clinical trial in patients with ER positive and AR positive metastatic breast cancer, as well as positive data reported in medical literature regarding the use of androgens for the treatment of breast cancer and our preclinical data demonstrating tumor growth inhibition with enobosarm in animal models of disease, we believe enobosarm has the potential to be an effective treatment alternative with a favorable side effect profile for women with ER positive and AR positive advanced breast cancer, as well as for women with advanced AR positive triple-negative breast cancer, or TNBC.

We initiated a Phase 2 proof-of-concept clinical trial of enobosarm in the second quarter of 2015 designed to evaluate the efficacy and safety of enobosarm in patients with advanced AR positive TNBC. This open-label clinical trial, which utilizes a Simon's two-stage clinical trial design, is designed to enroll up to approximately 55 patients to obtain 41 evaluable patients, who will be administered an 18 mg oral daily dose of enobosarm, and clinical benefit will be assessed at 16 weeks of treatment. There will be two stages of evaluation in the clinical trial, with the first stage assessment occurring following 16 weeks of treatment for the first 21 evaluable patients. If at least 2 of the 21 patients achieve clinical benefit, the trial will continue to enroll the second stage of the study. We also plan to initiate a second Phase 2 clinical trial in the third quarter of 2015 evaluating enobosarm in patients with ER positive and AR positive advanced breast cancer. This second planned open-label clinical trial, which will enroll patients whose cancer treatment has shown prior response to hormonal therapy but has subsequently progressed, will also utilize a Simon's two-stage clinical trial design. The trial is designed to enroll up to approximately 118 patients to obtain 44 evaluable patients in each of two cohorts. One cohort will receive a daily dose of 9 mg of enobosarm and the other cohort a daily dose of 18 mg of enobosarm. There will be two stages of evaluation in the clinical trial, with the first stage assessment occurring following 24 weeks of treatment for the first 18 evaluable patients in each of the two cohorts. If at least 3 of the 18 patients achieve clinical benefit in one or both cohorts, the trial will continue through the second stage for that cohort. For each of these two Phase 2 clinical trials, clinical benefit is defined as a complete response, partial response or stable disease as measured by standardized response evaluation criteria. We currently estimate we have sufficient funding through the end of 2016 to allow us to obtain the results from the patients enrolled in the first stage of each clinical trial, but our ability to enroll patients to the second stage of the clinical trials and complete these clinical trials will require us to seek sufficient additional funding.

We are also evaluating enobosarm and other compounds in our SARM portfolio for indications outside of oncology where unmet medical needs in muscle-related diseases may benefit from building muscle. We are currently evaluating several SARM compounds in preclinical models of DMD where a SARM's ability to increase muscle mass may prove beneficial to patients suffering from DMD, which is a rare genetic disorder characterized by progressive muscle degeneration and weakness. Based on the extensive SARM data from our preclinical and

clinical development efforts, we are undertaking preclinical studies and have initiated discussions with experts to better understand the potential of SARMs as a treatment for DMD. Our evaluation of SARMs as a potential treatment for DMD is at a very early stage, and our ability to meaningfully advance preclinical development of SARMs as a potential treatment for DMD is subject to our ability to obtain additional funding.

In March 2015, we entered into an exclusive worldwide license agreement with the UTRF to develop SARD compounds that may be capable of degrading multiple forms of AR. We envision initially developing SARDs as a potentially novel treatment for men with CRPC, including those who do not respond or are resistant to currently approved therapies. Although current therapies have improved overall survival in men with CRPC, approximately one-third of the CRPC patients do not respond to these therapies, due in part to the presence of splice variants, including ARv7. Splice variants of the androgen receptor have been identified in which the ligand binding domain, the binding site for androgens and necessary for the action of many of the current therapies, is lost. In addition, most patients who initially respond to available treatments eventually progress due to the emergence of resistance to these therapies. It is believed that CRPC growth remains highly dependent on androgen receptor activity, although the mechanisms which underlie this resistance are not fully understood. We believe a therapeutic agent that would safely degrade multiple forms of the androgen receptor, including those without the ligand binding domain, would be uniquely positioned to address this patient population. Our evaluation of the licensed SARD program is at a very early stage. We are currently preparing an appropriate development program for SARDs and are conducting research in collaboration with the University of Tennessee Health Science Center to select and optimize appropriate drug development candidates to move into the preclinical studies required to support initial clinical trials. However, to advance preclinical development of our SARD program through the requisite preclinical studies to support initial human studies, we will require additional funding, which we may seek to obtain through the licensing, partnering or sale of certain other assets, including GTx-758 and its ER alpha agonist family of compounds, or through a strategic partnership or collaboration for the development and commercialization of SARDs.

We are also currently developing GTx-758, an oral nonsteroidal selective estrogen receptor alpha agonist, for the treatment of advanced prostate cancer. We believe GTx-758 has the potential to reduce testosterone to levels lower than those attainable with androgen deprivation therapy, or ADT, alone while ameliorating estrogen deficiency side effects, such as bone loss and hot flashes, which are common with current androgen deprivation therapies for prostate cancer.

We are currently conducting a Phase 2 open-label clinical trial in men who have developed metastatic or high risk non-metastatic CRPC while on ADT. GTx-758 has previously demonstrated the ability to increase the production of a protein called sex hormone binding globulin, or SHBG, that binds testosterone and thereby reduces free testosterone. By reducing free testosterone, we believe serum prostate specific antigen, or PSA, will be reduced in men with CRPC. The primary endpoint of the current Phase 2 clinical trial is the proportion of subjects with a greater than or equal to 50% decline from baseline in serum PSA by day 90. Other key endpoints include serum SHBG and total and free testosterone levels in the study subjects. In addition, the clinical trial is evaluating the ability of GTx-758 to treat certain estrogen deficiency side effects associated with luteinizing hormone releasing hormone agonists such as hot flashes and bone loss. The Phase 2 clinical trial is designed to allow us to assess the safety and tolerability of GTx-758 in these subjects, including monitoring for venous thromboembolic events (blood clots), or VTEs. We have completed enrollment of the clinical trial and all of the subjects have reached the primary endpoint assessment. Both the 125 mg and 250 mg doses have demonstrated dose dependent increases from baseline in SHBG, reductions in free testosterone, and reductions in PSA, confirming the mechanism of action of the compound. Improvements in bone turnover and hot flashes have likewise been observed. To date, there has been one reported incidence of a VTE and one reported incidence of a myocardial infarction in patients enrolled in the 250 mg arm. The final meeting of the independent Data Safety Monitoring Board occurred in June 2015 and did not identify any addressable safety issues with either dose. The final efficacy and safety data will be presented at an appropriate scientific meeting and submitted for publication. While we do not plan to dedicate any further resources to this program after the conclusion of our Phase 2 clinical trial, we are discussing this data with potential strategic partners to determine their interest in partnering or acquiring this asset, as well as the library of ER alpha agonist compounds.

Financial Highlights

Our net loss for the three months ended June 30, 2015 was $48.0 million. The net loss for the three months ended June 30, 2015 included a non-cash loss of $43.0 million due to the revaluation of our warrant liability at June 30, 2015, which warrant liability resulted from the issuance of common stock and warrants in our November 2014 private placement discussed below. We expect to incur significant operating losses for the foreseeable future as we

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continue our clinical development activities and potentially seek regulatory approval of our product candidates. We have funded our operations primarily through the sale of equity securities, collaboration and license agreements, and prior to September 2012, product revenue from sales of FARESTON®, the rights to which we sold to a third party in the third quarter of 2012. We currently have no ongoing collaborations for the development and commercialization of our product candidates and no source of revenue, nor do we expect to generate revenue for the foreseeable future. We do not expect to obtain FDA or EMA approval, or any other regulatory approvals, to market any of our product candidates, including enobosarm, for the foreseeable future, and it is possible that none of our product candidates will ever receive any regulatory approvals.

At June 30, 2015, we had cash, cash equivalents and short-term investments of $39.4 million compared to $49.3 million at December 31, 2014. On March 6, 2014, we completed a private placement of units consisting of 12.0 million shares of common stock and warrants to purchase 10.2 million shares of our common stock for net proceeds to us of approximately $21.1 million, after deducting offering expenses. These warrants expired on March 6, 2015. On November 14, 2014, we completed a separate private placement of units consisting of an aggregate of 64.3 million shares of our common stock and warrants to purchase an aggregate of 64.3 million shares of our common stock for net proceeds to us of $42.8 million, after deducting offering expenses.

We estimate that our current cash, cash equivalents and short-term investments, together with interest thereon, will be sufficient to meet our projected operating requirements through the end of 2016, during which time we expect to obtain results from the patients enrolled in the first stage of each of our ongoing and planned open-label Phase 2 clinical trials of enobosarm in patients with AR positive advanced breast cancer, using a Simon's two-stage clinical trial design. While we estimate that our current cash, cash equivalents and short-term investments are sufficient to fund our operations through 2016, we will need to obtain substantial additional funding to initiate and complete the second stage of our ongoing and planned open-label Phase 2 clinical trials of enobosarm in patients with AR positive advanced breast cancer and to otherwise conduct additional studies required of us to seek regulatory approval for enobosarm in patients with AR positive advanced breast cancer. In addition, if we decide to undertake any further development of our SARMs beyond our ongoing and currently-planned clinical trials and preclinical development and/or to meaningfully advance the preclinical development of the licensed SARD program, beyond identifying potential lead clinical compounds, we would need to obtain additional funding for such development, either through a financing, a strategic sale or licensing of assets, or by entering into collaborative arrangements or partnerships with third parties for such further development.

While we have been able to fund our operations to date, we currently have no ongoing collaborations for the development and commercialization of our product candidates and no source of revenue, nor do we expect to generate revenue for the foreseeable future. We also do not have any commitments for future external funding. Until we can generate a sufficient amount of product revenue, which we may never do, we expect to finance future cash needs through potential collaboration, partnering or other strategic arrangements, as well as through public or private equity offerings or debt financings, or a combination of the foregoing. Our ability to raise additional funds and the terms upon which we are able to raise such funds have been severely harmed by the failure of the two enobosarm Phase 3 clinical trials to meet both of the co-primary endpoints agreed upon with the FDA, and may in the future be adversely impacted by the uncertainty regarding the prospects of our planned development of enobosarm for the treatment of patients with AR positive advanced breast cancer, our ability to realize any return on our investment in GTx-758 and our ability to advance the development of enobosarm or SARDs, if at all. Our ability to raise additional funds and the terms upon which we are able to raise such funds may also be adversely affected by the uncertainties regarding our financial condition, the sufficiency of our capital resources, our ability to maintain the listing of our common stock on the NASDAQ Capital Market and recent and potential future management turnover. As a result of these and other factors, we cannot be certain that additional funding will be available on acceptable terms, or at all. If adequate funds are not available when we need them, we may be required to delay, reduce the scope of or eliminate one or more of our research or development programs, including our enobosarm, GTx-758, or SARD programs, or conduct additional workforce or other expense reductions, any of which could have a material adverse effect on our business and our prospects.

Research and Development

Since our inception in 1997, we have been focused on drug discovery and development programs. Research and development expenses include, but are not limited to, our expenses for personnel and supplies associated with our research activities, screening and identification of product candidates, formulation and synthesis activities,

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manufacturing, preclinical studies, toxicology studies, clinical trials, regulatory and medical affairs activities, quality assurance activities and license fees.

We expect that our research and development expenses for fiscal year 2015 will decrease as compared to fiscal year 2014 as the prior year included employee retention expenses, which were a part of our efforts to retain essential employees continuing with us following the October 2013 workforce reduction.

There is a risk that any drug discovery and development program may not produce revenue. Moreover, because of the uncertainties inherent in drug discovery and development, including those factors described in Part II, Item 1A "Risk Factors" of this Quarterly Report on Form 10-Q, we may not be able to successfully develop and commercialize any of our product candidates.

Product Candidates

The following table identifies the development phase and status for each of our clinical product candidates:

Product Candidate/ Proposed Indication	Program	Clinical Development Phase	Status
Enobosarm			
Treatment of women with advanced AR positive TNBC (18 mg)	SARM	Phase 2	Initiated a Phase 2 open-label proof-of-concept clinical trial evaluating enobosarm in patients with advanced AR positive TNBC in the second quarter of 2015.
Enobosarm			
Treatment of women with ER positive and AR positive advanced breast cancer (9 mg and 18 mg)	SARM	Phase 2	Plan to initiate a Phase 2 open-label clinical trial evaluating enobosarm in patients with ER positive and AR positive advanced breast cancer in the third quarter of 2015.
GTx-758			
Secondary hormonal therapy in men with metastatic and non-metastatic CRPC	Selective ER alpha agonist	Phase 2	All subjects have reached the primary endpoint assessment. Final efficacy and safety data to be presented at an appropriate scientific meeting and submitted for publication.

General and Administrative Expenses

Our general and administrative expenses consist primarily of salaries and other related costs for personnel serving executive, finance, legal, human resources, information technology, and investor relations functions. General and administrative expenses also include facility costs, insurance costs, and professional fees for legal, accounting, and public relation services.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported revenues and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and judgments related to revenue recognition, valuation of warrants, income taxes, intangible assets, long-term service contracts, share-based compensation, and other

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contingencies. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are more fully described in Note 2 to our financial statements appearing in our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC, we believe that the following accounting policies are most critical to aid you in fully understanding and evaluating our reported financial results.

Warrant Liability

In November 2014, we issued warrants to purchase 64.3 million shares of our common stock in a private placement to certain investors. We classify the warrants as a liability on our balance sheet since these warrants contain certain terms that could require us (or our successor) to purchase the warrants for cash in an amount equal to the value (as calculated utilizing a contractually-agreed Black-Scholes option pricing formula) of the unexercised portion of the warrants in connection with certain change of control transactions occurring on or prior to December 31, 2016, with such cash payment capped at an amount

equal to $0.125 per unexercised share underlying each warrant. As a result of the provision of the warrants that could require cash settlement upon certain change of control transactions, we are required to account for these warrants as a liability at fair value, which is calculated using the Black-Scholes-Merton pricing valuation model. The Black-Scholes-Merton pricing valuation model requires that we use significant assumptions and judgment to determine appropriate inputs to the model. Some of the assumptions that we rely on include the volatility of our common stock over the life of the warrant and risk-free interest rate. Our warrant liability is influenced by these assumptions and the price of our common stock as of the balance sheet date. The estimated warrant liability is required to be revalued at each balance sheet date until the earlier of the exercise of the warrants or the expiration of the provision on December 31, 2016 that could require cash settlement upon certain change of control transactions. Upon the exercise of the warrants or the expiration of the provision on December 31, 2016 that could require cash settlement upon certain change of control transactions, the fair value of the warrants will be reclassified from a liability to stockholders' equity on our balance sheets and no further adjustment to the fair value would be made in subsequent periods.

Research and Development Expenses

Research and development expenses include, but are not limited to, our expenses for personnel, supplies, and facilities associated with research activities, screening and identification of product candidates, formulation and synthesis activities, manufacturing, preclinical studies, toxicology studies, clinical trials, regulatory and medical affairs activities, quality assurance activities and license fees. We expense these costs in the period in which they are incurred. We estimate our liabilities for research and development expenses in order to match the recognition of expenses to the period in which the actual services are received. As such, accrued liabilities related to third party research and development activities are recognized based upon our estimate of services received and degree of completion of the services in accordance with the specific third party contract.

Share-Based Compensation

We have stock option and equity incentive plans that provide for the purchase or acquisition of our common stock by certain of our employees and non-employees. We measure compensation expense for our share-based payments based on the fair value of the awards on the grant date and recognize the expense over the period during which an employee or non-employee director is required to provide service in exchange for the award.

The determination of the fair value of stock options on the date of grant include the expected life of the award, the expected stock price volatility over the expected life of the awards, and risk-free interest rate. We estimate the expected life of options by calculating the average of the vesting term and contractual term of the options. We estimate the expected stock price volatility based on the historical volatility of our common stock. The risk-free interest rate is determined using U.S. Treasury rates where the term is consistent with the expected life of the stock options. Expected dividend yield is not considered as we have not made any dividend payments and have no plans of doing so in the foreseeable future. The amount of share-based compensation expense recognized is reduced ratably over the vesting period by an estimate of the percentage of options granted that are expected to be forfeited

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or canceled before becoming fully vested. This estimate is adjusted periodically based on the extent to which actual forfeitures differ, or are expected to differ, from the previous estimate.

Share-based compensation also includes restricted stock units, or RSUs, granted to employees. We estimate the fair value of RSUs using the closing price of our stock on the grant date. The fair value of RSUs is amortized on a straight-line basis over the requisite service period of the awards.

The following table summarizes share-based compensation expense included within the condensed statements of operations for the three and six months ended June 30, 2015 and 2014:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(in thousands)		(in thousands)	
Research and development expenses	$ 337	$ 950	$ 526	$ 2,330
General and administrative expenses	412	817	673	1,684
Total share-based compensation	$ 749	$ 1,767	$ 1,199	$ 4,014

Share-based compensation expense recorded in the condensed statement of operations as general and administrative expense for the three months ended June 30, 2015 and 2014 included share-based compensation expense related to deferred compensation arrangements for our non-employee directors of $27,000 and $31,000, respectively. Share-based compensation expense recorded in the condensed statement of operations as general and administrative expense for the six months ended June 30, 2015 and 2014 included share-based compensation expense related to deferred compensation arrangements for our non-employee directors of $58,000 and $63,000, respectively. At June 30, 2015, the total compensation cost related to non-vested stock options not yet recognized was approximately $3.9 million with a weighted average expense recognition period of 3.42 years. At June 30, 2015, the total compensation cost related to non-vested RSUs not yet recognized was approximately $4.4 million with a weighted average expense recognition period of 2.53 years.

Recent Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board issued Accounting Standard Update 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The new guidance is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern within one year of the date the financial statements are issued and to provide related footnote disclosure. This new guidance is effective for the first annual period ending after December 15, 2016 and interim periods thereafter.

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Results of Operations

Three and Six Months Ended June 30, 2015 and 2014

Research and Development Expenses

The following table identifies the research and development expenses for each of our clinical product candidates, as well as research and development expenses pertaining to our other research and development efforts, for each of the periods presented. Research and development spending for past periods is not indicative of spending in future periods.

Proposed Candidate / Proposed Indication	Program	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
		(in thousands)			
Enobosarm					
Treatment of women with AR positive TNBC (18 mg)	**SARM**	$ 1,052	$ —	$ 2,233	$ —
Enobosarm					
Treatment of women with ER positive and AR positive advanced breast cancer (9 mg and 18 mg)	**SARM**	910	764	1,749	1,627
Enobosarm					
Prevention and treatment of muscle wasting in patients with advanced non-small cell lung cancer (3 mg)	**SARM**	—	5,790	—	9,777
GTx-758					
Secondary hormonal therapy in men with metastatic and non-metastatic CRPC	**Selective ER alpha agonist**	458	1,227	1,013	2,689
Other research and development		536	113	909	161
Total research and development expenses		$ 2,956	$ 7,894	$ 5,904	$ 14,254

Research and development expenses decreased to $3.0 million for the three months ended June 30, 2015 from $7.9 million for the three months ended June 30, 2014. Research and development expenses decreased to $5.9 million for the six months ended June 30, 2015 from $14.3 million for the six months ended June 30, 2014.

Research and development expenses for enobosarm for the treatment of women with AR positive TNBC increased for both the three and six months ended June 30, 2015 from the prior year comparable periods due to preparatory activities related to, and the initiation of, our Phase 2 clinical trial of enobosarm for the treatment of women with AR positive TNBC, which preparatory activities began in the fourth quarter of 2014.

Research and development expenses for enobosarm for the prevention and treatment of AR positive and ER positive metastatic breast cancer during the three and six months ended June 30, 2015 consisted of expenses for preparatory activities related to the Phase 2 clinical trial for the treatment of women with ER positive and AR positive advanced breast cancer that we plan to initiate in the third quarter of 2015, for which preparatory activities began in the fourth quarter of 2014, as well as expenses related to our ongoing Phase 2 proof-of-concept clinical trial evaluating enobosarm 9 mg for the treatment of AR positive and ER positive metastatic breast cancer in women who have previously responded to hormonal therapy for the treatment of their metastatic breast cancer. The prior year

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period consisted only of expenses related to our ongoing Phase 2 proof-of-concept clinical trial that began in the second quarter of 2013.

Research and development expenses for enobosarm for the prevention and treatment of muscle wasting in patients with advanced non-small cell lung cancer, or NSCLC, decreased for both the three and six months ended June 30, 2015 from the prior year comparable periods. As we previously announced in August 2013, data from our two Phase 3 clinical trials evaluating enobosarm 3 mg daily for the prevention and treatment of muscle wasting in patients with advanced NSCLC failed to meet the primary statistical criterion pre-specified for the co-primary endpoints of lean body mass and physical function and the FDA will not accept a new drug application for enobosarm for this indication. Additionally, we subsequently determined that data from the these Phase 3 clinical trials is not sufficient to support the filing and approval of a marketing authorization application, or MAA, by the European Medicines Agency without confirmatory data from another Phase 3 clinical trial of enobosarm 3 mg and we do not intend to submit a MAA in the absence of such confirmatory data. Accordingly, in 2015 we have ceased spending on this indication. The three and six months ended June 30, 2014 included expenses for activities related to satisfying the prerequisites necessary for our then-planned regulatory submission in Europe for enobosarm 3 mg, including conducting seven Phase 1 clinical trials.

Research and development expenses related to the ongoing Phase 2 clinical trial to evaluate GTx-758 as secondary hormonal therapy in men with metastatic CRPC decreased for the three and six months ended June 30, 2015 from the prior year comparable periods due to the timing of patient activities and related management expenses as this trial was initiated in the third quarter of 2012 and enrollment was completed during the first quarter of 2015.

Additionally, research and development expenses for each product candidate in the prior year included expenses related to cash bonuses and stock option and RSU grants made to the employees as part of our efforts to retain the essential employees continuing with us following the October 2013 workforce reduction.

“Other research and development” expenses for both the three and six months ended June 30, 2015 primarily include costs for drug stability and storage costs, research to identify one or more potential lead SARD compounds that could potentially be advanced into preclinical and clinical development, and activities related to evaluating enobosarm and other compounds in our SARM portfolio for indications outside of oncology.

General and Administrative Expenses

General and administrative expenses decreased 34% to $2.0 million for the three months ended June 30, 2015 from $3.1 million for the three months ended June 30, 2014. General and administrative expenses decreased 28% to $4.1 million for the six months ended June 30, 2015 from $5.7 million for the six months ended June 30, 2014. The decrease in both periods from the prior year periods was due primarily to expenses in the prior year period related to cash bonuses and stock option and RSU grants made to the employees as part of our efforts to retain the essential employees continuing with us following the October 2013 workforce reduction. Additionally, insurance and legal fees have decreased for both periods from the prior year periods.

Loss on Change in Fair Value of Warrant Liability

We recognized a warrant liability due to certain provisions of the warrants we issued as part of the November 2014 private placement of common stock and warrants. The warrants are required to be accounted for as a liability at fair value and the fair value must be revalued at each balance sheet date until the earlier of the exercise of the warrants or the expiration of the provision on December 31, 2016 that could require cash settlement upon certain change of control transactions. The resulting non-cash gain or loss on the fair value revaluation at each balance sheet date is recorded as non-operating income in our condensed statement of operations.

These warrants were revalued at fair value as of June 30, 2015 and the decrease in fair value of $43.0 million and $40.4 million for the three and six months ended June 30, 2015, respectively, was recorded as a non-cash loss on the change in fair value of warrant liability in the Company's condensed statement of operations.

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Liquidity and Capital Resources

At June 30, 2015, we had cash, cash equivalents and short-term investments of $39.4 million compared to $49.3 million at December 31, 2014. Net cash used in operating activities was $9.9 million and $18.0 million for the six months ended June 30, 2015 and 2014, respectively, and resulted primarily from funding our operations.

Net cash provided by investing activities was $6.3 million for the six months ended June 30, 2015 and resulted from the maturities of short-term investments of $36.5 million offset by the purchase of short-term investments of $30.2 million. Net cash used in investing activities was $5.9 million for the six months ended June 30, 2014 and resulted primarily from the purchase of short-term investments of $9.3 million offset by the maturities of short-term investments of $3.4 million.

Net cash provided by financing activities was $0 and $20.5 million for the six months ended June 30, 2015 and 2014, respectively. Net cash provided by financing activities for the six months ended June 30, 2014 reflects proceeds from the issuance of common stock and warrants of $21.1 million, partially offset by $617,000 of tax payments related to shares withheld in order to satisfy minimum tax withholding requirements in connection with the vesting of RSUs and payments of $2,000 on capital lease obligations.

We estimate that our current cash, cash equivalents and short-term investments, together with interest thereon, will be sufficient to meet our projected operating requirements through the end of 2016, during which time we expect to obtain results from the patients enrolled in the first stage of each of our ongoing and planned open-label Phase 2 clinical trials of enobosarm in patients with AR positive advanced breast cancer, using a Simon's two-stage clinical trial design. While we estimate that our current cash, cash equivalents and short-term investments are sufficient to fund our operations through 2016, we will need to obtain substantial additional funding to initiate and complete the second stage of our ongoing and planned open-label Phase 2 clinical trials of enobosarm in patients with AR positive advanced breast cancer and to otherwise conduct additional studies required of us to seek regulatory approval for enobosarm in patients with AR positive advanced breast cancer. In addition, if we decide to undertake any further development of our SARMs beyond our ongoing and currently-planned clinical trials and preclinical development and/or to meaningfully advance the preclinical development of the licensed SARD program, beyond identifying potential lead clinical compounds, we would need to obtain additional funding for such development, either through a financing, a strategic sale or licensing of assets, or by entering into collaborative arrangements or partnerships with third parties for such further development.

Our estimate of the period of time or events through which our financial resources will be adequate to support our projected operating requirements is a forward-looking statement and involves risks and uncertainties, and actual results could vary as a result of a number of factors, including the factors discussed under Part II, Item 1A "Risk Factors" section of this Quarterly Report on Form 10-Q. Because of the numerous risks and uncertainties associated with the development and potential commercialization of our product candidates and other research and development activities, including risks and uncertainties that could impact the rate of progress of our development activities, we are unable to estimate with certainty the amounts of increased capital outlays and operating expenditures associated with the future development of our product candidates, if any. Our future funding requirements will depend on many factors, including:

- the scope, rate of progress and cost of our preclinical and clinical development programs, including our ongoing, planned and any future clinical trials of our product candidates;
- the terms and timing of any potential collaborative, licensing and other strategic arrangements that we may establish;
- the amount and timing of any licensing fees, milestone payments and royalty payments from potential collaborators, if any;
- future clinical trial results;
- the cost and timing of regulatory filings and/or approvals to commercialize our product candidates and any related restrictions, limitations, and/or warnings in the label of an approved product candidate;
- the effect of competing technological and market developments; and
- the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property

rights, and the cost of defending any other litigation claims.

We do not currently have any commitments for future external funding nor do we currently have any sources of revenue. Until we can generate a sufficient amount of product revenue, which we may never do, we expect to finance future cash needs through potential collaboration, partnering or other strategic arrangements, as well as through public or private equity offerings or debt financings, or a combination of the foregoing. In October 2013, following our announcement that our POWER 1 and POWER 2 Phase 3 clinical trials for the prevention and treatment of muscle wasting in patients with advanced NSCLC failed to achieve the results required by the FDA for us to submit a new drug application for enobosarm, we announced and implemented a workforce reduction of approximately 60%. If we are unable to raise additional funds when needed, we may need to further reduce our expenditures, perhaps significantly, to preserve our cash. Cost-cutting measures that we may take in the future may not be sufficient to enable us to meet our cash requirements, and they may negatively affect our business and growth prospects.

To the extent that we raise additional funds through potential collaboration, partnering or other strategic arrangements, it may be necessary to relinquish rights to some of our technologies or product candidates, or grant licenses on terms that are not favorable to us, any of which could result in the stockholders of GTx having little or no continuing interest in our enobosarm, GTx-758 and/or SARDs programs as stockholders or otherwise. To the extent we raise additional funds by issuing equity securities, our stockholders may experience significant dilution, particularly given our currently depressed stock price, and debt financing, if available, may involve restrictive covenants. For example, we completed a private placement of common stock and warrants in March 2014, which was substantially dilutive, and completed a subsequent private placement in November 2014 that represented even greater dilution, and our stockholders may experience additional, perhaps substantial, dilution should we again raise additional funds by issuing equity securities. Any debt financing or additional equity that we raise may contain terms that are not favorable to us or our stockholders. Our ability to raise additional funds and the terms upon which we are able to raise such funds have been severely harmed by the failure of the two enobosarm Phase 3 clinical trials to meet both of the co-primary endpoints agreed upon with the FDA, and may in the future be adversely impacted by the uncertainty regarding the prospects of our planned development of enobosarm for the treatment of patients with AR positive advanced breast cancer, our ability to realize any return on our investment in GTx-758 and our ability to advance the development of enobosarm or SARDs, if at all. Our ability to raise additional funds and the terms upon which we are able to raise such funds may also be adversely affected by the uncertainties regarding our financial condition, the sufficiency of our capital resources, our ability to maintain the listing of our common stock on the NASDAQ Capital Market and recent and potential future management turnover. As a result of these and other factors, we cannot be certain that additional funding will be available on acceptable terms, or at all. If adequate funds are not available when we need them, we may be required to delay, reduce the scope of or eliminate one or more of our research or development programs, including our enobosarm, GTx-758, or SARD programs, or conduct additional workforce or other expense reductions, any of which could have a material adverse effect on our business and our prospects.

Contractual Obligations

Our future minimum contractual obligations were reported in our Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the SEC. On April 13, 2015, we entered into a new office lease with respect to our current office space. The new office lease term commenced on May 1, 2015 with a three year term ending on April 30, 2018. Operating lease obligations under the new office lease include aggregate future minimum payments of approximately $1.4 million. Except with respect to the foregoing, there were no material changes during the second quarter of 2015 from the contractual obligations previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the six months ended June 30, 2015, there were no material changes to our market risk disclosures as set forth in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2014.

ITEM 4. CONTROLS AND PROCEDURES

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

We have carried out an evaluation, under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on the evaluation of these disclosure controls and procedures, our Principal Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting during the second quarter of 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1A. RISK FACTORS

We have identified the following additional risks and uncertainties that may have a material adverse effect on our business, financial condition or results of operations. Investors should carefully consider the risks described below before making an investment decision. Our business faces significant risks, and the risks described below may not be the only risks we face. Additional risks not presently known to us or that we currently believe are immaterial may also

significantly impair our business operations. If any of these risks occur, our business, results of operations or financial condition could suffer, the market price of our common stock could decline and you could lose all or part of your investment in our common stock.

We have marked with an asterisk (*) those risks described below that reflect substantive changes from the risks described under Part I, Item 1A "Risk Factors" included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2015.

Risks Related to Our Financial Condition and Need for Additional Financing

We have incurred losses since inception, and we anticipate that we will incur continued losses for the foreseeable future.*

As of June 30, 2015, we had an accumulated deficit of $545.1 million. Our net loss for the six months ended June 30, 2015 was $50.3 million. We expect to incur significant operating losses for the foreseeable future as we continue our clinical development activities and potentially seek regulatory approval of our product candidates. These losses, among other things, have had and will continue to have an adverse effect on our stockholders' equity and working capital.

Our current product candidates, enobosarm (GTx-024) and GTx-758 (Capesaris®), will require significant additional clinical development, financial resources and personnel in order to obtain necessary regulatory approvals for these product candidates and to develop them into commercially viable products. A substantial portion of our

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efforts and expenditures have been devoted to enobosarm 3 mg, which was the subject of our POWER 1 and POWER 2 Phase 3 clinical trials for the prevention and treatment of muscle wasting in patients with advanced non-small cell lung cancer, or NSCLC. The failure of the POWER trials to meet the primary statistical criterion for the co-primary endpoints agreed upon with the U.S. Food and Drug Administration, or FDA, significantly depressed our stock price and has harmed our future prospects. Although we evaluated the potential submission of a marketing authorization application, or MAA, to the European Medicines Agency, or EMA, seeking marketing approval of enobosarm 3 mg in the European Union, or EU, for the prevention and treatment of muscle wasting in patients with advanced NSCLC, based on input from the Medicines and Healthcare Products Regulatory Agency, or MHRA, we believe that the data from the POWER trials is not sufficient to support the filing and approval of a MAA without confirmatory data from another Phase 3 clinical trial of enobosarm 3 mg. As a result of this input, we do not intend to submit a MAA in the absence of such confirmatory data. In addition, since data from the two POWER trials failed to meet the primary statistical criterion pre-specified for the co-primary endpoints of lean body mass and physical function, the FDA will not accept a new drug application, or NDA, for enobosarm 3 mg for the prevention and treatment of muscle wasting in patients with advanced NSCLC. Accordingly, our strategy does not currently include further development of enobosarm for this indication in the U.S. or in Europe unless such development is part of a collaborative arrangement or strategic partnership. Moreover, our current strategy is focused on the further development of enobosarm for the treatment of patients with androgen receptor, or AR, positive advanced breast cancer. However, the development of enobosarm for the treatment of patients with AR positive advanced breast cancer is at an early stage and is subject to the substantial risk of failure inherent in the development of early-stage product candidates. While we do not intend to commit additional internal resources for the development of GTx-758 once we have completed the efficacy and safety analysis of our ongoing Phase 2 clinical trial, our preclinical evaluation of our newly in-licensed selective androgen receptor degrader, or SARD, technology, as well as our preclinical evaluation of SARMs as a potential treatment of Duchenne muscular dystrophy, or DMD, will in each case require significant additional financial resources and personnel to continue our development of these programs. Because of the numerous risks and uncertainties associated with developing and commercializing small molecule drugs, we are unable to predict the extent of any future losses or when we will become profitable, if at all. In addition, we do not expect to obtain FDA or EMA approval, or any other regulatory approvals, to market any of our product candidates, including enobosarm, for the foreseeable future, and it is possible that none of our product candidates will ever receive any regulatory approvals.

We have funded our operations primarily through public offerings and private placements of our securities, as well as payments from our former collaborators. We also previously recognized product revenue from the sale of FARESTON®, the rights to which we sold to a third party in the third quarter of 2012. Currently, we have no ongoing collaborations for the development and commercialization of our product candidates, and as a result of the sale of our rights and certain assets related to FARESTON®, we also currently have no sources of revenue.

If we and/or any potential collaborators are unable to develop and commercialize enobosarm, GTx-758, or SARD technology, if development is further delayed or is eliminated, or if sales revenue from enobosarm, GTx-758, or SARD technology upon receiving marketing approval, if ever, is insufficient, we may never become profitable and we will not be successful.

We will need to raise substantial additional capital and may be unable to raise capital when needed, which would force us to delay, reduce or eliminate our product development programs and could cause us to discontinue our operations.*

We will need to raise substantial additional capital to:

- fund our operations and conduct clinical trials;
- continue our research and development;
- seek regulatory approval for our product candidates; and
- commercialize our product candidates, if any such product candidates receive regulatory approval for commercial sale.

We estimate that our current cash, cash equivalents and short-term investments, together with interest thereon, will be sufficient to meet our projected operating requirements through the end of 2016, during which time we

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expect to obtain results from the patients enrolled in the first stage of each of our ongoing and planned open-label Phase 2 clinical trials of enobosarm in patients with AR positive advanced breast cancer, using a Simon's two-stage clinical trial design. While we estimate that our current cash, cash equivalents and short-term investments are sufficient to fund our operations through 2016, we will need to obtain substantial additional funding to initiate and complete the second stage of our ongoing and planned open-label Phase 2 clinical trials of enobosarm in patients with AR positive advanced breast cancer and to otherwise conduct additional studies required of us to seek regulatory approval for enobosarm in patients with AR positive advanced breast cancer. In addition, if we decide to undertake any further development of our SARMs beyond our ongoing and currently-planned clinical trials and preclinical development and/or to meaningfully advance the preclinical development of the licensed SARD program, beyond identifying potential lead clinical compounds, we would need to obtain additional funding for such development, either through a financing, a strategic sale or licensing of assets, or by entering into collaborative arrangements or partnerships with third parties for such further development.

Our future funding requirements will depend on many factors, including:

- the scope, rate of progress and cost of our preclinical and clinical development programs, including our ongoing, planned and any future clinical trials of our product candidates;
- the terms and timing of any potential collaborative, licensing and other strategic arrangements that we may establish;
- the amount and timing of any licensing fees, milestone payments and royalty payments from potential collaborators, if any;
- future clinical trial results;
- the cost and timing of regulatory filings and/or approvals to commercialize our product candidates and any related restrictions, limitations, and/or warnings in the label of an approved product candidate;
- the effect of competing technological and market developments; and
- the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights, and the cost of defending any other litigation claims.

While we have been able to fund our operations to date, we currently have no ongoing collaborations for the development and commercialization of our product candidates and no source of revenue, nor do we expect to generate revenue for the foreseeable future. We also do not have any commitments for future external funding. Until we can generate a sufficient amount of product revenue, which we may never do, we expect to finance future cash needs through potential collaboration, partnering or other strategic arrangements, as well as through public or private equity offerings or debt financings, or a combination of the foregoing. In October 2013, following our announcement that the POWER trials failed to achieve the results required by the FDA for us to submit a NDA for enobosarm, we announced and implemented a workforce reduction of approximately 60%. If we are unable to raise additional funds when needed, we may need to further reduce our expenditures, perhaps significantly, to preserve our cash. Cost-cutting measures that we may take in the future may not be sufficient to enable us to meet our cash requirements, and they may negatively affect our business and growth prospects.

To the extent that we raise additional funds through potential collaboration, partnering or other strategic arrangements, it may be necessary to relinquish rights to some of our technologies or product candidates, or grant licenses on terms that are not favorable to us, any of which could result in the stockholders of GTx having little or no continuing interest in our enobosarm, GTx-758 and/or our recently-licensed selective androgen receptor degrader, or SARD, programs as stockholders or otherwise. To the extent we raise additional funds by issuing equity securities, our stockholders may experience significant dilution, particularly given our currently depressed stock price, and debt financing, if available, may involve restrictive covenants. For example, we completed a private placement of common stock and warrants in March 2014, which was substantially dilutive, and completed a subsequent private placement in November 2014 that represented even greater dilution, and our stockholders may experience additional, perhaps substantial, dilution should we again raise additional funds by issuing equity securities. Any debt financing or additional equity that we raise may contain terms that are not favorable to us or our stockholders. Our ability to raise additional funds and the terms upon which we are able to raise such funds have been severely harmed by the failure of the two enobosarm Phase 3 clinical trials to meet both of the co-primary endpoints agreed upon with the FDA, and may in the future be adversely impacted by the uncertainty regarding the prospects of our planned development of enobosarm for the treatment of patients with AR positive advanced breast

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cancer, our ability to realize any return on our investment in GTx-758 and our ability to advance the development of enobosarm or SARDs, if at all. Our ability to raise additional funds and the terms upon which we are able to raise such funds may also be adversely affected by the uncertainties regarding our financial condition, the sufficiency of our capital resources, our ability to maintain the listing of our common stock on the NASDAQ Capital Market and recent and potential future management turnover. As a result of these and other factors, we cannot be certain that additional funding will be available on acceptable terms, or at all. If adequate funds are not available when we need them, we may be required to delay, reduce the scope of or eliminate one or more of our research or development programs, including our enobosarm, GTx-758, or SARD programs, or conduct additional workforce or other expense reductions, any of which could have a material adverse effect on our business and our prospects.

Risks Related to Development of Product Candidates

We are substantially dependent on the success of enobosarm and our failure to advance the development of enobosarm or to obtain regulatory approval of enobosarm would significantly harm our prospects.*

Our current strategy is focused on the further development of enobosarm for the treatment of patients with AR positive advanced breast cancer. However, the development of enobosarm for the treatment of patients with AR positive advanced breast cancer is at an early stage and is subject to the significant risk of failure inherent in the development of early-stage product candidates. Moreover, we still have only limited data from our preclinical models of breast cancer and our ongoing Phase 2 proof-of-concept clinical trial of enobosarm in women with ER positive and AR positive metastatic breast cancer. As a result, we will need to conduct costly and time-consuming additional clinical trials of enobosarm for the treatment of patients with AR positive advanced breast cancer to determine whether enobosarm is an effective treatment for patients with advanced AR positive TNBC and ER positive and AR positive advanced breast cancer.

Preclinical studies, including studies of SARMs in animal models of disease, may not accurately predict the results of subsequent human clinical trials of enobosarm, including the results of our ongoing and planned Phase 2 clinical trials of enobosarm in patients with AR positive advanced breast cancer. Furthermore, the positive results from our ongoing Phase 2 proof-of-concept clinical trial of enobosarm in women with ER positive and AR positive metastatic breast cancer does not ensure that our ongoing or planned Phase 2 clinical trials will be successful or that any later trials will be successful. A number of companies in the pharmaceutical industry, including us and those with greater resources and experience than we have, have suffered significant setbacks in Phase 3 and later-stage clinical trials, even after receiving encouraging results in earlier clinical trials. Due to the uncertain and time-consuming clinical development and regulatory approval process, we may not be successful in developing enobosarm for the treatment of patients with AR positive advanced breast cancer, or in developing any of our product candidates, and it is possible that none of our current product candidates will ever become commercial products.

A substantial portion of our efforts and expenditures have been devoted to enobosarm 3 mg, which was the subject of our POWER 1 and POWER 2 Phase 3 clinical trials evaluating enobosarm 3 mg for the prevention and treatment of muscle wasting in patients with advanced NSCLC. We announced in August 2013 that these two Phase 3 clinical trials failed to meet the co-primary endpoints of lean body mass and physical function that were assessed statistically using responder analyses as required by the FDA. The failure of the POWER trials to meet the primary statistical criterion for the co-primary endpoints agreed upon with the FDA significantly depressed our stock price and has harmed our future prospects. Although we evaluated the potential submission of a MAA to the EMA seeking marketing approval of enobosarm 3 mg in the EU for the prevention and treatment of muscle wasting in patients with advanced NSCLC, based on recent input from the MHRA, we believe that the data from the POWER trials is not sufficient to support the filing and approval of a MAA without confirmatory data from another Phase 3 clinical trial of enobosarm 3 mg. As a result of this input, we do not intend to submit a MAA in the absence of such confirmatory data. In addition, since data from the two POWER trials failed to meet the primary statistical criterion pre-specified for the co-primary endpoints of lean body mass and physical function, the FDA will not accept a NDA for enobosarm 3 mg for the prevention and treatment of muscle wasting in patients with advanced NSCLC. Accordingly, our strategy does not currently include further development of enobosarm for this indication in the U.S. or in Europe unless such development is part of a collaborative arrangement or strategic partnership.

In addition, we do not currently have any further clinical development plans for GTx-758 and we do not in any event have sufficient funds to enable further clinical development of GTx-758. Likewise, our evaluation of the recently-licensed SARD program is at a very early stage and any meaningful preclinical and clinical development of

our SARD program, beyond identifying potential lead clinical compounds, will require us to obtain additional funding. In addition, our evaluation of SARMs as a potential treatment for DMD is at a very early stage, and our ability to meaningfully advance preclinical development of SARMs as a potential treatment for DMD is subject to our ability to obtain additional funding. Accordingly, our current strategy and near-term prospects are substantially dependent on the successful development of enobosarm for the treatment of patients with AR positive advanced breast cancer.

We and any potential collaborators will not be able to commercialize our product candidates if our preclinical studies do not produce successful results or if our clinical trials do not adequately demonstrate safety and efficacy in humans.*

Significant additional clinical development and financial resources will be required to obtain necessary regulatory approvals for our product candidates and to develop them into commercially viable products. Preclinical and clinical testing is expensive, can take many years to complete and has an uncertain outcome. Success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful, and interim results of a clinical trial do not necessarily predict final results. Typically, the failure rate for development candidates is high. If a product candidate fails at any stage of development, we will not have the anticipated revenues from that product candidate to fund our operations, and we will not receive any return on our investment in that product candidate. For example, we announced in August 2013 that our POWER 1 and POWER 2 Phase 3 clinical trials evaluating enobosarm for the prevention and treatment of muscle wasting in patients with advanced NSCLC failed to meet the co-primary endpoints of lean body mass and physical function that were assessed statistically using responder analyses as agreed upon with the FDA. Although we evaluated the potential submission of a MAA to the EMA seeking marketing approval of enobosarm 3 mg in the EU for the prevention and treatment of muscle wasting in patients with advanced NSCLC, based on recent input from the MHRA, we believe that the data from the POWER trials is not sufficient to support the filing and approval of a MAA without confirmatory data from another Phase 3 clinical trial of enobosarm 3 mg. As a result of this input, we do not intend to submit a MAA in the absence of such confirmatory data. In addition, since data from the two POWER trials failed to meet the primary statistical criterion pre-specified for the co-primary endpoints of lean body mass and physical function, the FDA will not accept a NDA for enobosarm 3 mg for the prevention and treatment of muscle wasting in patients with advanced NSCLC. Accordingly, our strategy does not currently include further development of enobosarm for this indication in the U.S. or in Europe unless such development is part of a collaborative arrangement or strategic partnership.

In addition, in the first quarter of 2015, we entered into an exclusive worldwide license agreement with the University of Tennessee Research Foundation, or UTRF, to develop its proprietary SARD technology. However, our evaluation of the licensed SARD program is at a very early stage and it is possible that we may determine not to move forward with any meaningful preclinical development of our SARD program, beyond identifying potential lead clinical compounds. Even if we do determine to move forward with any meaningful preclinical development of our SARD program, to advance preclinical development of our SARD program through the requisite preclinical studies to support initial human studies, we will require additional funding. Accordingly, as a result of our unsuccessful research and preclinical development and/or our inability to obtain sufficient funding to meaningfully advance preclinical development of our SARD program, we may fail to realize the anticipated benefits of our licensing of this program.

Significant delays in clinical testing could materially impact our product development costs. We do not know whether planned clinical trials will begin on time, or whether ongoing clinical trials will need to be modified or will be completed on schedule, if at all. For example, our ongoing and planned Phase 2 clinical trials of enobosarm in patients with AR positive advanced breast cancer are designed to be conducted using a Simon's two-stage design, pursuant to which we plan to enroll approximately half of the patients in the first stage, and, upon achievement of a pre-specified minimal response rate, we plan to proceed with enrollment of the second stage. However, even if we achieve the pre-specified minimal response rate, our ability to proceed with enrollment of and to complete the second stage in both trials is subject to our ability to obtain additional funding, which we may be unable to do. In any event, we or any potential collaborators may experience numerous unforeseen and/or adverse events during, or as a result of, preclinical testing and the clinical trial process that could delay or prevent our or our potential collaborators' ability to commercialize our product candidates, including:

- regulators or institutional review boards may not authorize us or any potential collaborators to commence a clinical trial or conduct a clinical trial at a prospective trial site, or we may experience substantial delays in obtaining these authorizations;

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- preclinical or clinical trials may produce negative or inconclusive results, which may require us or any potential collaborators to conduct additional preclinical or clinical testing or to abandon projects that we expect to be promising;
- even if preclinical or clinical trial results are positive, the FDA or foreign regulatory authorities could nonetheless require us to conduct unanticipated additional clinical trials;
- registration or enrollment in clinical trials may be slower than we anticipate, resulting in significant delays or study terminations;
- we or any potential collaborators may suspend or terminate clinical trials if the participating patients are being exposed to unacceptable health risks;
- regulators or institutional review boards may suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements; and
- our product candidates may not have the desired effects or may include undesirable side effects.

If any of these events were to occur and, as a result, we or any potential collaborators have significant delays in or termination of clinical trials, our costs could increase and our ability to generate revenue could be impaired, which would materially and adversely impact our business, financial condition and growth prospects.

If we or any potential collaborators observe serious or other adverse events during the time our product candidates are in development or after our products are approved and on the market, we or any potential collaborators may be required to perform lengthy additional clinical trials, may be required to cease further development of such product candidates, may be denied regulatory approval of such products, may be forced to change the labeling of such products or may be required to withdraw any such products from the market, any of which would hinder or preclude our ability to generate revenues.

In three Phase 2 clinical trials of GTx-758, which we discontinued in February 2012, we observed venous thromboembolic events, or blood clots, in subjects treated with GTx-758 at the doses then being studied in these clinical trials (1000 mg and higher per day) and reported those events to the FDA. There were two deaths in subjects treated with GTx-758 and two deaths in subjects treated with Lupron Depot®. In February 2012, the FDA placed all of our then ongoing clinical studies of GTx-758 on full clinical hold, and we suspended further enrollment into these studies and notified clinical sites to discontinue treatment of subjects with GTx-758. In May 2012, the FDA notified us that it had removed the full clinical hold on GTx-758. In the third quarter of 2012, we initiated a Phase 2 clinical trial to evaluate GTx-758, at doses lower than those which were previously being tested in our discontinued Phase 2 clinical trials, as secondary hormonal therapy in men with metastatic castration-resistant prostate cancer, or CRPC. Although our current Phase 2 clinical trial is evaluating GTx-758 at doses lower than those which were previously being tested in our discontinued Phase 2 clinical trials, we cannot be confident that we will not observe an unacceptable incidence of venous thromboembolic events or other serious adverse events, or SAEs, in the current Phase 2 clinical trial. In this regard, there has been one reported incidence of a VTE and one reported incidence of a myocardial infarction, or MI, in patients enrolled in the 250 mg arm of our ongoing Phase 2 clinical trial of GTx-758, resulting in the discontinuation of both patients from active treatment, and we cannot assure you that we will not observe additional SAEs in this trial. If an unacceptable incidence of VTEs, MIs, or other SAEs are observed in our current Phase 2 clinical trial of GTx-758, we may be required to abandon our development of GTx-758, in which case, we would not receive any return on our investment in that product candidate.

In our Phase 2 clinical trials for enobosarm for the treatment of muscle wasting in patients with cancer and healthy older males and postmenopausal females, we observed mild elevations of hepatic enzymes, which in certain circumstances may lead to liver failure, in a few patients in both the placebo and enobosarm treated groups. Reductions in high-density lipoproteins, or HDL, have also been observed in subjects treated with enobosarm. Lower levels of HDL could lead to increased risk of adverse cardiovascular events. In addition, in our ongoing Phase 2 proof-of-concept clinical trial evaluating enobosarm in a 9 mg daily dose for the treatment of patients with ER positive and AR positive metastatic breast cancer, bone pain of the chest cage was assessed as possibly related to enobosarm. Although doses up to 30 mg have been evaluated in short duration studies, doses of 9 mg and 18 mg currently being tested in our Phase 2 clinical trials may increase the risk or incidence of known potential side effects of SARMs including elevations in hepatic enzymes and further reductions in HDL, in addition to the emergence of side effects that have not been seen to date. Although no evidence of virilization has been seen to date with any dose of enobosarm, higher doses for longer duration may increase the risk of hair growth and masculinization in some women.

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If the incidence of serious or other adverse events related to our product candidates increases in number or severity, if a regulatory authority believes that these or other events constitute an adverse effect caused by the drug, or if other effects are identified during clinical trials that we or any potential collaborators may conduct in the future or after any of our product candidates are approved and marketed:

- we or any potential collaborators may be required to conduct additional preclinical or clinical trials, make changes in the labeling of any such approved products, reformulate any such products, or implement changes to or obtain new approvals of our contractors' manufacturing facilities;
- regulatory authorities may be unwilling to approve our product candidates or may withdraw approval of our products;
- we may experience a significant drop in the sales of the affected products;
- our reputation in the marketplace may suffer; and
- we may become the target of lawsuits, including class action suits.

Any of these events could prevent approval or harm sales of the affected product candidates or products, or could substantially increase the costs and expenses of commercializing and marketing any such products.

Risks Related to Our Dependence on Third Parties

If we do not establish collaborations for our product candidates or otherwise raise substantial additional capital, we will likely need to alter, delay or abandon our development and any commercialization plans.*

Our strategy includes selectively partnering or collaborating with leading pharmaceutical and biotechnology companies to assist us in furthering development and potential commercialization of our product candidates. We face significant competition in seeking appropriate collaborators, and collaborations are complex and time consuming to negotiate and document. We may not be successful in entering into new collaborations with third parties on acceptable terms, or at all. In addition, we are unable to predict when, if ever, we will enter into any additional collaborative arrangements because of the numerous risks and uncertainties associated with establishing such arrangements. If we are unable to negotiate new collaborations, we may have to curtail the development of a particular product candidate, reduce, delay, or terminate its development or one or more of our other development programs, delay its potential commercialization or reduce the scope of our sales or marketing activities or increase our expenditures and undertake development or commercialization activities at our own expense. For example, we may have to cease further development of our enobosarm program if we are unable to raise sufficient funding for any additional clinical development of enobosarm through new collaborative arrangements with third parties or other financing alternatives. In this regard, if we decide to undertake any further development of our SARMs beyond our ongoing and currently-planned clinical trials and preclinical development, we would need to obtain additional funding for such development, either through financing or by entering into collaborative arrangements or partnerships with third parties for any such further development. Moreover, the ongoing and planned Phase 2 clinical trials of enobosarm in patients with AR positive advanced breast cancer are designed to be conducted using a Simon's two-stage design, pursuant to which we plan to enroll approximately half of the patients in the first stage, and, upon achievement of a pre-specified minimal response rate, we plan to proceed with enrollment of the second stage. However, even if we achieve the pre-specified minimal response rate, our ability to proceed with enrollment of and to complete the second stage in both trials is subject to our ability to obtain additional funding, which we may be unable to do. In addition, we do not plan to dedicate further resources to GTx-758 after the conclusion of our ongoing Phase 2 clinical trial of GTx-758 and while we are currently determining third party interest in partnering or acquiring this asset and other preclinical ER alpha agonist compounds, we may be unable to partner or divest these assets in a timely manner, or at all, and therefore may not receive any return on our investment in GTx-758. Likewise, any meaningful preclinical development, beyond identifying potential lead clinical compounds, of our SARD program will require us to obtain additional funding. In addition, our ability to meaningfully advance preclinical development of SARMs as a potential treatment for DMD is subject to our ability to obtain additional funding. There can be no assurances that we will be successful in obtaining additional funding in any event. If we do not have sufficient funds, we will not be able to advance the development of our product candidates or otherwise bring our product candidates to market and generate product revenues.

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Any collaborative arrangements that we establish in the future may not be successful or we may otherwise not realize the anticipated benefits from these collaborations. In addition, any future collaborative arrangements may place the development and commercialization of our product candidates outside our control, may require us to relinquish important rights or may otherwise be on terms unfavorable to us.

We have in the past established and intend to continue to establish collaborations with third parties to develop and commercialize some of our current and future product candidates, and these collaborations may not be successful or we may otherwise not realize the anticipated benefits from these collaborations. For example, in March 2011, we and Ipsen Biopharm Limited, or Ipsen, mutually agreed to terminate our collaboration for the development and commercialization of our toremifene-based product candidate, and, as a result, we will not receive any additional milestone payments from Ipsen on account of our collaboration with Ipsen. As of the date of this report, we have no ongoing collaborations for the development and commercialization of our product candidates. We may not be able to locate third-party collaborators to develop and market our product candidates, and we lack the capital and resources necessary to develop our product candidates alone.

Dependence on collaborative arrangements subjects us to a number of risks, including:

- we may not be able to control the amount and timing of resources that our potential collaborators may devote to our product candidates;
- potential collaborations may experience financial difficulties or changes in business focus;
- we may be required to relinquish important rights such as marketing and distribution rights;
- should a collaborator fail to develop or commercialize one of our compounds or product candidates, we may not receive any future milestone payments and will not receive any royalties for the compound or product candidate;
- business combinations or significant changes in a collaborator's business strategy may also adversely affect a collaborator's willingness or ability to complete its obligations under any arrangement;
- under certain circumstances, a collaborator could move forward with a competing product candidate developed either independently or in collaboration with others, including our competitors; and
- collaborative arrangements are often terminated or allowed to expire, which could delay the development and may increase the cost of developing our product candidates.

If third parties do not manufacture our product candidates in sufficient quantities, in the required timeframe, at an acceptable cost, and with appropriate quality control, clinical development and commercialization of our product candidates would be delayed.

We do not currently own or operate manufacturing facilities, and we rely, and expect to continue to rely, on third parties for the production of clinical and commercial quantities of our product candidates. Our current and anticipated future dependence upon others for the manufacture of our product candidates may adversely affect our future profit margins, if any, and our ability to develop product candidates and commercialize any product candidates on a timely and competitive basis.

We rely on third-party vendors for the manufacture of enobosarm drug substance. If the contract manufacturers that we are currently utilizing to meet our supply needs for enobosarm or any future SARM product candidates prove incapable or unwilling to continue to meet our supply needs, we could experience a delay in conducting any additional clinical trials of enobosarm or any future SARM product candidates. In addition, we rely on third-party contractors for the manufacture of GTx-758 drug substance. We may not be able to maintain or renew our existing or any other third-party manufacturing arrangements on acceptable terms, if at all. If our suppliers fail to meet our requirements for GTx-758, enobosarm or any future product candidates for any reason, we would be required to obtain alternate suppliers. Any inability to obtain alternate suppliers, including an inability to obtain approval from the FDA of an alternate supplier, would delay or prevent the clinical development and commercialization of these product candidates.

Use of third-party manufacturers may increase the risk that we will not have adequate supplies of our product candidates or products.

Reliance on third-party manufacturers entails risks, to which we would not be subject if we manufactured product candidates or products ourselves, including:

- reliance on the third party for regulatory compliance and quality assurance;
- the possible breach of the manufacturing agreement by the third party because of factors beyond our control;
- the possible termination or non-renewal of the agreement by the third party, based on its own business priorities, at a time that is costly or inconvenient for us; and
- drug product supplies not meeting the requisite requirements for clinical trial use.

If we are not able to obtain adequate supplies of our product candidates, it will be more difficult for us to develop our product candidates and compete effectively. Our product candidates and any products that we and/or our potential collaborators may develop may compete with other product candidates and products for access to manufacturing facilities.

Our present or future manufacturing partners may not be able to comply with FDA-mandated current Good Manufacturing Practice regulations, other FDA regulatory requirements or similar regulatory requirements outside the United States. Failure of our third-party manufacturers or us to comply with applicable regulations could result in sanctions being imposed on us, including fines, injunctions, civil penalties, failure of regulatory authorities to grant marketing approval of our product candidates, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product candidates or products, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect supplies of our product candidates.

If third parties on whom we rely do not perform as contractually required or expected, we may not be able to obtain regulatory approval for or successfully commercialize our product candidates.

We do not have the ability to independently conduct clinical trials for our product candidates, and we must rely on third parties, such as contract research organizations, or CROs, medical institutions, clinical investigators and contract laboratories to conduct our clinical trials. In addition, we rely on third parties to assist with our preclinical development of product candidates. If these third parties do not successfully carry out their contractual duties or regulatory obligations or meet expected deadlines, if the third parties need to be replaced, or if the quality or accuracy of the data they obtain is compromised due to the failure to adhere to our clinical protocols or regulatory requirements or for other reasons, our preclinical development activities or clinical trials may be extended, delayed, suspended or terminated, and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates.

Risks Related to Our Intellectual Property

If we lose our licenses from UTRF, we may be unable to continue a substantial part of our business.*

We have licensed intellectual property rights and technology from UTRF used in a substantial part of our business. Our license agreements with UTRF, under which we were granted rights to SARM compounds and technologies, including enobosarm, and more recently, to SARD compounds and technology, may be terminated by UTRF if we are in breach of our obligations under, or fail to perform any terms of, the relevant agreement and fail to cure that breach. If one or both of these agreements are terminated, then we may lose our rights to utilize the SARM and/or SARD technology and intellectual property covered by those agreements to market, distribute and sell licensed products, which may prevent us from continuing a substantial part of our business and may result in a material and serious adverse effect on our financial condition, results of operations and any prospects for growth.

If some or all of our or our licensor's patents expire or are invalidated or are found to be unenforceable, or if some or all of our patent applications do not result in issued patents or result in patents with narrow, overbroad, or unenforceable claims, or claims that are not supported in regard to written description or enablement by the specification, or if we are prevented from asserting that the claims of an issued patent cover a product of a third party, we may be subject to competition from third parties with products in the same class of products as our product candidates or products with the same active pharmaceutical ingredients as our product candidates, including in those jurisdictions in which we have no patent protection.*

Our commercial success will depend in part on obtaining and maintaining patent and trade secret protection for our product candidates, as well as the methods for treating patients in the product indications using these product candidates. We will be able to protect our product candidates and the methods for treating patients in the product indications using these product candidates from unauthorized use by third parties only to the extent that we or our exclusive licensor owns or controls such valid and enforceable patents or trade secrets.

Our rights to certain patents and patent applications relating to SARM compounds that we have licensed from UTRF are subject to the terms of UTRF's inter-institutional agreements with The Ohio State University, or OSU, and our rights to future related improvements in some instances are subject to UTRF's exercise of exclusive options under its agreements with OSU for such improvements.

Even if our product candidates and the methods for treating patients for prescribed indications using these product candidates are covered by valid and enforceable patents and have claims with sufficient scope, disclosure and support in the specification, the patents will provide protection only for a limited amount of time. Our and our licensor's ability to obtain patents can be highly uncertain and involve complex and in some cases unsettled legal issues and factual questions. Furthermore, different countries have different procedures for obtaining patents, and patents issued in different countries provide different degrees of protection against the use of a patented invention by others. Therefore, if the issuance to us or our licensor, in a given country, of a patent covering an invention is not followed by the issuance, in other countries, of patents covering the same invention, or if any judicial interpretation of the validity, enforceability, or scope of the claims in, or the written description or enablement in, a patent issued in one country is not similar to the interpretation given to the corresponding patent issued in another country, our ability to protect our intellectual property in those countries may be limited. Changes in either patent laws or in interpretations of patent laws in the United States and other countries may materially diminish the value of our intellectual property or narrow the scope of our patent protection.

We may be subject to competition from third parties with products in the same class of products as our product candidates or products with the same active pharmaceutical ingredients as our product candidates in those jurisdictions in which we have no patent protection. Even if patents are issued to us or our licensor regarding our product candidates or methods of using them, those patents can be challenged by our competitors who can argue such patents are invalid or unenforceable, lack of utility, lack sufficient written description or enablement, or that the claims of the issued patents should be limited or narrowly construed. Patents also will not protect our product candidates if competitors devise ways of making or using these product candidates without legally infringing our patents. The Federal Food, Drug, and Cosmetic Act and FDA regulations and policies create a regulatory environment that encourages companies to challenge branded drug patents or to create non-infringing versions of a patented product in order to facilitate the approval of abbreviated new drug applications for generic substitutes. These same types of incentives encourage competitors to submit new drug applications that rely on literature and clinical data not prepared for or by the drug sponsor, providing another less burdensome pathway to approval.

We also rely on trade secrets to protect our technology, especially where we do not believe that patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. Our employees, consultants, contractors, outside scientific collaborators and other advisors may unintentionally or willfully disclose our confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Enforcing a claim that a third party illegally obtained and is using our trade secrets is expensive and time-consuming, and the outcome is unpredictable. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how. Failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

If we infringe intellectual property rights of third parties, it may increase our costs or prevent us from being able to commercialize our product candidates.

There is a risk that we are infringing the proprietary rights of third parties because numerous United States and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields that are the focus of our development and manufacturing efforts. Others might have been the first to make the inventions covered by each of our or our licensor's pending patent applications and issued patents and/or might have been the first to file patent applications for these inventions. In addition, because patent applications take many months to publish and patent applications can take many years to issue, there may be currently pending applications, unknown to us or our licensor, which may later result in issued patents that cover the production, manufacture, synthesis, commercialization, formulation or use of our product candidates. In addition, the production, manufacture, synthesis, commercialization, formulation or use of our product candidates may infringe existing patents of which we are not aware. Defending ourselves against third-party claims, including litigation in particular, would be costly and time consuming and would divert management's attention from our business, which could lead to delays in our development or commercialization efforts. If third parties are successful in their claims, we might have to pay substantial damages or take other actions that are adverse to our business.

As a result of intellectual property infringement claims, or to avoid potential claims, we might:

- be prohibited from selling or licensing any product that we and/or any potential collaborators may

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develop unless the patent holder licenses the patent to us, which the patent holder is not required to do;

- be required to pay substantial royalties or other amounts, or grant a cross license to our patents to another patent holder; or
- be required to redesign the formulation of a product candidate so that it does not infringe, which may not be possible or could require substantial funds and time.

Risks Related to Regulatory Approval of Our Product Candidates

If we or any potential collaborators are not able to obtain required regulatory approvals, we or such collaborators will not be able to commercialize our product candidates, and our ability to generate revenue will be materially impaired.

Our product candidates and the activities associated with their development and commercialization are subject to comprehensive regulation by the FDA, other regulatory agencies in the United States and by comparable authorities in other countries, including the EMA. Failure to obtain regulatory approval for a product candidate will prevent us or any potential collaborator from commercializing the product candidate. We have not received regulatory approval to market any of our product candidates in any jurisdiction, and we do not expect to obtain FDA, EMA or any other regulatory approvals to market any of our product candidates for the foreseeable future, if at all. The process of obtaining regulatory approvals is expensive, often takes many years, if approval is obtained at all, and can vary substantially based upon the type, complexity and novelty of the product candidates involved.

Changes in the regulatory approval policy during the development period, changes in or the enactment of additional regulations or statutes, or changes in regulatory review for each submitted product application may cause delays in the approval or rejection of an application. Even if the FDA or the EMA

approves a product candidate, the approval may impose significant restrictions on the indicated uses, conditions for use, labeling, advertising, promotion, marketing and/or production of such product, and may impose ongoing requirements for post-approval studies, including additional research and development and clinical trials. Any FDA approval may also impose risk evaluation mitigation strategies, or REMS, on a product if the FDA believes there is a reason to monitor the safety of the drug in the market place. REMS may include requirements for additional training for health care professionals, safety communication efforts and limits on channels of distribution, among other things. The sponsor would be required to evaluate and monitor the various REMS activities and adjust them if need be. The FDA and EMA also may impose various civil or criminal sanctions for failure to comply with regulatory requirements, including withdrawal of product approval.

Furthermore, the approval procedure and the time required to obtain approval varies among countries and can involve additional testing beyond that required by the FDA. Approval by one regulatory authority does not ensure approval by regulatory authorities in other jurisdictions.

The FDA, the EMA and other foreign regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that our data is insufficient for approval and require additional preclinical, clinical or other studies. For example, in October 2009, we received a Complete Response Letter from the FDA regarding our NDA for toremifene 80 mg to reduce fractures in men with prostate cancer on ADT notifying us that the FDA would not approve our NDA as a result of certain clinical deficiencies identified in the Complete Response Letter. We have since discontinued our toremifene 80 mg development program, as well as our other toremifene-based products and terminated our license and supply agreement with Orion for toremifene products. Although we evaluated the potential submission of a MAA to the EMA seeking marketing approval of enobosarm 3 mg in the EU for the prevention and treatment of muscle wasting in patients with advanced NSCLC, based on recent input from the MHRA, we believe that the data from the POWER trials is not sufficient to support the filing and approval of a MAA without confirmatory data from another Phase 3 clinical trial of enobosarm 3 mg. As a result of this input, we do not intend to submit a MAA in the absence of such confirmatory data. In addition, since data from the two POWER trials failed to meet the primary statistical criterion pre-specified for the co-primary endpoints of lean body mass and physical function, the FDA will not accept a NDA for enobosarm 3 mg for the prevention and treatment of muscle wasting in patients with advanced NSCLC. Accordingly, our strategy does not currently include further development of enobosarm for this indication in the U.S. or in Europe unless such development is part of a collaborative arrangement or strategic partnership.

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Additionally, there can be no assurance that the FDA will determine that the data from our ongoing, planned or potential future clinical trials of enobosarm for the treatment of patients with AR positive advanced breast cancer or GTx-758 will be sufficient for approval of these product candidates in any indications. For example, we may observe an unacceptable incidence of adverse events in our ongoing, planned or potential clinical trials of enobosarm or GTx-758, which could require us to abandon the development of the affected product candidate.

In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit, or prevent regulatory approval of a product candidate. Even if we submit an application to the FDA, the EMA and other foreign regulatory authorities for marketing approval of a product candidate, it may not result in any marketing approvals.

We do not expect to receive regulatory approval for the commercial sale of any of our product candidates that are in development for the foreseeable future, if at all. The inability to obtain approval from the FDA, the EMA and other foreign regulatory authorities for our product candidates would prevent us or any potential collaborators from commercializing these product candidates in the United States, the EU, or other countries. See the section entitled “Business — Government Regulation” under Part 1, Item 1 of this Annual Report on Form 10-K for additional information regarding risks associated with marketing approval, as well as risks related to potential post-approval requirements.

Risks Related to Commercialization

The commercial success of any products that we and/or any potential collaborators may develop will depend upon the market and the degree of market acceptance among physicians, patients, health care payors and the medical community.

Any products that we and/or any potential collaborators may develop, including enobosarm, may not gain market acceptance for its stated indication among physicians, patients, health care payors and the medical community. If these products do not achieve an adequate level of acceptance, we may not generate material product revenues or receive royalties to the extent we currently anticipate, and we may not become profitable. The degree of market acceptance of our product candidates, if approved for commercial sale, will depend on a number of factors, including:

- efficacy and safety results in clinical trials;
- the prevalence and severity of any side effects;
- potential advantages over alternative treatments;
- whether the products we commercialize remain a preferred course of treatment;
- the ability to offer our product candidates for sale at competitive prices;
- relative convenience and ease of administration;
- the strength of marketing and distribution support; and
- sufficient third-party coverage or reimbursement.

For example, if we are able to raise sufficient funding for any additional clinical development of enobosarm 3 mg through new collaborative arrangements with third parties or other financing alternatives and a MAA is submitted to the EMA for the marketing approval of enobosarm 3 mg in the EU for the more narrow indication of the prevention and treatment of muscle wasting in patients with advanced NSCLC treated with platinum plus taxane chemotherapy and marketing approval is obtained, we anticipate that the commercial prospects for enobosarm 3 mg could be diminished as a result of this more limited product indication.

If we are unable to establish sales and marketing capabilities or establish and maintain agreements with third parties to market and sell our product candidates, we may be unable to generate product revenue from such candidates.

We have limited experience as a company in the sales, marketing and distribution of pharmaceutical products. In the event one of our product candidates is approved, we will need to establish sales and marketing capabilities or establish and maintain agreements with third parties to market and sell our product candidates. We may be unable to build our own sales and marketing capabilities, and there are risks involved with entering into arrangements with third parties to perform these services, which could delay the commercialization of any of our product candidates if

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approved for commercial sale. In addition, to the extent that we enter into arrangements with third parties to perform sales, marketing and distribution services, our product revenues are likely to be lower than if we market and sell any products that we develop ourselves.

If we and/or any potential collaborators are unable to obtain reimbursement or experience a reduction in reimbursement from third-party payors for products we sell, our revenues and prospects for profitability will suffer.

Sales of products developed by us and/or any potential collaborators are dependent on the availability and extent of reimbursement from third-party payors. Changes in the reimbursement policies of these third-party payors that reduce reimbursements for any products that we and/or any potential collaborators may develop and sell could negatively impact our future operating and financial results.

Medicare coverage and reimbursement of prescription drugs exists under Medicare Part D for oral drug products capable of self-administration by patients. Our oral drug product candidates would likely be covered by Medicare Part D (if covered by Medicare at all). In March 2010, the United States Congress enacted the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act. This health care reform legislation will increase the number of individuals who receive health insurance coverage and will close a gap in drug coverage under Medicare Part D. The legislation, however, also implemented cost containment and other measures that could adversely affect revenues from sales of product candidates, including an increase in drug rebates manufacturers must pay under Medicaid for brand name prescription drugs and extension of these rebates to Medicaid managed care.

Pharmaceutical manufacturers and importers of brand name prescription drugs are assessed a fee based on our proportionate share of sales of brand name prescription drugs to certain government programs, including Medicare and Medicaid, made in the preceding year if such sales exceed a defined threshold. Since 2011, manufacturers have been required to provide a 50% discount on brand name prescription drugs sold to beneficiaries who fall within a gap that exists in the Medicare Part D prescription drug program (commonly known as the “donut hole”).

The health care reform legislation has been subject to political and judicial challenge. In 2012, the Supreme Court considered the constitutionality of certain provisions of the law. The court upheld as constitutional the mandate for individuals to obtain health insurance but held that the provision allowing the federal government to withhold certain Medicaid funds to states that do not expand state Medicaid programs was unconstitutional. In 2015, the Court considered whether the health care reform legislation provided for tax credits to low income individuals purchasing health insurance through health insurance exchanges (essentially entities established for the comparison and purchase of health insurance) only if the health insurance exchange had been established by a state (rather than the federal government). The Court held that the law should be interpreted to allow for tax credits regardless of whether the health insurance was purchased through an exchange operated by a state or the federal government. There may be additional judicial challenges to the law in the future and the success and impact of those challenges remains uncertain. Regardless of the various judicial rulings, political challenges to the law and its application may continue and it is not possible to predict the impact of such challenges.

Economic pressure on state budgets may result in states increasingly seeking to achieve budget savings through mechanisms that limit coverage or payment for drugs. State Medicaid programs are increasingly requesting manufacturers to pay supplemental rebates and requiring prior authorization for use of drugs where supplemental rebates are not provided. Private health insurers and managed care plans are likely to continue challenging the prices charged for medical products and services, and many of these third-party payors may limit reimbursement for newly-approved health care products. In particular, third-party payors may limit the indications for which they will reimburse patients who use any products that we and/or any potential collaborators may develop or sell. These cost-control initiatives could decrease the price we might establish for products that we or any potential collaborators may develop or sell, which would result in lower product revenues or royalties payable to us.

Similar cost containment initiatives exist in countries outside of the United States, particularly in the countries of the EU, where the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, pricing negotiations with governmental authorities can extend well beyond the receipt of regulatory marketing approval for a product and may require us or any potential collaborators to conduct a clinical trial that compares the cost effectiveness of our product candidates or products to other available therapies. The conduct of such a clinical trial could be expensive and result in delays in our or a potential collaborators’ commercialization efforts. Third-party payors are challenging the prices charged for medical products and services, and many third-party payors limit reimbursement for newly-approved health care products. Recently budgetary pressures in many EU countries are also causing governments to consider or implement various cost-containment measures, such as price freezes, increased price cuts and rebates. If budget pressures continue, governments may implement additional cost

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containment measures. Cost-control initiatives could decrease the price we might establish for products that we or any potential collaborators may develop or sell, which would result in lower product revenues or royalties payable to us.

Another development that could affect the pricing of drugs would be if the Secretary of Health and Human Services allowed drug reimportation into the United States. The Medicare Prescription Drug, Improvement and Modernization Act of 2003 gives discretion to the Secretary of Health and Human Services to allow drug reimportation into the United States under some circumstances from foreign countries, including from countries where the drugs are sold at a lower price than in the United States. If the circumstances were met and the Secretary exercised the discretion to allow for the direct reimportation of drugs, it

could decrease the price we or any potential collaborators receive for any products that we and/or any potential collaborators may develop, negatively affecting our revenues and prospects for profitability.

Health care reform measures could hinder or prevent our product candidates' commercial success.

Among policy makers and payors in the United States and elsewhere, there is significant interest in promoting health care reform, as evidenced by the enactment in the United States of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act in 2010. Federal and state legislatures within the United States and foreign governments will likely continue to consider changes to existing health care legislation. These changes adopted by governments may adversely impact our business by lowering the price of health care products in the United States and elsewhere.

We operate in a highly regulated industry and new laws, regulations or judicial decisions, or new interpretations of existing laws, regulations or decisions, related to health care availability, method of delivery or payment for health care products and services, or sales, marketing and pricing practices could negatively impact our business, operations and financial condition.

If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of any products that we may develop.

We face an inherent risk of product liability exposure related to our prior commercial sales of FARESTON® and the testing of our product candidates in human clinical trials, and we will face an even greater risk if we commercially sell any product that we may develop. If we cannot successfully defend ourselves against claims that our product candidates or products caused injuries, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for any product candidates or products;
- injury to our reputation;
- withdrawal of clinical trial participants;
- costs to defend the related litigation;
- substantial monetary awards to trial participants or patients;
- loss of revenue; and
- the inability to commercialize any products for which we obtain or hold marketing approvals.

We have product liability insurance that covers our clinical trials and any commercial products up to a $25 million annual aggregate limit. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost, and we may not be able to obtain insurance coverage that will be adequate to satisfy any liability that may arise.

If our competitors are better able to develop and market products than any products that we and/or any potential collaborators may develop, our commercial opportunity will be reduced or eliminated.*

We face competition from commercial pharmaceutical and biotechnology enterprises, as well as from academic institutions, government agencies and private and public research institutions. Our commercial opportunities will be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer side effects or are less expensive than any products that we and/or any potential collaborators may develop. Competition could result in reduced sales and pricing pressure on our product candidates, if approved, which in turn would reduce our ability to generate meaningful revenue and have a negative impact on our results of operations. In addition, significant delays in the development of our product candidates could allow our competitors to bring

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products to market before us and impair any ability to commercialize our product candidates.

Various products are currently marketed or used off-label for some of the diseases and conditions that we are targeting in our pipeline, and a number of companies are or may be developing new treatments. These product uses, as well as promotional efforts by competitors and/or clinical trial results of competitive products, could significantly diminish any ability to market and sell any products that we and/or any potential collaborators may develop.

With respect to our SARM program, there are other SARM product candidates in development that may compete with enobosarm and any future SARM product candidates, if approved for commercial sale. We plan to advance the development of enobosarm for the treatment of patients with AR positive advanced breast cancer. To our knowledge, no other SARMs are currently in development for this indication; although SARMs in development for muscle wasting and cachexia could enter into a breast cancer program in the future. For example, Radius Health, Inc. has stated that it may test its SARM compound, RAD140, in a breast cancer indication in the future. A number of other compounds targeting the androgen axis in breast cancer could compete with enobosarm if one or more are approved for commercial sale in the indications for which enobosarm is being developed. These compounds fall into two categories, androgen synthesis inhibitors, or ASIs, and androgen receptor antagonists, or ARAs. ASIs in development include orteronel being developed by Takeda Pharmaceuticals and Zytiga® being developed by Janssen Pharmaceuticals. ARAs in development include XTANDI® (enzalutamide) being developed by Medivation and Astellas Pharma, and generic bicalutamide. Agents targeting pathways outside of the androgen axis also may compete with enobosarm in breast cancer as they are directed towards similar patient populations that may benefit from enobosarm. Additionally, we initiated a proof of concept study in advanced AR positive TNBC patients for which there are no currently approved therapies, beyond chemotherapy. However, a number of approaches for the treatment of TNBC are currently under investigation. Agents also targeting the androgen axis include XTANDI® (enzalutamide) being developed by Medivation and Astellas Pharma, orteronel (TAK-700) being developed by Takeda, and CR-1447 being developed by Curadis. Only a subset of the total TNBC population is AR positive; therefore, agents targeting TNBC as a whole may also compete with enobosarm if approved for commercial sale. These agents include: PI3K/AKT inhibitors (BKM120 being developed by Novartis), IL6/JAK/Stat inhibitors (ruxolitinib being developed by Incyte), mTOR

inhibitors (Neratinib being developed by Puma), and PARP inhibitors (Velaparib being developed by AbbVie), PD-1 inhibitors (pembrolizumab) being developed by Merck & Co. and MPDL3280A being developed by Roche. We also plan to explore the potential of SARMs to treat DMD. DMD is a rare genetic disorder which currently has no cure and leads to a progressive weakening of all the muscles in the body. A number of drugs are in various stages of development by pharmaceutical companies to meet the unmet medical need in DMD. These drugs may compete for patient enrollment during the clinical trial phase, should we be able to advance the development of SARMs as a potential treatment of DMD, or commercially should any of them be approved. The most advanced development is by those companies who are targeting the genetic mutation with exon skipping or codon blocking therapies including drisapersen by Biomarin Pharmaceutical Inc., eteplirsen by Sarepta Therapeutics Inc., and PTC 124 by PTC Therapeutics Inc., who have all filed new drug applications with the FDA. Santhera Pharmaceuticals has completed a Phase 3 trial with a synthetic analog of coenzyme Q_{10}, idebenone, and has received fast track designation by FDA. Marathon Pharmaceuticals LLC has an ongoing Phase 3 trial with a glucocorticoid, deflazacort, which has fast track designation. Pfizer Inc. is developing its anti-myostatin monoclonal antibody, PF-06252616, and is currently in a Phase 2 trial. In addition, Akashi Therapeutics is developing two compounds for DMD, including a SARM which will be entering a Phase 2 study in healthy volunteers. Other companies may advance compounds into clinical development for DMD.

We are developing GTx-758 for secondary hormonal therapy in men with CRPC. There are various products approved or under clinical development to treat men with advanced prostate cancer who have metastatic CRPC which may compete with GTx-758. Provenge®, which was recently acquired by Valeant Pharmaceuticals, is an autologous cellular immunotherapy for the treatment of asymptomatic or minimally symptomatic metastatic castrate resistant prostate cancer. Medivation and Astellas Pharma market XTANDI® (enzalutamide), an oral androgen receptor antagonist, for the treatment of metastatic castration-resistant prostate cancer in men previously treated with docetaxel as well as those that have not yet received chemotherapy. Zytiga®, sold by Johnson & Johnson, has been approved for the treatment of metastatic CRPC in patients who have received prior chemotherapy and recently received approval for the treatment of metastatic castrate resistant prostate cancer prior to chemotherapy. Johnson & Johnson acquired Aragon Pharmaceuticals, Inc., which developed a second generation anti-androgen (ARN-509) that is currently being evaluated in Phase 2 studies in men with progressive, advanced prostate cancer. Bayer HealthCare and Orion Corporation are currently performing a Phase 3 study of ODM-201 in men with CRPC without metastases and with a rising PSA examining safety and efficacy by measuring metastatic free survival. Millennium: The Takeda Oncology Company is developing TAK-700 for the treatment of men with metastatic

CRPC prior to chemotherapy.

We recently announced that we have entered into an exclusive worldwide license agreement with UTRF to develop its proprietary SARD technology which has the potential to provide compounds that can degrade multiple forms of AR for patients who do not respond or are resistant to current therapies to inhibit tumor growth in patients with progressive CRPC. We anticipate evaluating SARDs as a potentially novel treatment for men with CRPC, including those who do not respond or are resistant to currently approved therapies. Drugs in development having potentially similar mechanisms of action to our SARD compounds include Androscience Corporation's androgen receptor degrader enhancer, or ARD, currently in development for acne and alopecia with the potential for development in prostate cancer. In addition to this specific potential mechanistic competition, there are various products approved or under clinical development in the broader space of treating men with advanced prostate cancer who have metastatic CRPC which may compete with our proposed initial clinical objective for our SARD compounds, as set forth above in the paragraph relating to GTx-758. Additionally, it has been reported that two other companies are developing drugs to treat men with CRPC who are resistant to current therapies: Tokai Pharmaceuticals is developing TOK-001 (Galeterone) with a principal mechanism of action as a CYP17 lyase inhibitor and AR antagonist and Essa Pharma Inc. is beginning early studies with EPI-506, an AR antagonist that targets the N-terminal domain of the AR.

Many of our competitors have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies and technology licenses complementary to our programs or advantageous to our business.

Risks Related to Employees, Growth and Other Aspects of Operations

Management transition creates uncertainties and could harm our business.

We have recently had significant changes in executive leadership, and more could occur. Effective December 31, 2013, Mark Mosteller resigned as our Chief Financial Officer. In connection with Mr. Mosteller's resignation, Marc S. Hanover, who was then serving as our President and Chief Operating Officer, was appointed as our acting principal financial officer and Jason T. Shackelford, who was then serving as our Corporate Controller and Director of Accounting, was appointed as our principal accounting officer. On April 3, 2014, Mitchell S. Steiner resigned as our Vice Chairman and Chief Executive Officer. On April 3, 2014, Mr. Hanover was appointed as our interim Chief Executive Officer and on February 12, 2015, Mr. Hanover was appointed as our permanent Chief Executive Officer. Upon the appointment of Mr. Hanover as interim Chief Executive Officer, Mr. Hanover ceased to perform the duties of our principal financial officer, which duties were assigned to Mr. Shackelford. Additionally, James T. Dalton, our former Chief Scientific Officer, resigned effective August 31, 2014. Finally, on March 2, 2015, Robert J. Wills was appointed as our Executive Chairman and effective July 13, 2015, Diane C. Young joined us as our Vice President, Chief Medical Officer.

As a result of the recent changes in our management team, Messrs. Hanover and Shackelford have taken on substantially more responsibility for the management of our business and of our financial reporting which has resulted in greater workload demands and could divert their attention away from certain key areas of our business. For instance, Mr. Hanover has taken on the role of our Chief Executive Officer in addition to the role he served when functioning as our President and Chief Operating Officer, positions that were previously occupied by two persons. In addition, while Dr. Wills' role as our Executive Chairman is, in part, to support Mr. Hanover in his role as our permanent Chief Executive Officer, the position of Executive Chairman is new to us and it may be some time before we can assess how much assistance he will provide to Mr. Hanover. Also, while we have retained Dr. Dalton as a consultant to GTx following his employment end date, we no longer have regular access to Dr. Dalton's key scientific expertise, which could materially and adversely impact our product candidate development efforts. Disruption to our organization as a result of executive management transition may have a detrimental impact on our ability to implement our strategy and could have a material adverse effect on our business, financial condition and results of operations.

Changes to company strategy, which can often times occur with the appointment of new executives, can create uncertainty, may negatively impact our ability to execute quickly and effectively, and may ultimately be unsuccessful. In addition, executive leadership transition periods are often difficult as the

new executives gain

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detailed knowledge of our operations, and friction can result from changes in strategy and management style. Management transition inherently causes some loss of institutional knowledge, which can negatively affect strategy and execution. Until we integrate new personnel, and unless they are able to succeed in their positions, we may be unable to successfully manage and grow our business, and our results of operations and financial condition could suffer as a result.

Our internal computer and information technology systems, or those of our CROs or other contractors or consultants, may fail or suffer security breaches, or could otherwise face serious disruptions, which could result in a material disruption of our product development efforts.

Despite the implementation of security measures, our internal computer systems and those of our CROs and other contractors and consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, and telecommunication and electrical failures. Such events could cause interruptions of our operations. For instance, the loss of preclinical data or data from our ongoing, planned and potential future clinical trials involving our product candidates could result in delays in our development and regulatory filing efforts and significantly increase our costs. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data, or inappropriate disclosure of confidential, proprietary or protected health information, we could incur liability and the development of our product candidates could be delayed. In addition, our information technology and other internal infrastructure systems, including corporate firewalls, servers, leased lines and connection to the Internet, face the risk of systemic failure that could disrupt our operations. A significant disruption in the availability of our information technology and other internal infrastructure systems could cause delays in our research and development work and could otherwise adversely affect our business.

If we fail to attract and keep senior management and key scientific personnel, we may be unable to successfully develop or commercialize our product candidates.

Our success depends on our continued ability to attract, retain and motivate highly qualified management, clinical and scientific personnel and on our ability to develop and maintain important relationships with leading academic institutions, clinicians and scientists. If we are not able to attract and keep senior management and key scientific personnel, we may not be able to successfully develop or commercialize our product candidates. All of our employees are at-will employees and can terminate their employment at any time.

In October 2013, we announced a reduction of approximately 60% of our workforce following our announcement that our POWER trials failed to achieve the results required by the FDA to file a NDA for enobosarm 3 mg for the prevention and treatment of muscle wasting in patients with advanced NSCLC. In addition, since our October 2013 workforce reduction, our former Chief Executive Officer, former Chief Financial Officer and former Chief Scientific Officer have resigned. Primarily as a result of our October 2013 workforce reduction, only 28 employees remained as employees of GTx as of June 30, 2015. Accordingly, we have been and are operating with a shortage of resources and may not be able to effectively conduct our operations with this limited number of employees. In addition, we announced past workforce reductions in each of December 2009 and June 2011, and our history of implementing workforce reductions, along with the potential for future workforce reductions, may negatively affect our ability to retain or attract talented employees. Further, to the extent we experience additional management transition, competition for top management is high and it may take many months to find a candidate that meets our requirements. If we are unable to attract and retain qualified management personnel, our business could suffer.

We will need to hire additional employees in order to grow our business. Any inability to manage future growth could harm our ability to develop and commercialize our product candidates, increase our costs and adversely impact our ability to compete effectively.

As of June 30, 2015, we had only 28 employees, and we will need to hire experienced personnel to develop and commercialize our product candidates and to otherwise grow our business, and we will need to expand the number of our managerial, operational, financial and other employees to support that growth. Competition exists for qualified personnel in the biotechnology field.

Future growth, if any, will impose significant added responsibilities on members of management, including the need to identify, recruit, maintain and integrate additional employees. Our future financial performance and our ability to develop and commercialize our product candidates and to compete effectively will depend, in part, on our ability to manage any future growth effectively.

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Risks Related to Our Common Stock

The market price of our common stock has been volatile and may continue to be volatile in the future. This volatility may cause our stock price and the value of your investment to decline.*

The market prices for securities of biotechnology companies, including ours, have been highly volatile and may continue to be so in the future. In this regard, the market price for our common stock has varied between a high of $1.59 on June 22, 2015 and a low of $0.41 on October 14, 2014 in the twelve-month period ended June 30, 2015. The market price of our common stock is likely to continue to be volatile and subject to significant price and volume fluctuations. The following factors, in addition to other risk factors described in this section, may have a significant impact on the market price of our common stock:

- delays in the initiation, enrollment and/or completion of our ongoing, planned and any future clinical trials of enobosarm and GTx-758, or negative, inconclusive or mixed results reported in any of our ongoing, planned and any future clinical trials of enobosarm and GTx-758;

- our ability to raise additional capital in the future to carry through with our preclinical and clinical development plans, including to initiate and complete the second stage of our ongoing and planned Phase 2 clinical trials of enobosarm, as well as our current and future operations, and the terms of any related financing arrangements;

- reports of unacceptable incidences of adverse events observed in any of our ongoing and planned clinical trials of enobosarm and GTx-758;
- announcements regarding further cost-cutting initiatives or restructurings;
- uncertainties created by our past and potential future management turnover;
- our ability to enter into new collaborative, licensing or other strategic arrangements with respect to our product candidates;
- the terms and timing of any future collaborative, licensing or other arrangements that we may establish;
- the timing of achievement of, or failure to achieve, our and any potential collaborators' clinical, regulatory and other milestones, such as the commencement of clinical development, the completion of a clinical trial or the receipt of regulatory approval;
- announcement of FDA approval or non-approval of our product candidates or delays in or adverse events during the FDA review process;
- actions taken by regulatory agencies with respect to our product candidates or our clinical trials, including regulatory actions requiring or leading to a delay or stoppage of our ongoing or planned clinical trials;
- the commercial success of any product approved by the FDA or its foreign counterparts;
- introductions or announcements of technological innovations or new products by us, our potential collaborators, or our competitors, and the timing of these introductions or announcements;
- market conditions for equity investments in general, or the biotechnology or pharmaceutical industries in particular;
- regulatory developments in the United States and foreign countries;
- changes in the structure or reimbursement policies of health care payment systems;
- any intellectual property infringement lawsuit involving us;
- actual or anticipated fluctuations in our results of operations;
- changes in financial estimates or recommendations by securities analysts;
- hedging or arbitrage trading activity that may develop regarding our common stock;
- sales of large blocks of our common stock;
- sales of our common stock by our executive officers, directors and significant stockholders;

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- the trading volume of our common stock;
- changes in accounting principles; and
- additional losses of any of our key scientific or management personnel.

In addition, the stock markets in general, and the markets for biotechnology stocks in particular, have experienced significant volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock.

In the past, class action litigation has often been instituted against companies whose securities have experienced periods of volatility in market price. Any such litigation brought against us could result in substantial costs, which would hurt our financial condition and results of operations and divert management's attention and resources, which could result in delays of our clinical trials or commercialization efforts.

Our executive officers, directors and largest stockholders have the ability to control all matters submitted to stockholders for approval.*

As of June 30, 2015, our executive officers, directors and holders of 5% or more of our outstanding common stock, including their affiliated or associated entities, held approximately 75.7% of our outstanding common stock, and our executive officers and directors alone, including their affiliated or associated entities, held approximately 35.9% of our outstanding common stock as well as warrants to purchase up to an additional 24.8 million shares of common stock. As a result, these stockholders, acting together, have the ability to control all matters requiring approval by our stockholders, including the election of directors and the approval of mergers or other business combination transactions. The interests of this group of stockholders may not always coincide with our interests or the interests of other stockholders.

If we fail to meet continued listing standards of The NASDAQ Stock Market LLC, our common stock may be delisted. Delisting could adversely affect the liquidity of our common stock and the market price of our common stock could decrease, and our ability to obtain sufficient additional capital to fund our operations and to continue as a going concern would be substantially impaired.*

Our common stock is currently listed on The NASDAQ Capital Market. The NASDAQ Stock Market LLC, or NASDAQ, has minimum requirements that a company must meet in order to remain listed on The NASDAQ Capital Market. These requirements include maintaining a minimum closing bid price of $1.00 per share, or the Bid Price Requirement, and the closing bid price of our common stock has in the past been well below $1.00 per share. In this

regard, on October 2, 2014, we received a letter from NASDAQ notifying us that we were out of compliance with the Bid Price Requirement. In connection with this notification, we requested and, on March 16, 2015 received approval from NASDAQ, to transfer our listing from The NASDAQ Global Market to The NASDAQ Capital Market. On April 1, 2015, we were afforded an additional 180-day grace period, or through September 28, 2015, to comply with the Bid Price Requirement. While the bid price of our common stock exceeded $1.00 for at least ten consecutive business days during this additional grace period and we are therefore currently in compliance with the Bid Price Requirement, if the closing bid price of our common stock were again to fall below $1.00 per share for 30 consecutive trading days, or we do not meet other applicable listing requirements, including maintaining minimum levels of stockholders' equity or market values of our common stock, we would again fail to be in compliance with NASDAQ's listing standards. There can be no assurance that we will continue to meet the Bid Price Requirement, or any other NASDAQ continued listing requirement, in the future. If we fail to meet these requirements, including the Bid Price Requirement, NASDAQ may notify us that we have failed to meet the minimum listing requirements and initiate the delisting process. If our common stock is delisted, the liquidity of our common stock would be adversely affected and the market price of our common stock could decrease, and our ability to obtain sufficient additional capital to fund our operations and to continue as a going concern would be substantially impaired.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

Under Section 382 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an "ownership change," generally defined as a greater than 50% change (by value) in its equity ownership over a three-year period, the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes (such as research tax credits) to offset its post-change taxable income or taxes may be limited. Although we completed a study in 2014 to determine whether any Section 382 limitations exist and we do not believe that any Section 382 limitations exist at this time, Section 382 of the Internal Revenue Code is an extremely complex provision with respect to which there are many uncertainties and we have not established whether the IRS agrees with our determination. In any event, changes in our stock ownership, some of which are outside of our control, could in the future result in an ownership change and an accompanying Section 382 limitation. If a limitation were

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to apply, utilization of a portion of our domestic net operating loss and tax credit carryforwards could be limited in future periods and a portion of the carryforwards could expire before being available to reduce future income tax liabilities.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our certificate of incorporation and our bylaws may delay or prevent an acquisition of us or a change in our management. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our Board of Directors. Because our Board of Directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team. These provisions include:

- a classified Board of Directors;
- a prohibition on actions by our stockholders by written consent;
- the ability of our Board of Directors to issue preferred stock without stockholder approval, which could be used to institute a "poison pill" that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our Board of Directors; and
- limitations on the removal of directors.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner. Finally, these provisions establish advance notice requirements for nominations for election to our Board of Directors or for proposing matters that can be acted upon at stockholder meetings. These provisions would apply even if the offer may be considered beneficial by some stockholders.

If there are substantial sales of our common stock, the market price of our common stock could drop substantially, even if our business is doing well.*

For the 12-month period ended June 30, 2015, the average daily trading volume of our common stock on The NASDAQ Global Market was 200,735 shares. As a result, future sales of a substantial number of shares of our common stock in the public market, or the perception that such sales may occur, could adversely affect the then-prevailing market price of our common stock. As of June 30, 2015, we had 140,374,112 shares of common stock outstanding. In addition, as a result of the relatively low trading volume of our common stock, the trading of relatively small quantities of shares by our stockholders may disproportionately influence the market price of our common stock in either direction. The price for our shares could, for example, decline significantly in the event that a large number of our common shares are sold on the market without commensurate demand, as compared to an issuer with a higher trading volume that could better absorb those sales without an adverse impact on its stock price.

In November 2014, we completed a private placement 64.3 million shares of our common stock and warrants to purchase 64.3 million shares of our common stock. Similarly, in March 2014 we completed a private placement of 12.0 million shares of our common stock and warrants to purchase 10.2 million shares of our common stock. Pursuant to the terms of a registration rights agreement we entered into in connection with the March 2014 private placement, we filed a registration statement under the Securities Act registering the resale of the 12.0 million shares of common stock we issued to the investors in the March 2014 private placement, which include J.R. Hyde, III, our largest stockholder, as well as the 10.2 million shares of common stock underlying the warrants we issued to those investors. Likewise, pursuant to the terms of the securities purchase agreement we entered into in connection with the November 2014 private placement, we filed registration statements under the Securities Act registering the resale of the 64.3 million shares of common stock we issued to the investors in the November 2014 private placement, which included J.R. Hyde, III, as well as the additional 64.3 million shares of common stock subject to the warrants we issued to the investors in the November 2014 private placement. Moreover, J.R. Hyde, III and certain of his affiliates, have rights under a separate registration rights agreement with us to require us to file resale registration statements covering an additional

7.9 million shares of common stock held in the aggregate or to include these shares in registration statements that we may file for ourselves or other stockholders. If Mr. Hyde or his affiliates or any of our other significant stockholders, including the other investors in our 2014 private

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placements, were to sell large blocks of shares in a short period of time, the market price of our common stock could drop substantially.

ITEM 6. EXHIBITS

The exhibits listed on the accompanying Exhibit Index are filed or incorporated by reference (as stated therein) as part of this Quarterly Report on Form 10-Q.

SIGNATURES

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

GTx, Inc.

Date: August 10, 2015

By: /s/ Marc S. Hanover
Marc S. Hanover, President,
Chief Executive Officer
(Principal Executive Officer)

Date: August 10, 2015

By: /s/ Jason T. Shackelford
Jason T. Shackelford, Senior Director of Accounting and Corporate Controller and Principal Financial and Accounting Officer
(Principal Financial and Accounting Officer)

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EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporation By Reference			
		Form	SEC File No.	Exhibit	Filing Date
2.1	Asset Purchase Agreement dated as of September 28, 2012 between the Registrant and Strakan International S.à r.l.	8-K	000-50549	2.1	10/03/2012
3.1	Restated Certificate of Incorporation of GTx, Inc.	S-3	333-127175	4.1	08/04/2005
3.2	Certificate of Amendment of Restated Certificate of Incorporation of GTx, Inc.	8-K	000-50549	3.2	05/06/2011
3.3	Certificate of Amendment of Restated Certificate of Incorporation of GTx, Inc.	8-K	000-50549	3.3	05/09/2014
3.4	Certificate of Amendment of Restated Certificate of Incorporation of GTx, Inc.	10-Q	000-50549	3.4	05/11/2015
3.5	Amended and Restated Bylaws of GTx, Inc.	8-K	000-50549	3.2	07/26/2007
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3, 3.4 and 3.5	—	—	—	—
4.2	Specimen of Common Stock Certificate	S-1	333-109700	4.2	12/22/2003
4.3	Amended and Restated Registration Rights Agreement between Registrant and J. R. Hyde, III dated August 7, 2003	S-1	333-109700	4.4	10/15/2003
4.4	Consent, Waiver and Amendment between Registrant and J. R. Hyde, III and Pittco Associates, L.P. dated December 3, 2007	S-3	333-148321	4.6	12/26/2007
4.5	Waiver and Amendment Agreement among Registrant, J.R. Hyde, III and Pittco Associates, L.P. dated March 6, 2014	10-K	000-50549	4.5	03/12/2014
4.6	Amended and Restated Registration Rights Agreement among Registrant, J.R. Hyde, III and The Pyramid Peak Foundation, dated August 4, 2014	10-Q	000-50549	4.6	08/05/2014
4.7	Consent, Waiver and Amendment Agreement between Registrant and J.R. Hyde, III and Pittco Associates, L.P., dated August 4, 2014	10-Q	000-50549	4.8	08/05/2014
4.8	Form of Common Stock Warrant, issued by Registrant pursuant to the Purchase Agreement, dated November 9, 2014, between Registrant and the purchasers identified in Exhibit A therein	10-K	000-50549	4.9	03/16/2015
10.1+	Lease agreement, dated April 13, 2015, between Registrant and Hertz Memphis Three LLC	—	—	—	—
31.1+	Certification of Principal Executive Officer, as required by Rule 13a-14(a) or Rule 15d-14(a)	—	—	—	—

31.2+	Certification of Principal Financial Officer, as required by Rule 13a-14(a) or Rule 15d-14(a)	—	—	—	—
32.1+	Certification of Principal Executive Officer, as required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350)(1)	—	—	—	—
32.2+	Certification of Principal Financial Officer, as required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350)(1)	—	—	—	—
101.INS+	XBRL Instance Document	—	—	—	—
101.SCH+	XBRL Taxonomy Extension Schema Document	—	—	—	—
101.CAL+	XBRL Taxonomy Extension Calculation Linkbase Document	—	—	—	—
101.DEF+	XBRL Taxonomy Extension Definition Linkbase Document	—	—	—	—
101.LAB+	XBRL Taxonomy Extension Labels Linkbase Document	—	—	—	—

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101.PRE+	XBRL Taxonomy Extension Presentation Linkbase Document	—	—	—	—

+ Filed herewith

(1) This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

OFFICE LEASE

HERTZ MEMPHIS THREE, LLC
("Landlord")

GTX, INC.
("Tenant")

TOYOTA CENTER BUILDING
SUITE 700

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INDEX OF DEFINED TERMS

OFFICE LEASE

Landlord and Tenant enter this Office Lease ("**Lease**") as of the Execution Date on the following terms, covenants, conditions and provisions:

1. BASIC LEASE PROVISIONS

1.1 Basic Lease Definitions. In this Lease, the following defined terms have the meanings indicated.

(a) **Execution Date:** means the Lease is fully executed as of April 13, 2015

(b) **Landlord**: **Hertz Memphis Three, LLC**, a Delaware limited liability company.

(c) **Tenant**: **GTx, Inc.,** a Delaware Corporation.

(d) **Building**: Toyota Center Building located at 175 Toyota Plaza, Memphis TN 38103 and deemed to contain approximately 174,700 rentable square feet ("**RSF**").

(e) **Premises**: Suite 700 (identified on **Exhibit A**), located on the 7th Floor of the Building and deemed to contain approximately 21,500 RSF, and Suite 850 on the 8th Floor of the Building and deemed to contain approximately 4,750 RSF, comprising a total of 26,250 **RSF**. See **Exhibit E** re: Storage Space.

(f) **Use**: General administrative non-governmental office use consistent with that of a first-class office building.

(g) **Term**: means the duration of this Lease, which will be approximately three (3) years, beginning on the Commencement Date (as defined in §3.1 below) and ending on the Expiration Date (as defined below), unless terminated earlier or extended further as provided in this Lease. The "**Expiration Date**" means (i) if the Commencement Date is the first day of a month, the third (3rd) year anniversary of the day immediately preceding the Commencement Date or the last day of the applicable Extension Term; or (ii) if the Commencement Date is not the first day of a month, the three (3rd) year anniversary of the last day of the month in which the Commencement Date occurs, or the last day of the applicable Extension Term.

(h) **Scheduled Commencement Date**: May 1, 2015.

(i) **Base Rent**: The following amounts payable in accordance with Article 4:

Lease Years/Lease Months	Annual Rate per RSF	Monthly Base Rent
5/1/15 – 4/30/16	$ 17.50/ RSF	$ 38,281.25
5/1/16 – 4/30/17	$ 17.85/ RSF	$ 39,046.88
5/1/17 – 4/30/18	$ 18.21/ RSF	$ 39,834.38

(j) **Tenant's Share**: 15.03%.

(k) **Base Year**: The calendar year 2015, effective 05/01/15 for the partial Lease Year ending December 31, 2015.

(l) **Security Deposit**: None.

(m) **Notice Address**: For each party, the following address(es):

To Landlord	To Tenant
Building Address For all requests pursuant to §17.2(a) 22 North Front Street, Suite 760 Memphis, TN 38103 Attention: Property Manager Email: propertymanager @toyotacenter.hertzgroup.com	Before the Commencement Date: 175 Toyota Plaza, Suite 700 Memphis, TN 38103 Attn: CFO Copy to: 175 Toyota Plaza, Suite 700 Memphis, TN 38103 Attn: Chief Legal Officer
Notice Address For all notices required under the Lease pursuant to §17.2(b): 1522 2nd Street Santa Monica, CA 90401 Attn: Asset Manager Email: assetmanager @toyotacenter.hertzgroup.com	After the Commencement Date: The Premises 175 Toyota Plaza, Suite 700 Memphis, TN 38103 Attn: CFO
With a copy to: 22 North Front Street, Suite 760 Memphis, TN 38103 Attention: Property Manager Email: propertymanager @toyotacenter.hertzgroup.com	Copy to: 175 Toyota Plaza, Suite 700 Memphis, TN 38103 Attn: Chief Legal Officer

(n) **Billing Address**: For each party, the following address:

For Landlord for the payment of Rent	For Tenant
22 North Front Street Memphis, TN 38103	175 Toyota Plaza, Suite 700 Memphis, TN 38103 Attention: CFO

(o)	**Brokers**:	CB Richard Ellis Memphis, LLC (for Landlord) and Commercial Advisors, LLC/Cushman & Wakefield (for Tenant). Brokers will be paid by Landlord in accordance with a separate agreement.
(p)	**Parking Allotment**:	By separate written agreement between Landlord's affiliate and Tenant .
(q)	**Liability Limit**:	$3,000,000.00 for any one accident or occurrence.
(r)	**Business Hours**:	Subject to Section 6 of this Lease, from 7:00 a.m. to 7:00 p.m. on Monday through Friday and from 8:00 a.m. to 12:00 p.m. Saturday, excepting: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day, and other legal holidays commonly observed in similar class office buildings in the locale of the Building ("**Holidays**"). Each Holiday will be observed on the applicable date observed by the United States government.

2. PROJECT

2.1 Project. The Land, Building and Common Areas (as each may be defined in Article 1 and below) are collectively referred to as the "**Project**."

2.2 Land. "**Land**" means the real property on which the Building and Common Areas are located, including easements and other rights that benefit or encumber the real property, in the City of Memphis, State of Tennessee. Landlord's interest in the Land may be in fee or leasehold. The Land may be expanded or reduced after the Execution Date.

2.3 Base Building. "**Base Building**" means Building Structure and Mechanical Systems, collectively, defined as follows:

(a) Building Structure. "**Building Structure**" means the structural components in the Building, including foundations, floor and ceiling slabs, roofs, exterior walls, exterior glass and mullions, columns, beams, shafts, and emergency stairwells. The Building Structure excludes the Leasehold Improvements (and similar improvements to other premises) and the Mechanical Systems.

(b) Mechanical Systems. "**Mechanical Systems**" means the mechanical, electronic, physical or informational systems generally serving the Building or Common Areas, including the sprinkler, plumbing, heating, ventilating, air conditioning, lighting, communications, security, drainage, sewage, waste disposal, vertical transportation, and fire/life safety systems, but excluding the Leasehold Improvements (and similar improvements to other premises).

2.4 Common Areas. Tenant will have a non-exclusive right to use the Common Areas subject to the terms of this Lease. "**Common Areas**" means those interior and exterior common and public areas on the Land (and appurtenant easements) and in the Building designated by Landlord for the non-exclusive use by Tenant in common with Landlord, other tenants and occupants, and their employees, agents and invitees. The Common Areas include those portions of the Project that are necessary for the operation of the Building or are provided for the non-exclusive use by Tenant in common with Landlord and other tenants and occupants, and their employees, agents and invitees, of the Building including, without limitation, roadways, entrances and exits, hallways, stairs, loading areas, landscaped areas, open areas, park areas, exterior lighting, service drives, walkways, sidewalks, atriums, courtyards, concourses, ramps, washrooms, maintenance and utility rooms and closets, exterior utility lines, lobbies, elevators and their housing and rooms, common window areas, common walls, common ceilings, common trash areas, vending or mail areas, common pipes, conduits, and ducts and wires. If the Building is connected to other buildings by underground tunnels or elevated bridges over public streets, Common Areas will include such bridges and tunnels; provided, however, that Landlord and owners of such other buildings will have the right in their sole discretion to adopt rules and regulations relating to bridge and tunnel use.

2.5 Premises. Landlord leases to Tenant the Premises subject to the terms of this Lease. Except as provided elsewhere in this Lease, including any work to be performed by Landlord as set forth in **Exhibit B** ("**Work Letter**"), if any, by taking possession of the Premises, Tenant accepts the Premises in its "as is" condition and with all faults, and the Premises are deemed in good order, condition, and repair. The Premises include the Leasehold Improvements as defined in subsection (a) below, but exclude certain areas, facilities and systems as set forth in subsection (b) below:

(a) Leasehold Improvements. "**Leasehold Improvements**" mean all non-structural improvements in the Premises or exclusively serving the Premises, and any structural improvements to the Building made to accommodate Tenant's particular use of the Premises. The Leasehold Improvements may exist in the Premises as of the Execution Date, or be installed by Landlord or Tenant under this Lease at the cost of either party, including, but not limited to any Alterations installed pursuant to §8 and the Tenant Improvements set forth in the attached **Exhibit B**. The Leasehold Improvements include: (1) interior walls and partitions (including those surrounding structural columns entirely or partly within the Premises); (2) the interior one-half of walls that separate the Premises from adjacent areas designated for leasing; (3) the interior drywall on exterior structural walls, and walls that separate the Premises from the Common Areas; (4) stairways and stairwells connecting parts of the Premises on different floors, except those required for emergency exiting; (5) the frames, casements, doors, windows and openings installed in or on the improvements described in (1-4), or that provide entry/exit to/from the Premises; (6) all hardware, fixtures, cabinetry, railings, paneling, woodwork and finishes in the Premises or that are installed in or on the improvements described in (1-5); (7) if any part of the Premises is on the ground floor, the ground floor exterior windows (including mullions, frames and glass); (8) integrated ceiling systems (including grid, panels and lighting); (9) carpeting and other floor finishes; (10) kitchen, rest room, hot water heater, laboratory or other similar facilities that exclusively serve the Premises (including plumbing fixtures, toilets, sinks and built-in appliances); and (11) the sprinkler, plumbing, heating, ventilating, air conditioning, lighting,

communications, security, drainage, sewage, waste disposal, vertical transportation, fire/life safety, and other mechanical, electronic, physical or informational systems that exclusively serve the Premises, including the parts of each system that are connected to the

Mechanical Systems from the common point of distribution for each system to and throughout the Premises.

(b) Exclusions from the Premises. Except as specifically agreed to by Landlord in writing in its sole discretion, the Premises do not include: (1) any areas above the finished ceiling, integrated ceiling systems, or if the ceiling is open concept, above the underside of the overhead slab, or below the finished floor coverings that are not part of the Leasehold Improvements, (2) janitor's closets, (3) stairways and stairwells to be used for emergency exiting or as Common Areas, (4) rooms for Mechanical Systems or connection of telecommunication equipment, (5) vertical transportation shafts, (6) vertical or horizontal shafts, risers, chases, flues or ducts, and (7) any easements or rights to natural light, air or view.

(c) Full floor Premises. .If the Premises include one or more floors in their entirety, all corridors and restroom facilities located on such full floor(s) shall be considered part of the Premises.

(d) Tenant hereby waives any requirement that Landlord provide Tenant with a condition disclosure statement such as that contemplated by T.C.A. § 66-7-108 and any similar law, rule, or regulation.

2.6 Building Standard. "**Building Standard**" means the minimum or exclusive type, brand, quality or quantity of materials Landlord in its sole but reasonable discretion designates for use in the Building from time to time.

2.7 Tenant's Personal Property. "**Tenant's Personal Property**" means those trade fixtures, furnishings, equipment, work product, inventory, stock-in-trade and other personal property of Tenant that are not permanently affixed to the Project in a way that they become a part of the Project and will not, if removed, impair the value of the Leasehold Improvements that Tenant is required to deliver to Landlord at the end of the Term under §3.3.

3. TERM

3.1 Commencement Date. "Commencement Date" means the first day of the Term, which will be the Scheduled Commencement Date (as the same may be evidenced according to §3.1(c) below).

(a) Early Occupancy. Not applicable.

(b) Delayed Occupancy. Not applicable.

(c) Confirmation of Term. The parties shall confirm the Commencement Date in writing promptly following final execution of this Lease.

3.2 Holdover. Tenant understands that it does not have the right to remain in the Premises following the Expiration Date or earlier termination of this Lease ("**Holdover**") at any time and Landlord may exercise any and all remedies at law or in equity to recover possession of the Premises. No Holdover by Tenant shall be deemed to be consented to by Landlord unless such consent is in writing. Landlord may withhold its consent to any holdover in Landlord's sole discretion. For any Holdover with Landlord's written consent, Tenant will be deemed to be a tenant from month to month, at a monthly Base Rent equal to the monthly Base Rent payable during the last year of the Term, and Tenant will be bound by all of the other terms, covenants and agreements of this Lease as the same may apply to a month-to-month tenancy. If Tenant holds over after the Expiration Date without Landlord's prior written consent, Tenant will be deemed a tenant at sufferance, at a daily Base Rent, payable in advance, equal to one hundred twenty five percent (125%) of the Base Rent per day payable during the last year of the Term for the first ninety (90) days of such un-consented Holdover, and one hundred fifty percent (150%) of the monthly Base Rent payable during the last year of the Term thereafter, and Tenant will be bound by all of the other terms, covenants and agreements of this Lease as the same may apply to a tenancy at sufferance. Unless such Holdover is expressly consented to by Landlord in writing, Tenant shall indemnify and defend Landlord from and against all claims and damages, both consequential and direct, that Landlord suffers to the extent due to Tenant's failure to return possession of the Premises to Landlord at the end of the Term, except to the extent Landlord has consented in writing to such Holdover. Landlord's deposit of Tenant's Base Rent payment during any Holdover will not constitute Landlord's consent to a Holdover, or create or renew any tenancy.

3.3 Condition on Expiration.

(a) Return of the Premises. At the end of the Term, Tenant will return possession of the Premises to Landlord vacant, free of Tenant's Personal Property and any Required Removables (as defined in §8.1), in broom-clean condition, and with all Leasehold Improvements and Alterations made by Tenant in good working order and repair (excepting ordinary wear and tear, and loss or damage by fire or other casualty not caused by Tenant, its agents, employees or contractors).

(b) Correction by Landlord. If Tenant fails to return possession of the Premises to Landlord in the condition required under (a), then Tenant shall reimburse Landlord for the reasonable costs incurred by Landlord to put the Premises in the condition required under (a), plus Landlord's standard five percent (5%) administration fee.

(c) Abandoned Property. Tenant's Personal Property left behind in the Premises after the end of the Term will be considered abandoned. Landlord may move, store, retain or dispose of these items at Tenant's expense, plus Landlord's standard five percent (5%) administration fee. At Landlord's option, any abandoned Tenant's Personal Property will become Landlord's property automatically without compensation to Tenant.

4. RENT

4.1 Base Rent. Tenant shall prepay one (1) month's installment of Base Rent by the Execution Date, to be applied against Base Rent first due under this Lease. During the Term, Tenant shall pay all other Base Rent in advance, in equal monthly installments, by the first (1st) of each month. Base Rent for any partial month will be prorated.

4.2 Additional Rent. Tenant's obligation to pay Taxes and Expenses under this §4.2 is referred to in this Lease as "**Additional Rent**."

(a) Taxes. For each full or partial calendar year during the Term after the Base Year (each, a "**Comparison Year**"), Tenant shall pay, in the manner described below, Tenant's Share of the amount that Taxes for the Comparison Year exceed Taxes for the Base Year ("**Excess Taxes**"). "**Taxes**" mean the total costs incurred by Landlord for: (1) real and personal property taxes and assessments (including ad valorem and special assessments, including any community improvement district assessments) levied on the Project and Landlord's personal property used in connection with the Project; (2) capital and place-of-business taxes; (3) taxes, assessments or fees in lieu of the taxes described in (1-2); and (4) the reasonable costs incurred to reduce the taxes described in (1-3); provided, however, that if at any time during the Term under the laws of the United States Government or the state, or any political subdivision thereof, a tax (including, but not limited to any sales tax) or excise on Rent or other amounts payable by Tenant to Landlord, or any other tax however described, is levied or assessed by any such political body against Landlord on account of Rent, or a portion thereof, Tenant shall pay one hundred percent (100%) of any such tax or excise as Additional Rent as provided in this Section 4.2 above. Taxes exclude net income taxes and taxes paid under §4.3. Tenant acknowledges that Taxes may increase during the Term and that if the Project is currently subject to a Taxes abatement program and such program ceases to benefit the Project during the Term, Taxes will increase.

(b) Expenses. For each Comparison Year, Tenant shall pay, in the manner described below, Tenant's Share of the amount that Expenses for the Comparison Year exceed Expenses for the Base Year ("**Excess Expenses**"). "**Expenses**" mean the total costs incurred by Landlord to operate, manage, administer, equip, secure, protect, repair, replace, refurbish, clean, maintain, decorate and inspect the Project, including a fee to manage the Project of four percent (4%) of the gross revenue of the Project. If less than ninety-five (95%) of the RFS of the Building is actually occupied during the Base Year or any Comparison Year, Expenses shall be the amount that such Expenses would have been for such Base Year or Comparison Year had ninety-five percent (95%) of the RFS of the Building been occupied during such Base Year or Comparison Year, as reasonably determined by Landlord.

(1) Expenses include:

(A) Standard Services provided under §6.1;

(B) Repairs and maintenance performed under §7.2;

(C) Insurance maintained under §9.2 (including deductibles paid), including any amounts that would be charged as premiums if Landlord self-insures any of the insurance risks;

(D) Wages, salaries and benefits of personnel to the extent they render services to the Project;

(E) Costs of operating the Project management office (including reasonable rent) to the extent used or furnished by Landlord to manage, operate and maintain the Project;

(F) Amortization installments of costs required to be capitalized and incurred:

(i) To comply with insurance requirements or Laws ("**Mandated Expenses**");

(ii) That are reasonably calculated to reduce other Expenses or the rate of increase in other Expenses ("**Cost-Saving Expenses**"); or

(iii) That are reasonably calculated to improve or maintain the safety, health or access of Project occupants, and otherwise maintain the quality, appearance, or integrity of the Project ("**Quality Expenses**").

(2) Expenses exclude:

(A) Taxes (as defined in §4.2(a) above);

(B) Mortgage payments (principal and interest), and ground lease rent;

(C) Commissions, finder's fees, advertising costs, attorney's fees and costs of improvements in connection with leasing space in the Building;

(D) Costs reimbursed by insurance proceeds or tenants of the Building (other than as Additional Rent);

(E) Depreciation;

(F) Except for the costs identified in §4.2(b)(1)(F), costs required to be capitalized according to sound real estate accounting and management principles, consistently applied;

(G) Collection costs and legal fees paid in disputes with tenants;

(H) Costs to maintain and operate the entity that is Landlord (as opposed to operation and maintenance of the Project);

(I) In the Base Year only, installments of costs amortized under subsection (c) of this §4.2;

(J) Costs of tenant improvements incurred in renovating leased space for the exclusive use of a particular tenant of the Project;

(K) Costs of compliance with the ADA to the extent Landlord is responsible for such costs herein and costs of compliance with Landlord's obligations under §5.2(d) hereof;

(L) Compensation paid to any employee of Landlord above the grade of asset manager;

(M) Costs associated with any addition or expansion of the Building or other buildings in the Project not in existence on the date hereof;

(N) Repairs, restoration or other work caused by fire, windstorm or other casualty to the extent such costs are paid by insurance proceeds;

(O) The cost of selling, syndicating or mortgaging any interest in the Building or the Project;

(P) Costs or fines incurred due to Landlord's violation of any law or Landlord's breach of any lease in the Project; and

(Q) Bad debt expenses.

(c) Amortization and Accounting Principles.

(1) Each item of Mandated Expenses and Quality Expenses will be fully amortized in equal annual installments, with interest on the principal balance at the Amortization Rate, over the number of years, not to exceed ten (10), that Landlord projects the item of Expenses will be productive for its intended use, without replacement, but properly repaired and maintained.

(2) Each item of Cost-Saving Expenses will be fully amortized in equal annual installments, with interest on the principal balance at the Amortization Rate, over the number of years that Landlord reasonably estimates for the present value of the projected savings in Expenses (discounted at the Amortization Rate) to equal the cost.

(3) Any item of Expenses of significant cost that is not required to be capitalized but is unexpected or does not typically recur may, in Landlord's discretion, be amortized in equal annual installments, with interest on the principal balance at the Amortization Rate, over a number of years determined by Landlord.

(4) "**Amortization Rate**" means eight percent (8%).

(5) Landlord will otherwise use sound real estate accounting and management principles, consistently applied, to determine Additional Rent, including without limitation, reducing or excluding from the Base Year those Expenses resulting from (A) any unusual or one time costs or cost increases, including any market wide energy cost spikes, increases, surcharges or taxes, irregular snow falls or other costs or cost increases due to weather and/or Force Majeure, and (B) the amortization of capital expenditures otherwise permitted under this Lease to be included in Expenses, provided that the amortization of capital expenditures shall only be included in subsequent years to the extent allowed under this Lease.

(6) If Expenses and/or Taxes in any calendar year decrease below the amount of Expenses and/or Taxes for the Base Year, Tenant's Excess Expenses and/or Tenant's Excess Taxes, as the case may be, for that calendar year shall be $0.00, and shall in no event be less than zero dollars or entitle Tenant to any refund.

(7) If Landlord incurs Expenses for the Project together with one or more adjacent property(ies), such shared Expenses shall be equitably prorated and apportioned between the Project and such adjacent property(ies), on an equitable basis as determined by Landlord.

(d) Estimates. Landlord will reasonably estimate Additional Rent for each calendar year that Additional Rent may be payable and shall submit a statement of such annual estimates at the beginning of each calendar year thereafter or as soon thereafter as reasonably possible. Tenant will pay the estimated Additional Rent in advance, in equal monthly installments, by the first day of each month. Landlord may reasonably revise its estimate during a calendar year and Tenant will pay the monthly installments based on the revised estimate, commencing thirty (30) days following the date of such revision. The aggregate estimates of Additional Rent payable by Tenant in a calendar year is the "**Estimated Additional Rent**."

(e) Settlement. As soon as practical after the end of each calendar year that Additional Rent is payable, Landlord will give Tenant a statement of the actual Additional Rent for the calendar year. The statement of Additional Rent is conclusive, binds Tenant, and Tenant waives all rights to contest the statement, except for items of Additional Rent to which Tenant objects by notice to Landlord given within ninety (90) days after receipt of Landlord's statement; however, Tenant's objection will not relieve Tenant from its obligation to pay Additional Rent pending resolution of any objection. If the Additional Rent exceeds the Estimated Additional Rent for the calendar year, Tenant shall pay the difference to Landlord in a lump sum as Rent within thirty (30) days after receipt of Landlord's statement of Additional Rent. If the Estimated Additional Rent paid by Tenant exceeds the Additional Rent for the calendar year, then Landlord shall credit the overpayment against Rent next due. In the

event the Lease has expired, any such overpayment shall be paid promptly to Tenant. If the Term ends during a calendar year, Landlord may, in Landlord's sole discretion, elect to either: (1) forego the settlement of Additional Rent for the calendar year that is otherwise required and accept the Tenant's payment of Estimated Additional Rent for such calendar year in satisfaction of Tenant's obligations to pay Additional Rent for the final calendar year, or (2) have Landlord's and Tenant's obligations under this §4.2(e) survive the end of the Term. Notwithstanding the foregoing, if Landlord fails to provide Tenant with the foregoing annual statement and reconciliation within twelve (12) months following the

end of any full or partial calendar year during the term or any extensions thereof, then, as to only the calendar year in question, Landlord shall be deemed to have waived its rights to recover any deficiency in Tenant's Share of Additional Rent for such calendar year.

(f) Audit. Tenant shall have the right to audit, at Tenant's expense, Additional Rent (including actual Expenses for such Calendar Year) provided such audit is conducted pursuant to the following terms and conditions: (a) Tenant shall not conduct an audit if Tenant is in monetary default or material non-monetary default of its obligations under this Lease beyond the expiration of any applicable notice and cure period; (b) such audit must be commenced within one (1) year after Landlord submits to Tenant the settlement statement described in Section 4.2(e) above and once commenced, such audit shall be completed in a diligent and expeditious manner; (c) Tenant shall supply Landlord with a copy of the result of the audit within fifteen (15) days after Tenant's receipt of the same; (d) no audit shall be conducted if Tenant has previously conducted an audit for the same period of time; (e) such audit shall be conducted during normal business hours, at a mutually agreed upon time, at Landlord's business address or at such other location within the continental U.S. as Landlord normally keeps its books and records of Operating Expenses, or at Tenant's request, Landlord shall provide Tenant with copies of all applicable books and records; (f) any information obtained by Tenant as a result of such audit shall be held in strict confidence by Tenant and shall not be disseminated further except to Tenant's accountants, attorneys and lenders, or in connection with the enforcement by Tenant of its rights under this Lease or as otherwise required by law; and (g) if it is determined pursuant to such audit (or any additional audit procedure hereinafter described) that there has been an overpayment or underpayment of Additional Rent, the parties shall promptly make such reconciliation payments and/or refunds as are appropriate. In addition, if it is determined pursuant to such audit (or any additional audit procedure hereinafter described) that Landlord has overstated Additional Rent by more than five percent (5%), and if Landlord does not contest the results of such audit, then Landlord shall pay to Tenant the reasonable costs and expenses incurred by Tenant in connection with such audit. Landlord may elect to dispute Tenant's audit by giving written notice to Tenant within forty five (45) days of Landlord's election. Upon giving notice of Landlord's dispute of Tenant's audit, Landlord, at Landlord's expense, will retain a certified public accountant or other person experienced in auditing operating expenses in office buildings to audit the expenses on a non-contingency basis only; and upon completion of said audit, Landlord's and Tenant's respective auditors will meet to reconcile all material differences in the audit. If Landlord's and Tenant's respective auditors are unable to agree, they shall jointly select a third auditor, whose determination shall be final and binding upon the parties and whose expenses shall be shared equally by the parties. Failure by Tenant to exercise an audit right or Landlord to dispute any Tenant audit within the specified time period or the failure of either party to otherwise fail to contest or dispute the allocation of additional rent as provided above, is deemed a waiver of the applicable audit or dispute right and any right to contest the additional rent charges (undercharges or overcharges) for the applicable Lease year and, accordingly, is deemed acceptance of the additional rent charges as submitted to and reviewed by Tenant.

4.3 Other Taxes. Upon demand, Tenant will reimburse Landlord for taxes paid by Landlord on (a) Tenant's Personal Property, (b) Rent (other than Landlord's state and/or federal income taxes or excise taxes), (c) Tenant's occupancy of the Premises, or (d) this Lease. If Tenant cannot lawfully reimburse Landlord for these taxes, then the Base Rent will be increased to yield to Landlord the same amount after these taxes were imposed as Landlord would have received before these taxes were imposed.

4.4 Terms of Payment. "**Rent**" means all amounts payable by or on behalf of Tenant under this Lease and the exhibits, including Base Rent and Additional Rent. Rent will be paid to Landlord without notice or demand and

without right of deduction, abatement or setoff, except as otherwise expressly provided in this Lease. If a time for payment of an item of Rent is not specified in this Lease, then Tenant will pay Rent within thirty (30) days after receipt of Landlord's statement or invoice. Unless otherwise provided in this Lease, Tenant shall pay Rent without notice, demand, deduction, abatement or setoff, in lawful U.S. currency, at Landlord's Billing Address or to such other person or at such other place as Landlord may from time to time designate in writing. Landlord will send statements payable by Tenant to Tenant's Billing Address; however, neither Landlord's failure to send a statement nor Tenant's failure to receive a statement for Base Rent (and installments of Estimated Additional Rent) will relieve Tenant of its obligation to timely pay Base Rent (and installments of Estimated Additional Rent). Each partial payment by Tenant shall be deemed a payment on account. No endorsement or statement on any check or any accompanying letter shall constitute an accord and satisfaction, affect Landlord's right to collect the full amount due, or require Landlord to apply any payment to other than Rent earliest due. No payment by Tenant to Landlord will be deemed to extend the Term or render any notice, pending suit or judgment ineffective. By notice to the other, each party may change its Billing Address. Any payment made by or on behalf of Tenant to a lockbox maintained by Landlord for receipt of payment of Rent shall not be deemed to have been accepted by Landlord provided such payment is returned to Tenant within ten (10) days after Landlord receives notice that the payment has been received into the lockbox.

4.5 Late Payment. If Landlord does not receive all or part of any item of Rent within five (5) business days of the date when due, then Tenant shall pay to Landlord a "**Late Charge**" of five percent (5%) of the overdue amount. Tenant agrees that the Late Charge is not a penalty, and will compensate Landlord for costs not contemplated under this Lease that are impractical or extremely difficult to fix. Landlord's acceptance of payment of a Late Charge does not waive Tenant's default. In addition, all amounts payable under this Lease by Tenant to Landlord, if not paid in full when due, will bear interest at the lesser of the highest interest rate permitted by law or eighteen percent (18%).

5. USE & OCCUPANCY

5.1 Use. Tenant shall use and occupy the Premises only for the Use. Landlord does not represent or warrant that the Project is suitable for the conduct of Tenant's particular business.

5.2 Compliance with Laws and Directives.

(a) Tenant's Compliance. Subject to the remaining terms of this Lease, Tenant shall comply, at Tenant's expense, with all directives of Landlord's insurers communicated in advance in writing to Tenant and with any and all present or future federal, state or local laws, statutes, ordinances, rules, regulations or orders of any and all governmental or quasi-governmental authorities having jurisdiction ("**Laws**") concerning:

(1) The Leasehold Improvements and Alterations,

(2) Tenant's use or occupancy of the Premises,

(3) Tenant's employer/employee obligations,

(4) A condition to the extent created by Tenant, or its Affiliates, contractors, or invitees,

(5) Tenant's failure to comply with this Lease,

(6) The negligence of Tenant or its Affiliates or contractors, and

(7) Any chemical wastes, contaminants, pollutants or substances that are hazardous, toxic, infectious, flammable or dangerous, or regulated by any local, state or federal statute, rule, regulation or ordinance for the protection of health or the environment ("**Hazardous Materials**") that are introduced to the Project, handled or disposed by Tenant or its Affiliates, or any of their contractors.

(b) Landlord's Compliance. The cost of Landlord's compliance with all directives of Landlord's insurers, governing authorities or Laws concerning the Project, other than those that are Tenant's obligation under subsection (a), will be included in Expenses to the extent allowed under §4.2.

(c) Restrictions on Landlord. Landlord shall not cause or knowingly permit the use, generation, release, manufacture, refining, production, processing, storage or disposal of any Hazardous Materials on,

under or about the Premises or the Building except as necessary for the performance of its obligations under the Lease, or as allowed under any other tenant(s)' leases at the Building.

(d) Landlord's Indemnification. In the event that Landlord disposes of any Hazardous Materials in or about the Building or Premises in violation of Environmental Laws, Landlord shall remediate same to the extent required by the Environmental Laws at Landlord's sole cost and expense. The obligations of Landlord under this Section 5.2 (d) shall survive the expiration or earlier termination of this Lease.

(e) Existing Conditions. Notwithstanding anything contained in Section 5.2 to the contrary, Tenant shall not have any liability to Landlord under Section 5.2 resulting from any conditions existing, or events occurring, or any Hazardous Materials existing or generated, at, in, on, under or in connection with the Premises or the Building prior to the Commencement Date of this Lease (or any earlier occupancy of the Premises by Tenant) except to the extent Tenant, its agents, employees or contractors exacerbates or causes the same.

5.3 Occupancy. Tenant shall not interfere with Building services or other tenants' rights to quietly enjoy their respective premises or the Common Areas. Tenant shall not make or continue a nuisance, including any objectionable odor, noise, fire hazard, vibration, or wireless or electromagnetic transmission. Tenant will not maintain any Leasehold Improvements or use the Premises in a way that increases the cost of insurance required under §9.2, or requires insurance in addition to the coverage required under §9.2. Except as may be expressly permitted by Landlord in writing, Tenant will not store, use, release, produce, process or dispose in, on or about, or transport to or from, the Premises or Building any Hazardous Materials, except for routine office and janitorial supplies used on the Premises and stored in the usual and customary manner and quantities, and in compliance with all applicable environmental laws and regulations.

6. SERVICES & UTILITIES

6.1 Standard Services.

(a) Standard Services Defined. "**Standard Services**" mean:

(1) Heating, ventilation and air-conditioning ("**HVAC**") during Business Hours as reasonably required to comfortably use and occupy the Premises and interior Common Areas (not including any supplemental HVAC systems that exclusively service the Premises);

(2) Water from the public utility for use in the Premises and Common Areas rest rooms;

(3) Janitorial and cleaning services to the Premises and interior Common Areas consistent with a first-class building as determined by Landlord, but at a minimum equivalent to the specifications set forth in Exhibit D hereof on business days, exclusive of Holidays;

(4) Access to the Building lobby, the Premises and the Common Areas on the 7th and 8th Floors of the Building (by at least one [1] passenger elevator if not on the ground floor) twenty four hours per day, 7 days per week;

(5) Labor to replace fluorescent tubes and ballasts in Building Standard light fixtures in the Premises as required from time to time as a result of normal usage; and

(6) Electricity from Landlord's selected provider(s) for Common Areas lighting, Building Standard light fixtures in the Premises and to convenience outlets in the Premises for the operation of customary quantities and types of office equipment, however, the connected load in the Premises will not at any time exceed five (5) watts per RSF of the Premises (excluding lighting and HVAC) ("**Maximum Connected Load**"), nor will Landlord be required to provide electricity to the Premises during any one calendar month in an amount that exceeds the Maximum Connected Load multiplied by the number of Business Hours during said month.

(b) Standard Services Provided. During the Term, Landlord will provide Standard Services to Tenant, except as provided in this Article 6. The cost of Standard Services will be included in Expenses. Landlord will not be responsible for any inability to provide Standard Services due to either: the concentration of personnel or equipment in the

Premises; or Tenant's use of equipment in the Premises that is not customary office equipment, has special cooling requirements, or generates excessive heat.

6.2 Additional Services. Unless Tenant obtains Landlord's prior written consent, Tenant will not use utilities or services in excess of the Standard Services. If Landlord so consents, Landlord may provide utilities and services in excess of the Standard Services subject to the following:

(a) After Hours HVAC. If Tenant requests HVAC service to the Premises during non-Business Hours, Tenant will pay as Rent Landlord's scheduled rate for this service. Landlord's current scheduled rate for overtime HVAC service is $35.00 per hour, subject to change.

(b) Lighting. Landlord will furnish both Building Standard and non-Building Standard lamps, bulbs, ballasts and starters that are part of the Leasehold Improvements for purchase by Tenant at Landlord's cost, plus Landlord's standard five percent (5%) administration fee. Landlord will install non-Building Standard items at Landlord's scheduled rate for this service.

(c) Other Utilities and Services. Tenant will pay as Rent the actual cost of utilities or services either used by Tenant or provided at Tenant's request that are in excess of that provided as part of the Standard Services, plus Landlord's standard five percent (5%) administration fee. Such services will include the cost of the water, electricity and/or other utilities used in the operation of any supplemental HVAC systems that exclusively service the Premises. Tenant's excess consumption may be estimated by Landlord unless either Landlord requires or Tenant elects to install Building Standard meters to measure Tenant's consumption.

(d) Additional Systems and Metering. At any time during the Term that Tenant's use of the Premises results in Landlord's standard HVAC services pursuant to Section 6.1(a)(1) above being in adequate to maintain temperatures within the Premises in a commercially reasonable range of comfort, Landlord may require Tenant, at Tenant's expense, to upgrade or modify existing Mechanical Systems serving the Premises or the Leasehold Improvements to the extent necessary to meet Tenant's excess requirements (including installation of Building Standard meters to measure the same). In the alternative, Tenant may take action to reduce its cooling demand so as to bring same within the capacity of the Building Standard HVAC services provided pursuant to Section 6.1(a)(1) above.

6.3 Alternate Electrical Billing. In the event Tenant's electrical usage exceeds the Maximum Connected Load specified in Section 6.1(a)(6) above, or normal business office usage levels as determined by Landlord in a commercially reasonable manner, Landlord may elect, at any time during the Term, and continuing for the remainder of the Term, to separately meter Tenant's total consumption of electricity in the Premises, including lighting and convenience outlets. If Landlord so elects, then Landlord shall notify Tenant of such election and in lieu of including consumption of electricity of tenanted premises in Expenses, Tenant shall pay to Landlord as Rent the actual cost of Tenant's electricity consumption, plus Landlord's standard ten percent (10%) administration fee, to the extent that it exceeds Tenant's Share of the consumption of electricity of tenanted premises in the Base Year (as reasonably estimated by Landlord if this consumption was not then separately metered).

6.4 Telecommunication Services. Tenant will contract directly with third party providers and will be solely responsible for paying for all telephone, data transmission, video, cable television and other telecommunication services ("**Telecommunication Services**") subject to the following:

(a) Providers. Each Telecommunication Services provider that does not already provide service to the Building shall be subject to Landlord's approval, which Landlord shall not unreasonably withhold, delay or condition. Without liability to Tenant, the license of any Telecommunication Services provider servicing the Building may be terminated under the terms of the license, or not renewed upon the expiration of the license.

(b) Tenant's Wiring. Landlord may, in its sole but reasonable discretion, designate the location of all wires, cables, fibers, equipment, and connections ("**Tenant's Wiring**") for Tenant's Telecommunication Services, as well as restrict and control access to telephone cabinets and rooms which do not exclusively serve the Premises only and/or which are not located within the Premises. Tenant may not use or access the Base Building, Common Areas or roof for Tenant's Wiring without Landlord's prior written consent, which Landlord may withhold in Landlord's sole but reasonable discretion.

(c) No Beneficiaries. This §6.4 is solely for Tenant's benefit, and no one else shall be considered a beneficiary of these provisions.

6.5 Special Circumstances. Without breaching this Lease or creating any liability on the part of Landlord, Landlord may interrupt, limit or discontinue any utility or services Landlord provides under this Article 6 or which are obtained by Tenant under this Article 6 under any of the following circumstances: (a) in an emergency; (b) to comply with Laws or to conform to voluntary government or industry guidelines; (c) to repair and maintain the Project under §7.2; or (d) to modify, renovate or improve the Project under §8.2. Landlord shall not be liable in any manner for any interruption in services to be provided by Landlord or obtained by Tenant under this Article 6. Notwithstanding the foregoing, in the event of any interruption caused by the gross negligence or willful misconduct of Landlord, its agents, employees or contractors which prevents Tenant from occupying a material portion of the Premises for more than two (2) consecutive business days, Tenant shall receive an abatement of Base Rent only commencing on the third (3rd) successive business day of such interruption, which abatement shall be in proportion to that portion of the Premises which is not usable by Tenant, until such condition is cured.

7. REPAIRS

7.1 Tenant's Repairs. Except as provided in Articles 10 and 12, during the Term, Tenant hereby assumes full responsibility for the condition of the Premises and shall, at Tenant's cost, repair, maintain and replace, if necessary, the Leasehold Improvements and keep the Premises (excluding the Base Building and Common Areas, except to the extent that repairs thereto are necessitated by Tenant, its agents, employees or contractors) in good order, condition and repair, ordinary wear and tear excepted. In addition, Tenant shall be responsible for all repairs, replacements and alterations in and to the Premises, Building and Project necessitated by (a) Tenant's use or occupancy of the Premises, (b) the installation, removal, use or operation of Tenant's Property or Leasehold Improvements, (c) the moving of Tenant's Property into or out of the Building, or (d) the act, omission, misuse or negligence of Tenant, its Affiliates, contractors or invitees. Tenant's work under this §7.1 must be (x) approved by Landlord before commencement, (y) supervised by Landlord at Tenant's expense, if the repairs involve the Base Building and Landlord reasonably so requires, and (z) performed in compliance with Law and in a first-class

manner with materials of at least Building Standard. All repairs will be performed by qualified contractors that meet Landlord's insurance requirements, provide Landlord with the appropriate certificate(s) of insurance prior to the start of work and are otherwise approved by Landlord. If Tenant fails to perform any of its obligations under this §7.1, then Landlord may perform such obligations and Tenant will pay, as Rent to Landlord, the reasonable cost of such performance, including an amount sufficient to reimburse Landlord for overhead and supervision, within ten (10) days after the date of Landlord's invoice. For the purpose of performing such obligations, or to inspect the Premises, Landlord may enter the Premises upon not less than ten (10) days' prior written notice to Tenant (except in cases of actual or suspected emergency, in which case no prior notice will be required) without liability to Tenant for any loss or damage incurred as a result of such entry, provided that Landlord will take reasonable steps in connection with such entry to minimize any disruption to Tenant's business or its use of the Premises. Tenant will notify Landlord promptly after Tenant learns of (i) any fire or other casualty in the Premises, (ii) any damage to or defect in the Premises, including the fixtures and equipment in the Premises, for the repair of which Landlord might be responsible, or (iii) any damage to or defect in any parts of appurtenances of the Building's sanitary, electrical heating, air conditioning, elevator or other systems located in or passing through the Premises.

7.2 Landlord's Repairs. Except as provided in Articles 10 and 12 and except to the extent such obligations are expressly imposed upon Tenant hereunder, during the Term Landlord shall repair, maintain and replace, if necessary, the Base Building and Common Areas, and shall otherwise keep the Project in good order and condition according to all applicable laws and the standards prevailing for comparable office buildings in the area in which the Building is located. Except in an emergency, Landlord will use commercially reasonable efforts to avoid disrupting Tenant's permitted Use of the Premises in performing Landlord's duties under this §7.2, but shall not be required to employ premium labor. Tenant may not repair or maintain the Project on Landlord's behalf or offset any Rent for any repair or maintenance of the Project that is undertaken by Tenant.

8. ALTERATIONS

8.1 Alterations by Tenant. "**Alterations**" mean any modification, addition or improvement to the Premises or Leasehold Improvements made by Tenant during the Term, including any modification to the Base Building or Common Areas required by law or governing authority as a condition of performing the work. Alterations do not include work performed under the Work Letter attached hereto as Exhibit B. All Alterations, whether temporary or

permanent in character, made or paid for by Landlord or Tenant will, without compensation to Tenant, become Landlord's property upon the expiration or earlier termination of the Lease. Alterations are made at Tenant's sole cost and expense, subject to the following:

(a) Consent Required. Except as otherwise provided, all Alterations require Landlord's prior written consent. If a Design Problem exists, Landlord may withhold its consent in Landlord's sole discretion; otherwise, Landlord will not unreasonably withhold its consent. Unless Tenant obtains Landlord's prior written consent to the Alterations becoming part of the Premises to be tendered to Landlord on termination of this Lease, Landlord may require Tenant to remove Alterations and restore the Premises under §3.3 upon termination of this Lease. Notwithstanding the foregoing, cosmetic alterations such as paint, floor coverings and removable furniture and equipment may be installed or performed in the Premises without need of Landlord's prior consent, but upon not less than fifteen (15) days prior written notice to Landlord, so that Landlord may, at its option, post a notice of non-responsibility or the local equivalent thereof at the Premises in connection with such cosmetic alterations.

(b) Design Problem Defined. "**Design Problem**" means a condition that results, or will result, from work proposed, being performed or that has been completed that either:

(1) Does not comply with Laws;

(2) Does not meet or exceed the Building Standard;

(3) Exceeds the capacity of, adversely affects, is incompatible with, or impairs Landlord's ability to maintain, operate, alter, modify or improve the Base Building;

(4) Affects the exterior appearance of the Building or Common Areas;

(5) Violates any agreement affecting the Project;

(6) Is a Required Removable (as defined below);

(7) Violates any insurance regulations or standards for a fire-resistive office building; or

(8) Locates any equipment, Tenant's Wiring or Tenant's Personal Property on the roof of the Building (except as specifically agreed to by Landlord), in Common Areas or in telecommunication or electrical closets.

(c) A "**Required Removable"** is any item of Leasehold Improvements or Alterations not currently existing at the Premises and installed by or for Tenant pursuant to this Lease that, in Landlord's reasonable judgment, is of a nature that would require removal and repair costs that are materially in excess of the removal and repair costs associated with standard office improvements. Required Removables shall include, without limitation, Tenant's Wiring, internal stairways, raised floors, personal baths and showers, vaults, rolling file systems and structural alterations and modifications; provided, however, that none of the Leasehold Improvements existing at the Premises as of the Execution Date shall constitute a Required Removable. Except as specifically agreed to in writing by Landlord in its sole discretion, the Required Removables shall be removed by Tenant before the Expiration Date. Tenant shall repair damage caused by the installation or removal of Required Removables. If Tenant fails to perform its obligations in a timely manner, Landlord may perform such work at Tenant's expense. Tenant, at the time it requests approval for a proposed Alteration or Leasehold Improvements (including any Tenant Improvements or Landlord's Work), may request in writing that Landlord advise Tenant whether such Alteration or Leasehold Improvement, or any portion thereof, is a Required Removable. Within ten (10) days after receipt of Tenant's request, Landlord shall advise Tenant in writing as to which portions of the Alterations or other improvements are Required Removables.

(d) Performance of Alterations. Alterations shall be performed by Tenant in a good and workman-like manner according to plans and specifications approved by Landlord. All Alterations shall comply with law and insurance requirements. Landlord's designated contractors must perform Alterations affecting the Base Building or Mechanical Systems and all other work will be performed by qualified contractors that meet Landlord's insurance requirements, provide Landlord with the appropriate

certificate(s) of insurance prior to the start of work and are otherwise approved by Landlord. Promptly after completing Alterations, Tenant will deliver to Landlord "as-built" CAD plans, proof of payment, a copy of all recorded documents required in §8.3 including the recorded notice of completion, and unconditional lien releases from all contractors, subcontractors and materialmen that have constructed or provided materials for all or any part of the Alterations. If the performance of any Alteration by Tenant interferes with the harmonious labor relations in existence in the Building, all such work shall be halted immediately by Tenant until such time as construction can proceed without any such interference.

(e) Bonding. If requested by Landlord, before commencing Alterations Tenant shall at Tenant's cost obtain bonds, or deposit with Landlord other security acceptable to Landlord for the payment and completion of the Alterations. These bonds or other security shall be in form and amount acceptable to Landlord.

(f) Alterations Fee. Tenant shall pay Landlord, as Rent, three percent (3%) of the total construction costs of the Alterations to cover review of Tenant's plans and construction coordination by Landlord's employees ("**Alterations Fee**"). In addition, Tenant shall reimburse Landlord for the actual cost that Landlord reasonably incurs to have engineers, architects or other professional consultants review Tenant's plans and work in progress, or inspect the completed Alterations.

8.2 Alterations by Landlord. Landlord may modify, renovate or improve the Project as Landlord deems appropriate, provided Landlord uses commercially reasonable efforts to avoid disrupting Tenant's permitted Use of the Premises, and provides prior written notice to Tenant of such Alterations that are expected to materially and adversely affect or impact the Premises.

8.3 Liens and Disputes. Tenant will keep title to the Land and Building, as well as Tenant's leasehold interest in the Premises, free of any liens concerning its Leasehold Improvements, Alterations, or Tenant's Personal Property, and will promptly take whatever action is required to have any of these liens released and removed of record (including, as necessary, posting a bond or other deposit). To the extent legally permitted, each contract and subcontract for Alterations will provide that any contractor and subcontractor will keep title to the Land, the Premises and the Building free of any such liens. Tenant will indemnify Landlord for costs and expenses that Landlord reasonably incurs because of Tenant's violation of this §8.3.

9. INSURANCE

9.1 Tenant's Insurance.

(a) Tenant's Coverage. Before taking possession of the Premises for any purpose (including construction of Tenant Improvements, if any) and during the Term, Tenant will provide and keep in force the following coverage:

(1) Commercial general liability insurance insuring Tenant's use and occupancy of the Premises and use of the Common Areas, and covering personal and bodily injury, death, and damage to others' property of not less than the Liability Limit. Each of these policies shall include cross liability and severability of interests clauses, and be written on an occurrence, and not claims-made, basis. Each of these policies shall name Landlord, the Building property manager, each secured lender, and any other party reasonably designated by Landlord as an additional insured ("**Additional Insured**"). The commercial general liability insurance carried by Landlord or other Additional Insured pursuant to the terms of this Lease shall be non-contributing and Tenant's commercial general liability insurance shall be primary to any such insurance carried by Landlord or other Additional Insured. Tenant's commercial general liability insurance may be provided by a combination of a primary and an umbrella or excess liability policy, provided that such excess policy shall be on a "following form" including a "drop down" feature in case the limits of the primary policy are exhausted and the primary policy shall not be less than $1 million for any one accident or occurrence;

(2) Property damage insurance on a special form basis covering all risks (including standard extended coverage endorsement perils, leakage from fire protective devices and other water damage) covering the full replacement cost of any new Alterations made by Tenant pursuant

to this Lease (but excluding the Leasehold Improvements existing at the Premises as of the date of delivery of possession, which shall be insured by Landlord) and Tenant's Personal Property in amounts sufficient to prevent Tenant from becoming a co-insurer and subject only to such deductibles and exclusions as Landlord may reasonably approve. Each of these policies shall name Landlord and each Additional Insured as an additional insured as well as a loss payee to the extent of their interest in any Alterations made by Tenant (but excluding the Leasehold Improvements existing at the Premises as of the date of delivery of possession, which shall be insured by Landlord). Each of these policies shall include a provision or endorsement in which the insurer waives its right of subrogation against Landlord and each Additional Insured;

(3) Insurance covering the perils described in (2) for Tenant's loss of income or insurable gross profits with a limit not less than Tenant's annual Rent;

(4) If any boiler or machinery (including without limitation any supplemental HVAC equipment installed by Tenant) is operated solely to provide service to the Premises, boiler and machinery insurance, with a limit of at least the Liability Limit;

(5) Insurance required by law, including workers' compensation insurance;

(6) Employers liability insurance with limits not less than $1million/each accident; $1million/disease - each employee; $1million/disease — aggregate;

(7) Commercial automobile liability insurance covering all owned, hired, and non-owned vehicles with a combined single limit of not less than $1million for each accident or person.; and

(8) Insurance covering Tenant's Alterations and Tenant's Personal Property against loss or damage due to earthquake or difference in conditions perils. Tenant may elect to self-insure this coverage. If Tenant does not elect to self-insure this coverage, then each of these policies shall name Landlord and each Additional Insured a loss payee to the extent of their interest in the Leasehold Improvements.

(b) Insurers and Terms. Each policy required under (a) shall be written with insurance companies licensed to do business in the state in which the Building is located having a rating of not less than A and a Financial Size Class ("**FSC**") of at least VIII by A. M. Best Company, and be on terms that are acceptable to Landlord.

(c) Proof of Insurance. Tenant shall provide Landlord with certificates of insurance (including all additional insured and loss payee endorsements) or other reasonable proof as required by Landlord that the coverage required under (a) is in effect. The certificate of insurance shall state that the insurance carrier will give Landlord and all other persons and entities named as certificate holders at least thirty (30) days prior notice of any cancellation or modification of the policies. In addition, Tenant will provide Landlord with certificates of insurance (including all additional insured and loss payee endorsements) or other reasonable proof of renewal or replacement at least thirty (30) days prior to any policy expiration and failure to provide same shall be a default. If Tenant fails to insure or pay premiums, or to file satisfactory proof as required above, Landlord may, upon a minimum of twenty four (24) hours' notice, effect such insurance and recover from Tenant on demand any premiums paid. Failure of Tenant to provide any insurance required by this Lease shall not be construed as a waiver of liability or any limit of damages, the parties expressly agreeing that the requirement to carry insurance shall not be deemed to be an acknowledgment or agreement that said insurance is adequate to cover the damages so insured.

(d) Waiver of Subrogation. Landlord and Tenant each hereby releases and relieves the other party and hereby waives its entire right of recovery against the other party for any and all loss or damage to any property, including, without limitation, any and all Leasehold Improvements and any and all Tenant's Personal Property, arising out of or incident to perils insured against or that could have been insured against by a "special form" policy of property insurance, even if this loss or damage is due to the negligence of the other party.

This waiver will include a waiver by Landlord and Tenant of all of their respective rights of subrogation that Landlord's or Tenant's insurers may have against the other party. Tenant shall, upon obtaining a policies of insurance covering property loss or damage to Leasehold Improvements or Tenant's Personal Property give notice to its insurance carrier or carriers that the foregoing waiver of subrogation is contained in this Lease, and if the insurance policy does not permit Tenant to waive its insurer's rights of subrogation, then the policy shall contain an endorsement in which the insurer waives all of its rights of subrogation against Landlord.

9.2 Landlord's Insurance. So long as the same is available at commercially reasonable rates, Landlord shall maintain fire and other casualty property insurance on the Building (including without limitation the Leasehold Improvements existing at the Premises as of the date of delivery of possession, but excluding any Alterations made by Tenant) at replacement cost value as reasonably estimated by Landlord, together with such other insurance coverage as Landlord, in its reasonable judgment, may elect to maintain. Each policy maintained under this subsection shall be written with insurance companies having a rating of not less than A and a FSC of at least VIII by A. M. Best Company.

10. DAMAGE OR DESTRUCTION

10.1 Damage and Repair. If all or any part of the Project is damaged by fire or other casualty, then the parties will proceed as follows:

(a) Landlord's Estimates. Landlord will assess the damage to the Project (including the Leasehold Improvements but excluding any Alterations made by Tenant) and notify Tenant of Landlord's reasonable estimate of the time required to substantially complete repairs and restoration of the Project ("**Repair Estimate**"). Landlord will also estimate ("**Interruption Estimate**") the time that the Premises will be "**Untenantable**", which shall mean that Tenant is actually unable to use all or any portion of the Premises for the normal conduct of its business. Within thirty (30) days after the later of the casualty, issuance of the Repair Estimate, issuance of the Interruption Estimate, or receipt of any denial of coverage or reservation of rights from Landlord's insurer, each party may terminate this Lease by written notice to the other on the following conditions:

(1) Landlord may elect to terminate this Lease if:

(A) The Repair Estimate exceeds one hundred eighty (180) days; or

(B) The damage or destruction occurs in the last twelve (12) months of the Term; or

(C) The repair and restoration are not fully covered by insurance maintained or required to be maintained by Landlord (subject only to those deductibles or retentions Landlord elected to maintain), any mortgagee requires that the insurance proceeds be applied to the payment of the mortgage debt, Landlord's insurer denies coverage or reserves its rights on coverage or Landlord determines in good faith that it is not economically feasible to repair or restore the Building.

(2) Tenant may elect to terminate this Lease if the Interruption Estimate exceeds one hundred eighty (180) days, or, if the casualty occurred in the last twelve (12) months of the Term, and the Interruption Estimate exceeds thirty (30) days.

(b) Repairs. If neither party terminates the Lease under (a), then the Lease shall remain in full force and effect and the parties will proceed as follows:

(1) Landlord will diligently and as soon as possible after such damage repair and restore the Project (including the Leasehold Improvements but excluding any Alterations made by Tenant) to the condition existing prior to such damage, except for modifications required by law. Landlord will perform such work with reasonable promptness, subject to delay for loss adjustment, delay caused by Tenant and Force Majeure.

(2) Tenant will repair and restore any Alterations made by Tenant with reasonable promptness to the condition existing prior to such damage, but not less than current Building Standards, except for modifications required by law.

(3) Tenant may not terminate this Lease if the actual time to perform the repairs and restoration exceeds the Repair Estimate, or the actual interruption exceeds the Interruption Estimate.

10.2 Rent Abatement. If, as a result of the damage or destruction under §10.1, any part of the Premises becomes Untenantable for more than three (3) consecutive business days, then a proportionate amount of Tenant's Base Rent and Additional Rent for the Untenantable part of the Premises shall be abated from the 4th consecutive business day until the earlier of the date (a) the damaged or destroyed part of the Premises becomes tenantable, or (b) fifteen (15) days after Landlord completes its required repairs and restoration and a certificate of occupancy from the applicable governmental agency has been obtained, unless such certificate of occupancy is delayed or not available because Tenant has not completed the work and restoration for which Tenant is responsible under this Section 10. Tenant's sole remedy against Landlord for damage or destruction of any part of the Project is abatement of Base Rent and Additional Rent under this §10.2, and Landlord will not be liable to Tenant for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting in any way from damage caused by fire or other casualty or the repair of such damage, or for any other amount, including damages to Tenant's Personal Property, consequential damages, actual or constructive eviction, or abatement of any other item of Rent; provided however that, to the extent Tenant remains in possession of a portion of the Premises, Landlord will take all reasonable steps to minimize the disruption to Tenant's business and use of such portion of the Premises during any period of repair.

11. INDEMNITY

11.1 Claims. "**Claims**" mean any and all liabilities, losses, claims, demands, damages or expenses that are suffered or incurred by a party, including, but not limited to, attorneys' fees reasonably incurred by that party in the defense or enforcement of the rights of that party.

11.2 Landlord's Waivers and Tenant's Indemnity.

(a) Landlord's Waivers. Landlord waives any Claims against Tenant and its Affiliates for damage to or loss of Landlord's property insured or required to be insured by Landlord under §9.2, except to the extent caused by the negligence or willful misconduct of Tenant or its Affiliates, or caused by any other tenants or occupants of the Project, or persons other than Tenant, its agents, employees or contractors; provided, that in all events Landlord waives any Claims for any special or consequential damages (such as interruption of business, loss of income, or loss of opportunity) to the extent not expressly prohibited by Law; and

(b) Tenant's Indemnity. Unless waived by Landlord under §11.2(a), to the extent not expressly prohibited by Law, Tenant will indemnify and defend Landlord and its Affiliates and hold each of them harmless from and against Claims to the extent arising from:

(1) Any defect, deficiency in or accident or occurrence on or about the Premises, except to the extent caused by Landlord's or its Affiliates' negligence or willful misconduct or default pursuant to this Lease; or

(2) Tenant's or its Affiliates' negligence or willful misconduct or breach of this Lease; or

(3) Any claim for commission or other compensation by any person other than the Brokers for services rendered to Tenant in procuring this Lease.

11.3 Tenant's Waivers and Landlord's Indemnity.

(a) Tenant's Waivers. Tenant waives any Claims against Landlord and its Affiliates for:

(1) Perils insured or required to be insured by Tenant under subsections (2), (3) and (8) of §9.1(a), except to the extent caused by the negligence or willful misconduct of Landlord or its Affiliates, but in all events Tenant waives any Claims for any special or consequential damages (such as interruption of business, loss of income, or loss of opportunity) to the extent not expressly prohibited by Law, and for loss or damage to Leasehold Improvements and Tenant's Personal Property except to the extent caused by the negligence or willful misconduct of Landlord or its Affiliates; or

(2) Damage caused by any public utility, public work, other tenants or occupants of the Project, or persons other than Landlord; or

(3) Damages caused by the negligence of Landlord or its Affiliates that is in excess of the insurance Landlord maintains under §9.2.

(b) Landlord's Indemnity. Unless waived by Tenant under (a), to the extent not expressly prohibited by Law, Landlord will indemnify and defend Tenant and its Affiliates and hold each of them harmless from and against Claims to the extent arising from:

(1) Landlord's or its Affiliates' negligence or willful misconduct or breach of this Lease; or

(2) Any claim for commission or other compensation by any person other than the Brokers for services rendered to Landlord in procuring this Lease.

11.4 Affiliates Defined. "**Affiliates**" means with respect to a party: (a) that party's partners, co-members and joint venturers, (b) each corporation or other entity that is a parent or subsidiary of that party, (c) each corporation or other entity that is controlled by or under common control of a parent of such party, and (d) the directors, officers, employees and agents of that party and each person or entity described in this §11.4(a-c).

11.5 Survival of Waivers and Indemnities. Landlord's and Tenant's waivers and indemnities under §11.2 and §11.3 will survive the expiration or early termination of this Lease.

12. CONDEMNATION

12.1 Taking. "Taking" means acquiring of all or part of the Project for any public or quasi-public use by exercise of a right of eminent domain or under any other law, or any sale in lieu thereof.

(a) Total Taking. If, because of a Taking, substantially all of the Premises are Untenantable for substantially all of the remaining Term, then this Lease shall terminate on the date of the Taking.

(b) Partial Taking. If a Taking does not cause this Lease to be terminated under (a), then Landlord will restore (and alter, as necessary) the Premises to a tenantable condition, unless this Lease is terminated by either Landlord or Tenant under the following circumstances:

(1) Landlord may terminate this Lease upon sixty (60) days prior written notice to Tenant if Landlord reasonably determines that it is uneconomical to restore or alter the Premises to a tenantable condition.

(2) Tenant may terminate the Lease upon sixty (60) days prior written notice to Landlord if the Taking causes more than twenty percent (20%) of the Premises to be Untenantable for the remainder of the Term and Tenant cannot reasonably operate Tenant's business for the Use in the remaining Premises.

(c) If the Lease is not terminated under (a) or (b), then the Rent will be reduced for the term of the Taking based upon the RSF of the Premises made Untenantable by the Taking.

12.2 Awards. Landlord is entitled to the entire award for any claim for a taking of any interest in this Lease or the Project, without deduction or offset for Tenant's estate or interest, and Tenant hereby waives all claims for loss of impairment of its leasehold interest; however, Tenant may make a claim against the condemning authority for relocation expenses and damages to Tenant's Personal Property and business to the extent that Tenant's claim does not reduce Landlord's award.

13. TENANT TRANSFERS

13.1 Transfer Defined. "T**ransfer**" means any:

(a) Sublease of all or part of the Premises, or assignment, mortgage, hypothecation or other conveyance of an interest in this Lease;

(b) Use of the Premises by anyone other than Tenant with Tenant's consent;

(c) Change in Tenant's form of organization (e.g., a change from a partnership to limited liability company);

(d) Transfer of fifty one percent (51%) or more of Tenant's assets, shares (except shares transferred in the normal course of public trading), membership interests, partnership interests or other ownership interests; or

(e) Transfer of effective control of Tenant.

13.2 Consent Not Required. Upon notice to Landlord, but without Landlord's prior consent, Tenant may effect a Transfer to a Permitted Transferee. A "**Permitted Transferee**" is any person or entity that meets all of the following requirements and specifically excludes a Transfer pursuant to §13.1(c) above:

(a) The transferee (1) controls, is controlled by, or is under common control with Tenant (for purposes hereof, "**control**" shall mean ownership of not less than fifty percent (50%) of all of the voting stock or legal and equitable interest in the entity in question), (2) results from the merger or consolidation of Tenant, or (3) acquires all or substantially all of the stock and/or assets of Tenant as a going concern;

(b) The transferee has a tangible net worth immediately following the Transfer not less than the greater of (1) Tenant's tangible net worth immediately before the Transfer, or (2) Tenant's tangible net worth as of the execution of this Lease; and

(c) The transferee's occupying the Premises will not cause Landlord to breach any other lease or other agreement affecting the Project.

13.3 Consent Required. Each proposed Transfer, other than those permitted under §13.2, requires Landlord's prior consent, in which case the parties will proceed as follows:

(a) Tenant's Notice. Tenant shall notify Landlord at least thirty (30) days prior to the proposed Transfer of the name and address of the proposed transferee and the proposed use of the Premises, and include in the notice the Transfer documents and copies of the proposed transferee's balance sheets and income statements (both current and for the past two [2] years).

(b) Landlord's Rights. Within thirty (30) days after receipt of Tenant's complete notice, Landlord may:

(1) Deleted

(2) If the proposed Transfer is a sublease of all of the Premises or any part of the Premises that will be separately demised and have its own entrance from the Common Areas, exercise a right of first refusal to sublease such portion of the Premises at the lesser of (A) the Rent (prorated for subletting part of the Premises), or (B) the rent payable in the proposed Transfer; or

(3) Consent or deny consent to the proposed Transfer; consent not to be unreasonably withheld, delayed or conditioned, subject to all of the following being satisfied:

(A) Landlord determines, in Landlord's sole but reasonable discretion, that the proposed transferee has the financial capacity to meet its obligations under the proposed Transfer;

(B) The proposed use is consistent with the Use and will not cause Landlord to be in breach of any lease, law or other agreement affecting the Project;

(C) The proposed transferee is typical of tenants that directly lease premises in first-class office buildings;

(D) The proposed transferee is not a governmental or diplomatic entity;

(E) The proposed transferee is not named on the list of Specially Designated Nationals and Blocked Persons maintained by the Office of Foreign Assets Control of the United States Department of the Treasury or any such similar list maintained by the state or federal government;

(F) The proposed transferee is not an existing tenant or an Affiliate of an existing tenant, nor a party with which Landlord is actively negotiating to lease space in the Building (nor has, in the last six [6] months, been actively negotiating to lease space in the Building); and

(G) Tenant is not in default under this Lease.

(c) Compelling Consent. If Landlord does not consent to a Transfer, Tenant's sole remedy against Landlord will be an action for specific performance or declaratory relief, and Tenant may not terminate this Lease or seek monetary damages.

13.4 Payments to Landlord. Tenant shall pay Landlord one hundred percent (100%) of Transfer receipts that exceed Tenant's Rent (on a per square foot basis); after Tenant is reimbursed for Tenant's reasonable and customary out-of-pocket costs incurred in the Transfer, including reasonable attorneys' fees, Alterations, and broker commissions. Tenant shall pay Landlord a $1,000.00 review fee for each proposed Transfer, excepting those in which Landlord exercises its rights under subsection 13.3(b)(2) or 13.3(b)(3).

13.5 Effect of Transfers. No Transfer releases Tenant or any guarantor of this Lease from any Lease obligation. Landlord's acceptance of a payment from any person or entity other than Tenant that occupies the Premises does not waive Tenant's obligations under this Article 13. If Tenant is in default of this Lease, Landlord may proceed against Tenant without exhausting any remedies against any transferee and may require (by written notice to any transferee) any transferee to pay Transfer rent owed by Tenant directly to Landlord (which Landlord will apply against Tenant's Lease obligations). Termination of this Lease for any reason will not result in a merger. Each sublease will be deemed terminated upon termination of this Lease unless Landlord notifies the subtenant in writing of Landlord's election to assume any sublease, in which case the subtenant shall attorn to Landlord under the executory terms of the sublease.

14. LANDLORD TRANSFERS

14.1 Landlord's Transfer. Landlord's right to transfer any interest in the Project or this Lease is not limited by this Lease. Upon any such transfer, Tenant will attorn to Landlord's transferee and Landlord will be released from liability under this Lease, except for any Lease obligations accruing before the transfer that are not assumed by the transferee.

14.2 Subordination. This Lease is, and will at all times be, subject and subordinate to each ground lease, mortgage, deed to secure debt or deed of trust now or later encumbering the Building, including each renewal, modification, supplement, amendment, consolidation or replacement thereof (each, an "**Encumbrance**"). At Landlord's request, Tenant will, without charge, promptly execute, acknowledge and deliver to Landlord (or, at Landlord's request, the Encumbrance holder) any instrument reasonably necessary to evidence this subordination. If the Tenant fails to execute or deliver any such instrument within five (5) days after request, Tenant hereby irrevocably appoints and constitutes Landlord as Tenant's agent and attorney-in-fact for the purpose of executing any such agreement and instrument for and on behalf of Tenant. Notwithstanding the foregoing, each Encumbrance holder may unilaterally elect to subordinate its Encumbrance to this Lease. Landlord will provide Tenant with a Subordination, Non-Disturbance and Attornment Agreement ("SNDA") from Landlord's lender(s) on such lender(s)' standard form(s) within thirty (30) days following final execution of this Lease, and which Tenant shall accept so long as such SNDA(s) provide that Tenant's rights under this Lease shall not be impaired and this Lease shall be recognized by Landlord's successor(s) so long as Tenant is not in default under this Lease following written notice and expiration of the applicable cure period.

14.3 Attornment. Tenant will automatically attorn to any transferee of Landlord's interest in the Project that succeeds Landlord by reason of a termination, foreclosure or enforcement proceeding of an Encumbrance, or by delivery of a deed in lieu of any foreclosure or proceeding (a "**Successor Landlord**"). In this event, the Lease will continue in full force and effect as a direct lease between the Successor Landlord and Tenant on all of the terms of this Lease, except that the Successor Landlord shall not be:

(a) Liable for any obligation of Landlord under this Lease, or be subject to any counterclaim, defense or offset accruing before Successor Landlord succeeds to Landlord's interest;

(b) Bound by any modification or amendment of this Lease made after Successor Landlord succeeds to the Landlord's interest, or immediately prior to such succession, without Successor Landlord's consent;

(c) Bound by any prepayment of more than one month's Rent;

(d) Obligated to return any Security Deposit not paid over to Successor Landlord; or

(e) Obligated to perform any improvements to the Premises (or provide an allowance therefor). Upon Successor Landlord's request, Tenant will, without charge, promptly execute, acknowledge and

deliver to Successor Landlord any instrument reasonably necessary or required to evidence such attornment.

14.4 Estoppel Certificate. Within five (5) business days after receipt of Landlord's written request, Tenant (and each guarantor and transferee of an interest in the Lease) will execute, acknowledge and deliver to Landlord a certificate upon which Landlord and each existing or prospective Encumbrance holder may rely confirming the following (or any exceptions to the following):

(a) The Commencement Date and Expiration Date;

(b) The documents that constitute the Lease, and that the Lease is unmodified and in full force and effect;

(c) The date through which Base Rent, Additional Rent, and other Rent has been paid and the then current rates of same;

(d) That neither Landlord (to the knowledge of Tenant) nor Tenant is in default of this Lease;

(e) That Landlord has satisfied all Lease obligations to improve the Premises (or provide Tenant an allowance therefor) and Tenant has accepted the Premises;

(f) That Tenant solely occupies the Premises;

(g) The amount of any Security Deposit;

(h) Acknowledgment that the estoppel certificate can be relied upon by an Encumbrance Holder; and

(i) Such other matters concerning this Lease or Tenant's occupancy that Landlord may reasonably require.

Such estoppel certificate may be in the form reasonably required by Landlord.

15. DEFAULT AND REMEDIES

15.1 Tenant's Default. Tenant is in default ("**Default**") of this Lease if any of the following occur:

(a) Tenant fails to pay Rent when due, and the failure continues for five (5) business days after written notice to Tenant of the failure. However, Tenant will only be entitled to three (3) notices in total of failure during any Lease Year with respect to Base Rent and Additional Rent and if, after three (3) such notices are given in any Lease Year, Tenant fails, during such Lease Year, to pay any Base Rent and/or Additional Rent when due, such failure will constitute a Default without the requirement of further notice by Landlord or additional cure period.

(b) Tenant fails to perform a non-monetary Lease obligation and the failure continues for thirty (30) days after written notice to Tenant of the failure, except that (1) in an emergency Landlord may require Tenant to perform this obligation in a reasonable time of less than thirty (30) days, or (2) if Tenant begins performing this obligation within five (5) days after notice to Tenant of this failure, but it will reasonably take more than thirty (30) days to complete performing the obligation, then Tenant will have a reasonable amount of additional time, not to exceed an additional sixty (60) days, to complete performing the obligation. However, if such breach or noncompliance causes or results in (i) a dangerous condition on the Premises or the Building, (ii) any insurance coverage carried by Landlord or Tenant with respect to the Premises or Building being jeopardized, or (iii) a material disturbance to another tenant, then a Default will exist if such breach or noncompliance is not cured as soon as reasonably possible after notice by Landlord to Tenant, and in any event is not cured within thirty (30) days after such notice. For purposes of this §15.1(b), financial inability will not be deemed a reasonable ground for failure to immediately cure any breach of, or failure to comply with, the provisions of this Lease.

(c) Tenant consummates a Transfer that violates Article 13.

(d) Tenant fails to discharge any attachment or levy on Tenant's interest in this Lease within fifteen (15) days after the attachment or levy encumbers this Lease.

(e) Tenant fails to cause any of the following proceedings to be vacated or dismissed within sixty (60) days after they are commenced: (1) the appointment of a receiver or trustee of the assets of Tenant or any guarantor of this Lease, (2) the voluntary or involuntary bankruptcy of Tenant or any guarantor of this Lease, or (3) any assignment for the benefit of creditors of the assets of Tenant or any guarantor of this Lease.

(f) (deleted)

(g) Tenant is named on the list of Specially Designated Nationals and Blocked Persons maintained by the Office of Foreign Assets Control of the United States Department of the Treasury or any such similar list maintained by the state or federal government.

15.2 Remedies. If any Default occurs, Landlord shall have the rights and remedies set forth in this Lease which shall be distinct, separate and cumulative and shall not operate to exclude or deprive Landlord of any other right or remedy allowed it by law or at equity. In the event that Landlord terminates this Lease or Tenant's right to possession of the Premises under this Section 15, and Tenant surrenders actual, exclusive physical possession of the Premises to Landlord in the condition required under this Lease, then Landlord shall use commercially reasonable efforts to mitigate its damages; provided, Landlord shall not be obligated to give priority to the re-letting of the Premises over Landlord's leasing of any other available space in the Building.

(a) Landlord may proceed for past due Rent, reserving its right to proceed later for the remaining Rent payments as they become due and, at Landlord's option, for specific performance and/or an injunction requiring Tenant's performance of this Lease.

(b) Landlord may proceed for all past due installments of Rent, and declare all of the unpaid installments of Base Rent and Additional Rent for the remainder of the Term at once due and payable, whereupon this entire amount shall become and be due and payable within five (5) days notice by Landlord to Tenant of such election, provided that as to Additional Rent, such aggregate will be calculated by assuming that Expenses and Taxes for the calendar year in which the Default occurs and for each subsequent calendar year remaining in the Term, will increase by five percent (5%) per year over the amount of Expenses and Taxes for the prior calendar year.

(c) Landlord may terminate this Lease by giving notice to Tenant of Landlord's election to do so, in which event the Term of this Lease shall end, and all right, title and interest of Tenant hereunder shall expire, on the date stated in such notice. In no event shall either re-entry or the taking of possession of the Premises by Landlord be construed as an election by Landlord to terminate this Lease. Written notice alone shall be proof of any such election by Landlord. Upon such Lease termination, Tenant shall surrender possession, vacate the Premises and immediately deliver possession to Landlord in the condition required in this Lease. Landlord may, with due process of law, re-enter and take possession of the Premises without being liable for prosecution for such action or being deemed guilty of any manner of trespass, without diminishing any remedies for collection of Rent, and without relinquishing any other right of Landlord, and Tenant will be and remain liable, not only for all Rent due and other obligations incurred up to the date on which Landlord's termination became effective and for all holdover damages that accrue under this Lease until Tenant vacates or is removed from the Premises, but also for stipulated or liquidated damages for its nonperformance and Landlord's loss of the bargain and not as a penalty in an amount equal to the sum of:

(1) all Repossession Expenses, Reletting Expenses and Enforcement Costs that Landlord incurs; plus;

(2) the greatest of (A) twelve (12) months of the Base Rent plus the Additional Rent then payable, or (B) the Unamortized Initial Costs, or (C) the Landlord's Damages; plus

(3) interest at the Default Rate from the date such are incurred and/or the termination date, as applicable, through the date of payment to Landlord.

(d) Landlord may terminate Tenant's right to possession of the Premises without terminating this Lease by giving written notice to Tenant that Tenant's right to possession shall end on the date stated in such notice, and all right of Tenant to possession of the Premises or any part thereof shall cease on the date stated in such notice. An election by Landlord to terminate Tenant's right to possession of the Premises

without terminating this Lease shall not preclude a subsequent election by Landlord to terminate this Lease.

(1) Upon such termination of Tenant's right to possession of the Premises, Landlord may, with due process of law, re-enter and take possession of all or any part of the Premises, without additional demand or notice, and repossess the same and expel Tenant and any party claiming by, through or under Tenant, and remove the effects of both, using such force for such purposes as may be necessary, without being liable for prosecution for such action or being deemed guilty of any manner of trespass, and without prejudice to any remedies for arrears of Rent or right to bring any proceeding for breach of covenants or conditions. No such reentry or taking possession of the Premises by Landlord will be construed as an election by Landlord to terminate this Lease unless a written notice of such intention is given to Tenant. No notice from Landlord or notice given under a forcible entry and detainer statute or similar Laws will constitute an election by Landlord to terminate this Lease unless such notice specifically so states.

(2) Landlord shall make commercially reasonable efforts to relet the Premises or portions thereof, so as to mitigate Landlord's damages, to the extent required by applicable Law. Landlord and Tenant agree that Landlord may relet for such term or terms and on such conditions and other terms as Landlord, in its discretion, determines, and that Landlord shall not be required to (A) observe any instructions given by Tenant about such reletting; (B) lease the Premises prior to other space owned, controlled or managed by Landlord or its Affiliates; or (C) lease the Premises at below market rates;

(3) Any rent received by Landlord from re-letting the Premises shall be deemed to reduce Tenant's indebtedness to Landlord as follows: (A) first, to reduce Tenant's obligation to reimburse Landlord for Repossession Expenses, then (B) to reduce Tenant's obligation to reimburse Landlord for Reletting Expenses, then (C) to reduce Tenant's obligation to reimburse Landlord for Unamortized Landlord Costs, then (D) to reduce Tenant's obligation to Landlord for Enforcement Costs, then (E) to reduce Tenant's obligation for the payment of Rent reserved in the Lease for the remainder of the stated Term of the Lease. In no event shall Tenant be entitled to a reduction (of its indebtedness to Landlord) in an amount in excess of the aggregate sum of Rent which would have been payable by Tenant for the remainder of the stated Term of this Lease, as if no Default had occurred;

(4) Tenant shall pay to Landlord an amount equal to the Rent which would have been payable by Tenant for the remainder of the stated Term of the Lease, less any applicable reductions pursuant to §15.3(d)(3) above as the same becomes due, without notice or demand; and

(5) Tenant shall, upon demand, reimburse Landlord, with interest at the Default Rate from the date incurred through the date of payment to Landlord, the following: Repossession Expenses; Reletting Expenses; Unamortized Landlord Costs and Enforcement Costs.

(e) Landlord may enforce the provisions of this Lease and may enforce and protect the rights of Landlord by a suit or suits in equity or at law for the specific performance of any covenant or agreement contained in this Lease, or for the enforcement of any other appropriate legal or equitable remedy, including recovery of all monies due or to become due from Tenant under any of the provisions of this Lease.

(f) Landlord may, but shall not be obligated to, cure Tenant's Default by making any payment or performing such other act to the extent Landlord may deem desirable. Any such cure by Landlord shall be without notice and shall not waive or release Tenant from any obligation under this Lease. Tenant covenants and agrees to pay Landlord, upon demand, all advances, costs and expenses incurred by Landlord in connection with such cure, including reasonable attorney's fees, together with interest at the Default Rate, from the date such are incurred by Landlord to the date of payment to Landlord.

(g) Provided that Landlord performs its obligations to maintain and operate the Building as set forth in this Lease, Landlord may, without liability to Tenant or any other party and without constituting a constructive or actual eviction, suspend or discontinue furnishing or rendering to Tenant any property,

material, labor, or other service, including without limitation parking services but excluding the services set forth in §§ 6.1(a)(1), (2), (4) and (6), so long as a Default exists under this Lease.

(h) If Landlord exercises its rights pursuant to Sections 15.2(b) or 15.2(c) above, then alternatively, at Landlord's option, Landlord will be entitled to recover from Tenant, as damages for loss of the bargain and not as a penalty, an aggregate sum equal to:

(1) all unpaid Base Rent, Additional Rent and other Rent for any period prior to the termination date or the repossession date, as the case may be (including interest from the due date to the date of the award at the Default Rate described below), plus any other sum of money and damages owed by Tenant to Landlord for events or actions occurring prior to the termination date or the repossession date, as the case may be, plus

(2) the present value at the time of termination or repossession as the case may be (calculated at the rate commonly called the discount rate in effect at the Federal Reserve Bank of New York on the termination date or the repossession date, as the case may be) of the amount, if any, by which:

(A) the aggregate of the Base Rent, Additional Rent and all other Rent payable by Tenant under this Lease that would have accrued for the balance of the Term after termination or repossession as the case may be (with respect to Additional Rent, such aggregate will be calculated by assuming that Expenses and Taxes for the calendar year in which termination or repossession, as the case may be, occurs and for each subsequent calendar year remaining in the Term if this Lease had not been terminated or if Landlord had not repossessed the Premises, as the case may be, will increase by five percent (5%) per year over the amount of Expenses and Taxes for the prior calendar year), exceeds

(B) the amount of such Base Rent, Additional Rent and other Rent which Landlord will receive for the remainder of the Term from any reletting of the Premises occurring prior to the date of the award, or if the Premises have not been relet prior to the date of the award, the amount, if any, of such Base Rent, Additional Rent and other Rent which could reasonably be recovered by reletting the Premises for the remainder of the Term at the then-current Fair Market Rent, in either case taking into consideration the Reletting Expenses, plus

(3) interest on the amount described in (2) above from the termination date or the repossession date, as the case may be, to the date of the award at the Default Rate defined below.

15.3 Definitions.

(a) "**Enforcement Costs**" shall be all sums, costs, expenses and damages (in addition to Repossession Expenses, Reletting Expenses, and Unamortized Landlord Costs) which are incurred by Landlord in enforcing Tenant's obligations under this Lease or by reason of Tenant's Default, including without limitation, those arising out of any action brought by Landlord against Tenant to interpret any provision of this Lease or in connection with a bankruptcy or an assignment for the benefit of creditors.

(b) "**Fair Market Rent**" shall be an amount equal to the fair market rental value of the Premises for the remainder of the stated Term of this Lease, taking into consideration the Reletting Expenses Landlord might incur upon reletting of the Premises. However, the Fair Market Rent shall be zero for any period prior to the time at which Landlord could reasonably have been expected to have obtained a new tenant for the Premises, and if Landlord has leased the Premises to a new tenant, then the rental payable by the new tenant will be deemed to be the Fair Market Rent for the Premises, and the period between the termination of Tenant's possession under this Lease and the commencement of the new lease will be deemed to be the time within which Landlord could reasonably have been expected to have obtained a new tenant for the Premises.

(c) "**Landlord Costs**" shall be such concessions and expenses incurred by Landlord by or for Tenant regarding this Lease prior to, or during the Term (including any renewals or extensions thereof),

including without limitation; (1) costs and expenses of improvements, remodeling, redecoration or refurbishing of the Premises; (2) any and all allowance(s) paid, or credit given, for the improvement, remodeling, redecoration or refurbishing of the Premises; (3) any free, excused or abated rent; and (4) any broker's fee or other similar fee, sum or expense.

(d) "**Landlord's Damages**" shall be an amount equal to the present value of the amount by which the Remainder Rent exceeds the Fair Market Rent for the remainder of the stated Term of this Lease. The present value shall be computed on the basis of a discount rate equal to the then-current yield on United States Treasury obligations having a maturity approximately equal to the remainder of the stated Term of this Lease, as determined by Landlord.

(e) "**Unamortized Landlord Costs**" shall mean the amount remaining as of the date in question of the Landlord Costs that have been amortized over the initial Term of the Lease at an interest rate of eight percent (8%).

(f) "**Reasonable attorneys' fees**" shall include the value of services provided by counsel employed by Landlord or its Affiliates in the amount that Landlord would have reasonably incurred if the services had been performed by unaffiliated counsel.

(g) "**Remainder Rent**" shall be an amount equal to the aggregate Rent reserved in the Lease for the remainder of the stated Term which would have been payable after the termination date had this Lease not been terminated, including, without limitation, all Rent plus all increases pursuant to the terms of this Lease. For the purpose of determining Remainder Rent only, Taxes and Expenses will be deemed to increase at a rate of three percent (3%) annually.

(h) "**Reletting Expenses**" shall be such costs and expenses which Landlord may, to the extent deemed necessary or desirable by Landlord, incur to relet the Premises, including without limitation, (1) repairs, alterations and additions in or to the Premises, (2) altering locks and security devices to the Premises, (3) redecorating, remodeling or refurbishing of the Premises (but exclusive of capital improvement costs applicable to the Common Areas), and (4) other costs and expenses, including brokers' commissions and reasonable attorneys' fees.

(i) "**Repossession Expenses**" are such costs and expenses including, without limitation, reasonable attorneys' fees which Landlord may incur, as Landlord considers appropriate, in order to recover possession of the Premises.

15.4 Interest. If Tenant at any time fails to make any payment of Rent or of any amounts owed under this Lease, Landlord may recover interest on such amounts at the rate per annum equal to the lesser of the highest interest rate permitted by law or eighteen percent (18%) ("**Default Rate**"), from the date each amount is due until paid by Tenant.

15.5 Waivers.

(a) **If Tenant is in Default, Tenant expressly waives the service of any demand for the payment of Rent, for the performance or nonperformance of any obligation or duty to perform or to refrain from performing imposed upon Tenant under this Lease and the service of any and every form of demand and notice prescribed by any statute or other law.**

(b) **Landlord and Tenant each expressly waives the right to trial by jury in any legal proceedings Landlord may institute against Tenant to (1) recover possession of the Premises, and (2) collect delinquent rent, whether or not the proceedings to collect delinquent rent are joined with proceedings to recover possession of the Premises.**

No waiver by Landlord or Tenant of any Default by the other party shall be implied to affect, and no express waiver shall affect, any Default other than the Default specified in such waiver and that only for the time and to the extent stated.

15.6 Force Majeure. "**Force Majeure**" means any cause or event beyond both Landlord's and Tenant's reasonable control, including any act of God, government act or restriction, labor disturbance, general shortage of materials or supplies, riot, insurrection, or act of war or terrorism. Force Majeure excuses a party from performing any non-monetary Lease obligation for a commercially reasonable time, which excused performance shall not be deemed to be a breach or Default of this Lease.

15.7 Landlord's Default and Remedies.

(a) Landlord will be in Default of this Lease if Landlord fails to perform any Lease obligation of Landlord and this failure continues for thirty (30) days after Tenant notifies Landlord of such failure, or such longer period of time as is reasonable if more than thirty (30) days is reasonably required to perform this obligation; provided that performance commences within this thirty (30) day period and is diligently prosecuted to completion.

(b) If Landlord is in Default, then Tenant may exercise any remedy available under law that is not waived or limited under this Lease, subject to the following:

(1) Tenant may not terminate this Lease due to any Landlord Default until Tenant notifies each Encumbrance holder of which the Tenant has been informed in writing and each Encumbrance holder is provided a reasonable opportunity to gain legal possession of the Project and, after gaining possession, cure the Default.

(2) Landlord's liability under this Lease is limited to Landlord's interest in the Building.

(3) No liability under this Lease is assumed by Landlord's Affiliates.

16. SECURITY DEPOSIT. There is no security deposit payable pursuant to this Lease.

17. MISCELLANEOUS

17.1 Rules and Regulations. Tenant will comply with the Rules and Regulations attached as **Exhibit C**. Landlord may reasonably modify or add to the Rules and Regulations upon written notice to Tenant. If the Rules and Regulations conflict with this Lease, then the Lease shall govern.

17.2 Notice. Notice to Landlord must be given as follows: (a) all miscellaneous requests under this Lease, including but not limited to work orders, overtime air, access cards, construction, maintenance, and other management matters relating to the Property shall be sent to the Building Address; and (b) all notices required to be given to the Landlord under this Lease shall be sent to the Notice Address, each as set forth in §1.1(m). Notice to Tenant must be given to Tenant's Notice Addresses. By notice to the other, either party may change its Notice Address. Each notice must be in writing and will be validly given if either: (w) the notice is personally delivered; (x) the notice is delivered by a nationally recognized overnight courier service (e.g., FedEx or Airborne Express) and delivery is acknowledged in writing; or (y) the notice is deposited in the US Mail as first-class, certified or registered mail, postage prepaid , then the notice will be deemed received by the party upon delivery as set forth in subsection (w), upon the acknowledged delivery as set forth in subsection (x) and two (2) business days after deposit in the US Mail as set forth in subsection (y).

17.3 Relocation. Landlord may relocate Tenant to other premises in the Building ("**Replacement Premises**") upon not less than one hundred twenty (120) days' prior written notice ("**Relocation Notice**"), provided at least sixty (60) days has passed from the Commencement Date before issuance of such notice and that the Replacement Premises are comparably sized and reasonably suitable for Tenant's use and that the new prospective Tenant requires a minimum of two (2) floors of RSF. If Landlord elects to relocate Tenant under this §17.3, then Landlord will, at Landlord's cost, construct Leasehold Improvements in the Replacement Premises of comparable quality to those existing in the Premises, move Tenant's personal property from the Premises to the Replacement Premises, reimburse Tenant for Tenant's reasonable and documented third party costs for relocating Tenant to the extent not performed by Landlord hereunder, including without limitation the relocation of Tenant's existing telephone and computer systems (including wiring to continue Tenant's existing connection to back-up generator), and replace up to $500.00 of any in-stock stationery identifying the Premises. Any wiring or other work for Tenant's telephone and computer/network systems may be performed during the one hundred twenty (120) day notice period, but must be completed in time to provide Tenant a minimum of 30 days from the end of such work in which to complete its own testing and set-up in the space before occupancy and full operations. Notwithstanding anything to the contrary in this Section 17.3 and provided that Tenant has not assigned this Lease or sublet any or all of the Premises to any person or entity other than an Affiliate and is not in default under any of the terms, covenants or conditions of this Lease, Tenant (or any such Affiliate that becomes the Tenant hereunder) shall have the right and option to terminate this Lease as to the entire Premises covered hereby effective as of the date which is one hundred twenty (120) days following Tenant's receipt of the Relocation Notice (the "**Relocation Termination Date**") by giving written notice to Landlord (the "**Relocation Termination Notice**") of Tenant's exercise of such termination option no later than thirty (30) days following receipt of the Relocation Notice.

Upon timely and proper exercise of such termination option, this Lease shall terminate on the Relocation Termination Date, and Tenant shall surrender the Premises to Landlord, on or before the Relocation Termination Date in accordance with the provisions of Section 3.3. Notwithstanding such termination, the indemnification obligations of the parties, including those under Article XI and Section 17.17, and the obligations of Tenant under Sections 4.2(e), shall survive the termination of the Lease.

17.4 Building Name. Tenant shall not use the Building name or image or the name or image of any complex in which the Building is located for any purpose, other than Tenant's address. Landlord may change the name of the Building or any complex in which the Building is located without any obligation or liability to Tenant.

17.5 Entire Agreement. This Lease is deemed integrated and contains all of each party's representations, waivers and obligations. The parties may only modify or amend this Lease in a writing that is fully executed and delivered by each party.

17.6 Successors. Unless provided to the contrary elsewhere in this Lease, this Lease binds and inures to the benefit of each party's heirs, successors and permitted assignees.

17.7 No Waiver. A party's waiver of a breach of this Lease will not be considered a waiver of any other breach. No custom or practice that develops between the parties will prevent either party from requiring strict performance of the terms of this Lease. No Lease provision or act of a party creates any relationship between the parties other than that of landlord and tenant.

17.8 Independent Covenants. The covenants of this Lease are independent. A court's declaration that any part of this Lease is invalid, void or illegal will not impair or invalidate the remaining parts of this Lease, which will remain in full force and effect.

17.9 Captions. The use of captions, headings, boldface, italics or underlining is for convenience only, and will not affect the interpretation of this Lease.

17.10 Authority.

(a) Individuals signing this Lease on behalf of Tenant represent and warrant that they are authorized to bind Tenant to this Lease, and that Tenant is qualified to do business in the state in which the Building is located. If required by Landlord, Tenant will, at Tenant's cost, provide Landlord with a corporate resolution, opinion of counsel or other documentation acceptable to Landlord proving the authority of each individual signatory to bind Tenant to this Lease.

(b) **Tenant represents and warrants to Landlord that Tenant is not named on the list of Specially Designated Nationals and Blocked Persons maintained by the Office of Foreign Assets Control of the United States Department of the Treasury or any such similar list maintained by the state or federal government.**

(c) **Tenant represents and warrants to Landlord that any individual or entity involved in this Lease transaction on behalf of Tenant, such as Guarantor and Tenant's Broker, is not named on the list of Specially Designated Nationals and Blocked Persons maintained by the Office of Foreign Assets Control of the United States Department of the Treasury or any such similar list maintained by the state or federal government.**

17.11 Applicable Law. The Laws of the state in which the Building is located govern this Lease. In any action brought under this Lease, Landlord and Tenant each hereby submits to the jurisdiction of the courts of the state in which the Building is located and to venue in the County or Parish in which the Building is located.

17.12 Confidentiality. Landlord and Tenant will keep the terms of this Lease confidential and, unless required by law, may not disclose the terms of this Lease to anyone other than Landlord's or Tenant's Affiliates, professional consultants, and potential business partners to the extent necessary to Landlord's and Tenant's respective business. Notwithstanding anything to the contrary herein, Landlord and Tenant shall, at the request of the other, execute and deliver a memorandum of this Lease in recordable form. Neither Landlord nor Tenant shall record this Lease without the other's consent. The party requesting recordation of a memorandum of this Lease shall be obligated to pay all costs, fees and taxes, if any, associated with such recordation.

17.13 Reasonableness. Tenant's sole remedy for any claim against Landlord that Landlord has unreasonably withheld or unreasonably delayed any consent or approval shall be an action for injunctive or declaratory relief.

17.14 Time. Time is of the essence as to all provisions in this Lease in which time is a factor.

17.15 Quiet Enjoyment. So long as Tenant is not in default of this Lease and except as provided in this Lease, Landlord will not interfere with or disturb Tenant's peaceful and quiet enjoyment of the Premises for the Term. Landlord is not liable for, and Tenant will not be released from any obligation under this Lease because of any interference with Tenant's peaceful and quiet enjoyment of the Premises that is caused by any other person, including other tenants. Landlord hereby covenants, represents and warrants that Landlord has good title to the Premises and has full right and authority to execute and perform this Lease.

17.16 Right to Enter Premises. Landlord may enter the Premises at any reasonable time, following twenty four (24) hours' prior notice to Tenant (except in case of emergency, when only such notice (if any) as may be reasonable under the circumstances need be given) to inspect the Premises, to show the Premises to prospective lenders, purchasers or tenants; to perform Landlord's duties under this Lease, to exercise Landlord's rights under §8.2 or to post notices of non-responsibility. In connection with any permitted entry to perform Landlord's duties or exercise Landlord's rights under §8.2, Landlord may erect and use structures reasonably required by the nature of the work (including scaffolding, pipes and conduits), and may open or penetrate the Base Building or any Leasehold Improvements. If any Leasehold Improvements are damaged by Landlord as a result of Landlord exercising its rights under this §17.16, then Landlord will repair or replace the damaged portion, only, to match the original as nearly as is commercially reasonable. In exercising its rights under this Section 17.16, Landlord shall use commercially reasonable efforts to minimize any interference with Tenant's business operations at the Premises, but Landlord shall have no liability to Tenant in connection with Landlord's exercise of its rights hereunder.

17.17 Brokers. Landlord and Tenant represent and warrant that no broker or agent negotiated or was instrumental in negotiating or consummating this Lease except the Brokers. Neither party knows of any other real estate broker or agent who is or might be entitled to a commission or compensation in connection with this Lease. Landlord will pay all fees, commissions or other compensation payable to the Brokers to be paid by Landlord according to §1.1(o) and Tenant will pay all fees, commissions or other compensation payable to the Brokers to be paid by Tenant according to §1.1(o). Tenant and Landlord will indemnify and hold each other harmless from all damages paid or incurred by the other resulting from any claims asserted against either party by brokers or agents claiming through the other party. The parties' obligations under this §17.17 will survive the expiration or early termination of the Term.

17.18 Warranties. Landlord and Tenant expressly agree that there are and shall be no implied warranties of merchantability, habitability, suitability, fitness for a particular purpose or of any other kind arising out of this Lease, all of which are hereby waived by Tenant, and that there are no warranties which extend beyond those expressly set forth in this Lease.

17.19 Exhibits. The exhibits attached to this Lease are incorporated herein. Subject to §17.1, if any exhibit is inconsistent with the terms of this Lease, the provisions of the Exhibit will govern. The Exhibits to this Lease are:

EXHIBIT A Floor Plan Delineating the Premises

EXHIBIT B Work Letter

EXHIBIT C Rules and Regulations

EXHIBIT D Janitorial Specifications

EXHIBIT E Storage Space

18. OPTION TO EXTEND THE TERM.

18.1 Grant; Conditions. Tenant shall have the right, during the initial Term only, to extend the Term of the Lease ("**Extension Option**") for one three (3) year period ("Extension Term") upon all of the following conditions:

(a) Tenant shall exercise this Extension Option by written notice ("**Extension Notice**") to Landlord which must be received by Landlord not later than 5:00 p.m. on the date six (6) months prior to the Expiration Date, but not earlier than twelve (12) months prior to the Expiration Date; and

(b) Tenant is not in default under the Lease beyond any applicable cure periods at the time that Tenant delivers its Extension Notice or at the time Tenant delivers its Binding Notice (as defined below); and

(c) None of the Premises is sublet (other than pursuant to a Permitted Transferee, as defined in §13.2 of the Lease) at the time that Tenant delivers its Extension Notice or at the time Tenant delivers its Binding Notice; and

(d) The Lease has not been assigned (other than pursuant to a Permitted Transferee, as defined in §13.2 of the Lease) prior to the date that Tenant delivers its Extension Notice or prior to the date Tenant delivers its Binding Notice.

18.2 Terms Applicable to Premises During Extension Term.

(a) The initial Base Rent rate per rentable square foot for the Premises during the Extension Term shall equal the Market Rent rate (as defined below) per rentable square foot for the Premises. Base Rent during the Extension Term shall increase, if at all, in accordance with the increases assumed in the determination of the Market Rent rate. Base Rent attributable to the Premises shall be payable in monthly installments in accordance with the terms and conditions of the Lease.

(b) Tenant shall pay Additional Rent (i.e. Taxes and Expenses) for the Premises during the Extension Term in accordance with the Lease, the Base Year shall be recalculated only if required by the determination of the Market Rent rate, and the manner and method in which Tenant reimburses Landlord for Tenant's Share of Taxes and Expenses shall otherwise be a factor considered in the determination of the Market Rent rate for the Premises during the Extension Term.

(c) All other terms of this Lease, except this Extension Option and any Landlord's work or allowances, if any, shall apply during the Extension Term.

18.3 Procedure for Determining Market Rent.

(a) Within thirty (30) days after Landlord's receipt of the Extension Notice, Landlord shall reasonably compute the Market Rent rate (as defined below) and shall notify Tenant in writing of the resulting amount ("**Determination Notice**").

(b) Tenant, within fifteen (15) days after Tenant's receipt of the Determination Notice, shall either (i) give Landlord written notice ("**Binding Notice**") that Tenant accepts the Base and Additional Rent rate for the Premises for the Extension Term described in the Determination Notice, in which event the parties shall enter into the Extension Amendment as described below, or (ii) if Tenant disagrees with Landlord's determination of the applicable Base and Additional Rent rate for the Premises during the Extension Term, provide Landlord with written notice of rejection (the "**Rejection Notice**"). If Tenant fails to provide Landlord with either a Binding Notice or Rejection Notice within such fifteen (15) day period, this Extension Option shall be null and void and of no further force and effect.

(c) If Tenant provides Landlord with a Rejection Notice, Landlord and Tenant shall work together in good faith to agree upon the Market Rent rate for the Premises during the Extension Term. When Landlord and Tenant have agreed upon the Market Rent rate for the Premises, such agreement shall be reflected in a written agreement between Landlord and Tenant, whether in a letter or otherwise (and such shall be deemed a Binding Notice, for purposes herein), and Landlord and Tenant shall enter into the Extension Amendment in accordance with the terms and conditions hereof.

(d) If Landlord and Tenant are unable to agree upon Market Rent for the Premises within thirty (30) days after Landlord's receipt of the Rejection Notice, this Extension Option shall be deemed to be null and void and of no force and effect.

(e) "Market Rent" for the applicable Extension Term shall mean the market annual Base and Additional rental rate for the Premises, based on renewing tenancies (for a term comparable to the time period in question) covering office space of comparable size and quality to the Premises in comparable buildings in comparable location in the Comparable Market of Downtown Memphis, Tennessee, including the Building, and the rent for which such renewal tenancy was determined and commenced within twelve (12) months before the Determination Date, taking into account all pertinent factors including but not limited to Tenant's credit worthiness, the involvement or non-involvement of a broker, that Tenant may not require an improvement allowance, rental abatement or other concessions, if any, typical to a new tenant and assuming Landlord and Tenant to be prudent persons willing to lease but being under no compulsion to do so. By the above reference to the absence of a compulsion

to enter into a renewal tenancy, Landlord and Tenant do not intend to exclude renewal tenancies arising out of a tenant's exercise of a fixed option to extend its lease term.

(f) Time is of the essence of this Extension Option. This Extension Option shall be void if Tenant fails to exercise it precisely according to each and all of the conditions stated above.

19. COMMERCIAL STANDARD. Notwithstanding anything to the contrary herein, each party hereto shall act in good faith in a commercially reasonable manner in discharging each and every one of its duties and obligations or in exercising its rights under this Lease, except in circumstances where this Lease expressly provides for a different standard to apply, in which case the standard expressly applicable under this Lease shall control.

20. ATTORNEYS' FEES. If either party defaults in the performance or observance of any of the terms, conditions, covenants or obligations contained in this Lease and the non-defaulting party obtains a judgment against the defaulting party, then the defaulting party agrees to reimburse the non-defaulting party for reasonable attorneys' fees incurred in connection therewith.

21. ROOFTOP COMMUNICATIONS EQUIPMENT

21.1 Right to Install Antenna. In addition to the other rights granted by this Lease, provided that Tenant is not in default of the Lease beyond any applicable cure periods, Tenant shall have the right but not the obligation, during the Term to install, maintain and operate a satellite dish antennas, subject to Landlord's reasonable consent as to the size and power of such antenna and the frequency at which it will receive and/or broadcast (individually and collectively the "**Antenna**") on the Building's roof (the "**Roof**") in a location mutually acceptable to both Landlord and Tenant (the "**Antenna Site**"). Tenant may also use the Building's risers, conduits and towers, subject to reasonable space limitations and Landlord's requirements for use of such areas, for

purposes of installing cabling from the Antenna to the Premises in the interior of the Building. Tenant shall not be required to pay a fee to Landlord for such right.

21.2 Right of Use/Ownership of Antenna. Landlord shall have the right to use the remainder of the Roof for any purpose including permitting other tenants in the Building to lease space on the Roof provided that (i) Tenant continues to have reasonable access to the Antenna Site and the Antenna, and (ii) any other equipment installed on the Roof pursuant to leases or other agreements entered into after the date of this Lease will not block the ability of the Antenna to receive radio signals. Tenant further agrees to install, maintain and use the Antenna (such use to include such factors as the frequency at which the Antenna are operated) in a manner which will not interfere with other antenna or other rooftop telecommunications equipment present of the Roof on the date hereof or otherwise operated pursuant to leases or agreements entered into prior to the date hereof, including, without limitation, the installation of filters at Tenant's sole cost and expense if so required.

21.3 Installation, Maintenance, Operation and Removal of the Antenna. Tenant shall install and maintain the Antenna and related cabling at its expense. Tenant shall have access to the Antenna Site at all times, subject to any reasonable restrictions of Landlord. The installation of the Antenna shall be completed in a workmanlike manner and in accordance with all applicable Laws. Tenant shall install the Antenna using non-penetrating roof mounts. Tenant shall comply with all floor load limitations. If the Taxes or insurance premiums for the Building are increased as a result of the installation or operation of the Antenna on the Roof, then Tenant shall pay its share of any such increase directly attributable to such installation or operation upon receipt of adequate documentation. Tenant shall also maintain insurance on the Antenna and the Antenna Site pursuant to Section 7.2 of this Lease. Landlord reserves the right to relocate the Antenna from time to time during the term of this License, provided that such relocation does not impair Tenant's ability to use the Antenna and Tenant bears no costs in connection therewith (unless the relocation is required in Landlord's sole judgment in order to preserve the safety, access, use or proper functioning of the Building). At the termination of this Lease (whether upon the Expiration Date or otherwise) Tenant shall, at Tenant's sole cost and expense, remove the Antenna and restore the Antenna Site to the condition it was prior to installation of the Antenna, ordinary wear and tear excepted.

21.4 Compliance with Laws. Tenant shall comply in all material respects with all applicable Laws governing the installation and operation of the Antenna. Tenant shall be responsible for obtaining, if required, any building permits and any licenses or permits required by the Federal Communication Commission, the Federal Aviation Administration or any other governmental agency having jurisdiction over the Building. If required by any such governmental agencies or by Landlord, Tenant shall paint the dish portion of the Antenna. Landlord agrees to reasonably assist and cooperate with Tenant to obtain any appropriate licenses or permits.

21.5 License. The privileges granted to Tenant under this Section 21 merely constitute a license and shall not be deemed to grant Tenant any leasehold interest in the Building or any portion thereof. All rights granted to Tenant pursuant to this Section 21 shall automatically terminate upon the expiration of this Lease or earlier termination thereof.

[SIGNATURES TO IMMEDIATELY FOLLOW]

Having read and intending to be bound by the terms and provisions thereof, Landlord and Tenant have executed this Lease as of the Execution Date.

LANDLORD
Hertz Memphis Three, LLC,
a Delaware limited liability company
By: Hertz Memphis Three Manager, Inc.
a Delaware corporation, its Manager

By: /s/ James M. Ingram
Name: James M. Ingram
Title: Executive Vice President and Chief Investment Officer

TENANT
GTX, INC.,
a Delaware Corporation

By: /s/ Henry P. Doggrell
Name: Henry P. Doggrell
Title: VP, Chief Legal Officer

Signature Page

EXHIBIT A — FLOOR PLAN DELINEATING THE PREMISES

PICTURE OF FLOOR PLAN – 7TH FLOOR

PICTURE OF FLOOR PLAN – 8TH FLOOR

EXHIBIT B — WORK LETTER

Suite 700

1. Conflicts; Terms. If there is any conflict or inconsistency between the provisions of the Lease and those of this **Exhibit B** ("**Work Letter**"), the provisions of this Work Letter will control. Except for those terms expressly defined in the Work Letter, all initially capitalized terms will have the meanings stated for such terms in the Lease. The following terms, which are not defined in the Lease, have the meanings indicated:

(a) "**Scheduled Commencement Date**" means the date set forth in Subsection 1.1(h) of the Lease, unless the Scheduled Commencement Date is extended according to Paragraph 2 of this Work Letter.

(b) "**Start Date**" means the first day of the Tenant Finish Period, which will be fifteen (15) days following Landlord's final approval of the Construction Documents.

(c) "**Tenant Finish Period**" means the period beginning on the Start Date and ending on the completion of the Tenant Improvements by Tenant.

(d) "**Submission Date**" means at least thirty (30) days prior to the start of construction.

(e) "**Landlord's Representative**" shall be designated upon Landlord's execution of this Lease.

(f) "**Tenant's Representative**" shall be designated upon Landlord's request.

(g) "**Tenant's Architect**" means such licensed or registered professional architect, designer or space planner as may be selected by Tenant and reasonably approved by Landlord.

(h) "**Tenant's Engineers**" means such licensed or registered professional engineers as may be selected by Tenant and reasonably approved by Landlord.

(i) "**Tenant Improvements**" means all Tenant Improvements to be constructed or installed by Tenant in the Premises according to this Work Letter as further defined in Paragraph 8 of this Work Letter.

(j) "**Preliminary Plans**" means space plans and general specifications for the Tenant Improvements prepared by Tenant's Architect in such form (and on such scale in the case of plans and drawings) as Landlord may reasonably specify.

(k) "**Construction Documents**" means complete construction plans and specifications for the Tenant Improvements prepared by Tenant's Architect and Tenant's Engineers in such form (and on such scale in the case of plans and drawings) as Landlord may reasonably specify and detailing all aspects of the Tenant Improvements, including, without limitation, the location of libraries, safes and other heavy objects, stairwells, walls, doors, computer equipment, telephone and related equipment, and electrical, plumbing, heating, ventilation and air conditioning equipment (including equipment in excess of that required for normal use). Tenant's Engineers will perform all mechanical and electrical design work included in the Construction Documents.

(l) "**Tenant's Costs**" means all costs required to be expended by Tenant under this Work Letter in connection with the Tenant Improvements, including, without limitation, the costs of: preparing the Preliminary Plans, Construction Documents and the as-built plans described in Paragraph 7 of this Work Letter; performing the Tenant Improvements; obtaining all required electrical and telephone panels and/or meters, signage, cabling, wiring (but not including telecommunications systems) and Landlord's services and the Tenant Improvement Construction Administration Fee provided under Paragraph 13 of this Work Letter. Tenant's Costs will not, however, include any costs incurred by Tenant for furniture, telecommunications systems or other personal property, for fixtures or equipment (unless such fixtures or equipment will constitute permanent additions to the Premises and are shown on the Construction Documents), or for moving to the Premises.

2. Tenant Finish Period; Commencement Date. The Tenant Finish Period will begin on the Start Date, unless the Start Date is extended according to the following provisions. If on or before the Start Date, Tenant has not been permitted entry to the Premises for the installation of the Tenant Improvements, then the Start Date will be extended until the date on which Tenant is permitted entry to the Premises for the conduct of the Tenant Improvements and the Scheduled Commencement Date will be extended for an equivalent period of time. Such postponement of the Start Date and the Scheduled Commencement Date (and therefore the postponement of the commencement of the Term) will be in full settlement of all claims that Tenant might otherwise have against Landlord by reason of Landlord's failure to deliver the Premises.

3. Representatives. Landlord appoints Landlord's Representative to act for Landlord in all matters covered by this Work Letter. Tenant appoints Tenant's Representative to act for Tenant in all matters covered by this Work Letter. All inquiries, requests, instructions, authorizations and other communications with respect to the matters covered by this Work Letter will be made to Landlord's Representative or Tenant's Representative, as the case may be. Tenant will not make any inquiries of or requests to, and will not give any instructions or authorizations to, any other employee or agent of Landlord, including Landlord's architect, engineers and contractors or any of their agents or employees, with regard to matters covered by this Work Letter. Either party may change its Representative under this Work Letter at any time by prior written notice to the other party.

4. Possession; Condition. Landlord will deliver the Premises to Tenant following final execution of this Lease. Regardless of Landlord's delivery of the Premises to Tenant, Tenant will not be permitted to begin the installation of the Tenant Improvements unless and until Landlord has approved the Construction Documents according to Paragraph 7 of this Work Letter, Tenant has obtained all necessary permits for the Tenant Improvements according to Paragraph 8 of this Work Letter and Tenant is otherwise in compliance with the provisions of this Work Letter. Tenant acknowledges and agrees that, as of the date of the Lease, the Premises are in good order and satisfactory condition. Tenant will accept the Premises upon Landlord's delivery in an "as is" condition, except for any latent defect in the Building Structure or Mechanical Systems of which Tenant notifies Landlord within one year after the Commencement Date. No promise to alter, remodel or improve the Premises or Building and no representations concerning the condition of the Premises or

Building have been made by Landlord to Tenant other than as may be expressly stated in the Lease (including this Work Letter). All alterations, improvements and additions made to the Premises according to this Work Letter will, without compensation to Tenant, become Landlord's property upon installation and will remain Landlord's property at the expiration or earlier termination of the Term.

5. Early Access. Landlord shall deliver possession of the Premises to Tenant following final execution of this Lease, and Tenant may perform the Tenant Improvements at such time(s) as Tenant may elect. At all times while Tenant is in occupation of the Premises prior to the Commencement Date (including the Tenant Finish Period), Tenant will be subject to and will comply with all of the terms and provisions of the Lease, except that no Base Rent or Additional Rent will be payable by Tenant prior to the Commencement Date.

6. Landlord's Approval. All Preliminary Plans and Construction Documents, and any revisions to the same (whether in the form of a change order or otherwise) are expressly subject to Landlord's prior written approval. Landlord may withhold its approval of any such items that require work which:

(a) exceeds or adversely affects the capacity or integrity of the Building Structure or Mechanical Systems;

(b) is not approved by the holder of any Encumbrance;

(c) would not be approved by a prudent owner of property similar to the Building;

(d) violates any agreement which affects the Building or binds Landlord;

(e) Landlord reasonably believes will increase the cost of operating or maintaining any of the Mechanical Systems;

(f) Landlord reasonably believes will reduce the market value of the Premises or the Building at the end of the Term;

(g) does not conform to applicable building code or is not approved by any governmental authority having jurisdiction over the Premises;

(h) does not meet or exceed Building Standard; or

(i) Landlord reasonably believes will infringe on the architectural or historical integrity of the Building.

7. Tenant's Plans. On or before the Submission Date, Tenant, at its expense, will cause the Preliminary Plans to be prepared and submitted to Landlord for its approval. Such submittal will include one (1) complete full size set and one (1) electronic file in Auto CAPD 2004 format (or such other updated version agreed to by Owner and Consultant, herein called an "**Electronic Copy**"). If the submitted materials are not acceptable to Landlord, Landlord will so notify Tenant by returning the sepia with required changes noted. If Landlord so notifies Tenant of any required change to the Preliminary Plans, Tenant will cause the same to be revised according to the returned sepia and resubmitted to Landlord within seven (7) days after receipt of such notice. Within fifteen (15) days after Landlord notifies Tenant of Landlord's approval of the Preliminary Plans, Tenant, at its expense, will cause the Construction Documents to be prepared and submitted to Landlord for its approval. Such submittal will include one (1) complete full size set and one (1) Electronic Copy and a complete color and finish board for Tenant's Work. The Construction Documents must strictly conform to the Preliminary Plans approved by Landlord and must be in all respects sufficient for the purpose of obtaining a building permit for Tenant's Work. If required by Landlord, Tenant will cause the Construction Documents to be resubmitted to Landlord for its approval within seven (7) days after Landlord notifies Tenant of any required changes. Tenant's Work will not commence prior to Landlord's approval of the Construction Documents. If the Landlord fails to deliver to Tenant Landlord's written approval or its written request for revisions within fifteen (15) days after Landlord receives any required revisions to them, Tenant will receive a credit against Base Rent beginning on the Commencement Date equal to one day's Base Rent for each day subsequent to the fifteenth (15th) day after Tenant's submittal until the day of Landlord's response. Except as provided in Paragraph 2 of this Work Letter, no delays in the design or performance of Tenant's Work will change the Start Date or the Commencement Date. Upon completion of Tenant's Work, Tenant will provide Landlord an Electronic Copy of as-built plans of the Premises. If Tenant fails to provide such plans, Landlord may obtain them, directly or by field verification, and charge Tenant for all costs incurred by Landlord in doing so. No approval by Landlord of the Preliminary Plans, the Construction Documents or any revisions to them will constitute a representation or warranty by Landlord as to the adequacy or sufficiency of such plans, or the improvements to which they relate, for any use, purpose or condition, but such approval will merely be the consent of Landlord to the construction or installation of improvements in the Premises according to such plans.

8. Tenant Improvements. During the Tenant Finish Period, Tenant, at its expense, will construct or cause to be constructed in the Premises all work necessary to bring the Premises into a first class condition consistent with the use specified in the Lease, according to the Construction Documents approved by Landlord ("**Tenant Improvements**"). Tenant, at its expense, will obtain: (a) all permits (including, without limitation, building permits) required under this Work Letter and (b) all certificates required for occupancy of the Premises from the appropriate governmental authorities. Tenant will cause all of the Tenant Improvements to be diligently completed in a good and workmanlike manner, according to the approved Construction Documents and all applicable laws, and free and clear of any liens or claims for liens.

9. Tenant's Contractor. Landlord will have the right to approve Tenant's contractor ("**Contractor**") and all subcontractors, which approvals will not be unreasonably withheld or delayed. Landlord will provide Tenant with a list of contractors and subcontractors that are acceptable to Landlord. Tenant may select its Contractor and subcontractors from such list or may request Landlord's approval of a Contractor and subcontractors not on such list. Tenant will not execute any contract for the performance of the Tenant Improvements until Landlord's approvals of the Contractor and subcontractors have been obtained, and Tenant will cause its proposed Contractor and subcontractors (if not on such list) to submit such information, including financial information, as may be reasonably required by Landlord to determine whether such Contractor and subcontractors should be approved.

10. Construction Contract. Tenant's construction contract for the Tenant Improvements will provide (and Tenant will deliver a copy of it to Landlord so that Landlord may confirm it provides) that: (a) Contractor will obtain a payment and performance bond in the amount of one hundred percent (100%) of the cost of constructing the Tenant Improvements, from a surety company mutually acceptable to Tenant and Landlord; (b) construction of the Tenant Improvements will not interfere with Landlord's or Landlord's tenants' activities in, or use or enjoyment of, the Building; (c) Contractor will cooperate with other contractors in the Building to insure harmonious working relationships, including, without limitation, coordinating with other contractors in the Building concerning use of elevators, trash removal and water and utility usage; (d) Contractor will leave all Common Areas in neat, clean, orderly and safe condition at the end of each day during construction of the Tenant Improvements; (e) Contractor will procure and maintain and cause its subcontractor(s) to procure and maintain the insurance described in Paragraph 11 below; (f) upon completion of the Tenant Improvements and as a Tenant

Cost, Contractor will provide to Landlord and Tenant as-built drawings consisting of two hard copy sets of blue lines and an electronic file in a format compatible with Landlord's computer

aided design software, together with mechanical balance reports and any maintenance manuals on equipment installed in the Premises as part of Tenant's Work; and (g) all labor and material supplied according to the contract will be fully warranted by Contractor for a period of not less than one year from substantial completion of the Tenant Improvements and such warranty will provide that it is for the benefit of both Landlord and Tenant and may be enforced by either. The construction contract will also contain the following indemnification and defense provision:

> "Contractor will protect, defend, hold harmless, and indemnify [Landlord's name to be inserted] and its successors, assigns, directors, officers and employees (collectively, "**Indemnitees**") from and against all claims, actions, liabilities, damages losses, cost and expense (including attorney's fees) arising out of or resulting from the performance of the work contemplated by this contract by Contractor or any of its subcontractors, provided that any such claims, action, liabilities, damages, losses, cost or expense (a) are attributable to bodily injury, sickness, disease, or death, or to injury to or destruction of tangible property (other than the work contemplated by this contract itself) including the loss of use resulting therefrom and (b) are caused in whole or in part by the negligent act or omission of Contractor, any subcontractor, or any of them may, directly or indirectly, be liable. Such obligations will not be construed to negate, abridge or otherwise reduce any other right or obligation of indemnity which would otherwise exist as to any party or person described in this paragraph.
>
> Contractor agrees to protect, defend, hold harmless and indemnify the Indemnitees from and against any and all claims, actions, liabilities, damages, losses, costs, and expenses (including attorneys' fees) arising out of or resulting from Contractor's failure to purchase all insurance required under Paragraph 11 of the Work Letter attached to and made a part of the Lease Agreement dated [Date of Lease to be inserted] between Landlord's name to be inserted] and [Tenant's name to be inserted], and Contractor's failure to require and obtain proper insurance coverage from its subcontractors. In any and all claims against the Indemnitees or employee of Contractor or any subcontractor, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, the indemnification obligation under this provision will not be limited in any way be any limitation of the amount or type of damages, compensation or benefits payable by or for Compensation Acts, disability benefit acts, or other employee benefit acts. The indemnification and defense obligations stated above will not apply to any claims, actions, liabilities, damages, losses, cost or expenses caused directly and solely by the affirmative gross negligence or intentional tortious act of the Indemnities."

11. **Contractor's Insurance**. Tenant will cause Contractor (and, except as provided below, all of Contractor's subcontractors) to procure and maintain in effect during the entire period of construction of the Tenant Improvements the following insurance:

(a) Worker's compensation insurance with statutory benefits and limits which fully comply with all state and federal requirements;

(b) Employer's liability insurance with limits of not less than $200,000;

(c) Automobile liability insurance including owned, non-owned, leased and hired car coverage, naming Landlord as an additional insured, providing primary (and not contributing) coverage, and containing cross-liability and severability of interest clauses; limits of contract for the performance of the Tenant Improvements is $150,000 or less, coverage will be in an amount of not less than $1,000,000 combined contract is over $150,000, coverage will be in an amount of not less than $2,000,000 combined single limit per occurrence;

(d) Comprehensive general liability insurance including personal injury, owner's and contractor's protective liability, explosion, collapse and underground damage liability endorsement (commonly called X, C and U hazard), products, completed operations, blanket contractual and broad form property damage coverage, naming Landlord as an additional insured, providing primary (and not contributing) coverage, and containing cross-liability and severability of interest clauses; limits of liability will be as follows: if the total amount of Contractor's contract for the performance of the Tenant Improvements is $150,000 or less, coverage will be in an amount of not less than $2,000,000 combined single limit per occurrence; if the total amount of Contractor's contract is over $150,000, coverage will be in an amount of not less than $5,000,000 combined single limit per occurrence; and

(e) "All risk" builders risk property insurance for the full replacement cost of the Tenant Improvements on a completed value basis, naming Landlord as a loss payee, as its interest may appear, providing primary (and not contributing) coverage, and including a waiver of all rights of subrogation against Landlord.

All of the above insurance policies must be placed with insurance companies reasonably acceptable to Landlord and must be endorsed to require thirty (30) days' written notice to Landlord prior to any cancellation or material changes in coverage. Prior to the commencement of any Tenant Improvements, Tenant will cause Contractor to deliver to Landlord original certificates of insurance

evidencing the insurance coverage required above. Tenant will also cause Contractor to deliver to Landlord original certificates of insurance evidencing the insurance coverage required above. Tenant will also cause Contractor to obtain certificates or evidence of similar insurance from each of Contractor's subcontractors before their work commences and deliver such certificates or evidence to Landlord. Each subcontractor must be covered by insurance of the same character and in the same amount as specified for Contractor above, except that (i) a subcontractor's comprehensive general liability insurance will have combined single limits not less than $2,000,000 per occurrence, if the total amount of Contractor's contract for the performance of The Tenant Improvements is $150,000 or less, and not less than $5,000,000 per occurrence, if the total amount of Contractor's contract is over $150,000 and (ii) so long as Contractor's builders risk policy covers all of the Tenant Improvements, no subcontractor will be required to maintain builders risk insurance. Contractor and Landlord may agree to lesser limits in writing because of the nature of the particular subcontract work.

12. **Additional Requirements Concerning Tenant Improvements.** The following additional requirements will apply to the Tenant Improvements:

(a) All of Tenant's Work will be: (1) of a quality at least equal to Building Standard; (2) completed only according to the Construction Documents approved by Landlord; (3) conducted in a manner so as to maintain harmonious labor relations and not to interfere with or delay any other

work or activities being carried on by Landlord or Landlord's contractors or other tenants; (4) designed, performed and completed in substantial compliance with all applicable standards and regulations established by Landlord and provided to Tenant in advance of the commencement of construction of Tenant's Work as well as all safety, fire, plumbing and electrical and other codes and governmental and insurance requirements; (5) completed only by the Contractor approved by Landlord; (6) coordinated by the approved Contractor so as to insure timely completion; and (7) performed and conducted in such a manner so as not to alter the Building Structure or Mechanical System.

(b) Under no circumstances will Tenant, Contractor or any of their authorized representatives ever alter or modify or in any manner disturb any portion of the Mechanical System. Only with Landlord's express written permission will Tenant, Contractor or their authorized representatives alter or modify or in any manner disturb any Branch (as defined below) of any Central portion (as defined below) of any Mechanical System which serves or is located within the Premises. "**Central**" means that portion of any Mechanical System which is within the core of the Building or the core of the Mechanical system or that is common to or serves or exists for the benefit of other tenants in the Building, and "**Branch**" means that portion of any Mechanical System which serves to connect or extend Central system to the Premises. Any and all interfacing with, or tie-ins to, any Central Mechanical System or Branches will be scheduled with Landlord not later than five (5) days prior to the commencement of any such work. Any such interfacing with, or tie-ins to, any such Mechanical System or Branches, and any checks of such interfacing or tie-ins, will be performed only after the same have been scheduled with, and approved by, Landlord.

(c) Contractor may submit to Landlord written request for use of any Building Standard materials which have been pre-stocked by Landlord. Any such request will indicate the quantity and description of the pre-stocked materials needed. Contractor will be responsible for the relocation and allocation of any such materials to the Premises under the supervision of, and only with the consent of, Landlord's Representative or contractor. Contractor will be solely and exclusively responsible for signing for and verifying any such pre-stocked materials so used. Tenant will pay Landlord as a part of Tenant's Costs the value of any pre-stocked materials so requested by Contractor from Landlord. The value of any such pre-stocked materials will be determined by the quantities required in accordance with generally accepted costs in the metropolitan area in which the Building is located.

(d) All construction personnel engaged in the performance of the Tenant Improvements must use the Building's freight elevator and not the passenger elevators for access to the Premises. All deliveries of materials for use in connection with the construction of the Tenant Improvements requiring the freight elevator of the Building must be scheduled in advance with landlord. In addition, any of the Tenant Improvements which are to be are to be performed during hours other than Business Hours must be scheduled in advance with Landlord.

(e) Tenant agrees that if Contractor fails to leave all Common Areas in a neat, clean, orderly and safe condition at the end of each day during construction of the Tenant Improvements, Landlord will have the right to immediately take such action as Landlord deems appropriate to render the Common Areas neat, clean, orderly and safe and Tenant will, upon Landlord's written demand, reimburse Landlord for all Landlord's costs of taking such action.

13. **Landlord's Services; Construction Administration.** During construction of the Tenant Improvements, Landlord will provide the following services related to such construction, the cost of which will be paid by Landlord: all electricity and other utilities; and the following costs that will be paid by Tenant as a part of Tenant's Costs: refuse removal (including dumpsters), and any other services requested by Tenant or Contractor that Landlord agrees to provide (such as engineering, maintenance or housekeeping services). In addition, Landlord will provide construction administration with respect to the Tenant Improvements and, if Tenant's Costs exceed the sum of $25,000.00, Tenant shall pay to Landlord a construction administration fee equal to three percent (3%) of the cost of the Tenant Improvement**s ("Tenant Improvement Construction Administration Fee**"). All Tenant's Costs that are payable to Landlord will be paid by Tenant within ten (10) days after the date of Landlord's invoice.

14. **Inspection; Stop Work; Non-complying Work.** Landlord reserves the right to inspect the Tenant Improvements in the Premises at all reasonable times, provided that such inspection(s) will in no way make Landlord responsible for any of the Tenant Improvements and will not constitute a representation or warranty by Landlord as to the adequacy or sufficiency of the Tenant Improvements. Landlord reserves the right to stop any and all work performed (or to be performed) if Landlord considers any such work, or its performance, to be dangerous or creating a nuisance, or otherwise injurious to Tenant, Landlord or any other Building tenants. If any inspection by Landlord reveals any items of the Tenant Improvements that does not comply with Tenant's obligations under this Work Letter, Landlord may so notify Tenant and require that the item be corrected to so comply. Within ten (10) days after the date of any such notice from Landlord, Tenant will begin correction of any such non-complying item and will then promptly and diligently pursue such correction to completion. If any such item is not so corrected, Landlord may enter the Premises at any time and correct the item at Tenant's expense (to be paid by Tenant promptly upon demand).

15. Mechanics' Liens. In the conduct of the Tenant Improvements, Tenant will take all action necessary to ensure that no mechanic's or other liens attach to the Premises or Building. Without limitation, Tenant will post notices, with form and content and in the manner as specified by any applicable law, notifying all persons or entities which may supply labor or materials in connection with the Tenant Improvements that Landlord's interest in the Premises and Building will not be subject to any lien for the same. If any such lien should be filed, the provisions of Section 8.3 of the Lease will apply.

16. Payment of Construction Allowance. Landlord agrees to pay Tenant the Construction Allowance, to be applied to the cost of designing and performing the Tenant Improvements, in progress payments after the commencement of the Tenant Finish Period. Such progress payments will be made not later than thirty (30) days after receipt by Landlord from Tenant of copies of Tenant's paid invoices from Contractor (and, where applicable, copies of Contractor's invoices from its subcontractors or suppliers) together with a certificate from Tenant's Architect (or other evidence satisfactory to Landlord) indicating that the work to which such invoices relate has been substantially completed and/or the materials to which such invoices relate have been installed in, or delivered to, the Premises. Such progress payments will be made payable to Tenant, and will be for the amount of the submitted invoices, less a ten percent (10%) retainage. As a condition precedent to Landlord's issuing any such progress payment subsequent to the first such progress payment, Tenant will deliver to Landlord original lien waivers from Contractor and any applicable subcontractor or supplier indicating the claims for mechanics' or materialmen's liens with respect to the labor and materials reflected in the invoiced submitted for the immediately preceding progress payment have been waived. A further condition precedent to Landlord's issuing the last such payment for the amount of the retainage will be that Landlord has received from Tenant (either prior to or simultaneously with the issuance of such final payment) the following: (a) written notice from Contractor and Tenant 's Architect (or other evidence satisfactory or Landlord) that the Tenant Improvements has been completed (including completion of any punch list items); (b) final and unconditional original lien waivers from Contractor and all subcontractors, suppliers, materialmen and other parties who performed labor at, or supplied materials to, the Premises in connection with the Tenant Improvements; and (c) a copy of the certificate of occupancy for the Premises issued by the appropriate governmental authorities. Landlord will have no obligation to make any such progress payment at any time that a Default exists under the Lease and the total of all such progress payments will in no event exceed the amount of the Construction Allowance.

17. **General.** Failure by Tenant to pay any amounts due under this Work Letter will have the same effect as failure to pay Rent under the Lease, and such failure or Tenant's failure to perform any of its other obligations under this Work Letter will constitute a Default under Section 15.1(a)(1) of the Lease, entitling Landlord to all of its remedies under the Lease as well as all remedies otherwise available to Landlord.

EXHIBIT C - RULES & REGULATIONS

"Rules and Regulations" mean the contents of this Exhibit C, as modified, amended or revoked by Landlord, from time to time.

1. **Landlord's Entry.** Landlord may enter the Premises at all reasonable hours but in accordance with the specific provisions of the foregoing Lease to perform its obligations under this Lease. During the last twelve (12) months of the Term, Landlord may enter the Premises with reasonable prior notice to Tenant to show the Premises to prospective tenants.

2. **Right to Exclude.** Landlord may require that Tenant, its Affiliates and guests comply with each reasonable security measure that Landlord may establish as a condition for entry to the Premises, Building or Project. These measures may include submitting to a search by persons or devices employed by Landlord, presenting an identification card or pass issued by the government, Landlord, or both, being announced to Tenant and accepted as a visitor by Tenant, and signing a register on entry and exit. Any person who cannot comply with these requirements may be excluded from the Project. If Landlord requires a Building pass issued by Landlord as a condition of entry to the Premises, Building or Project, Landlord will furnish a Building pass to all persons reasonably designated by Tenant in writing. Landlord may exclude or expel from the Project any person who, in Landlord's reasonable opinion, is intoxicated or under the influence of alcohol or drugs.

3. **Obstructions.** Tenant will not cause the Common Areas, or sidewalks or driveways outside the Building to be obstructed. Landlord may remove, at Tenant's expense, any such obstruction without prior notice to Tenant.

4. **Trash.** Tenant will place trash in proper receptacles in the Premises provided by Tenant at Tenant's cost, or in Building receptacles designated by Landlord. Tenant may not litter in the Common Areas, or sidewalks or driveways outside the Building.

5. **Public Safety.** Tenant will not throw anything out of doors, windows or skylights, down passageways or over walls. Tenant will not use any fire exits or stairways in the Building except in case of emergency.

6. **Keys and Locks.** Landlord may from time to time install and change locks on entrances to the Project, Building, Common Areas or (upon prior notice to Tenant) the Premises, and will provide Tenant a number of keys to meet Tenant's reasonable requirements. Additional keys will be furnished by Landlord at Tenant's cost. At the end of the Term, Tenant will promptly return to Landlord all keys for the Building and Premises issued by Landlord to Tenant. Unless Tenant obtains Landlord's prior written consent, Tenant will not add or change any locks on any door to, in or about the Premises. If with Landlord's consent, Tenant installs any lock incompatible with the Building master locking system, Tenant will: relieve Landlord of each Lease obligation that requires access to each affected area; indemnify Landlord against any Claims resulting from forced entry to each affected area in an emergency; and, at the end of the Term, remove each incompatible lock and replace it with a Building Standard lock at Tenant's expense.

7. **Aesthetics.** Unless Tenant obtains Landlord's prior written consent (which may be withheld in Landlord's sole discretion), Tenant may not:

(a) Attach any awnings, signs, displays, window shades, blinds, draperies, or projections to either the outside walls or windows of the Building, or to any part of the Premises visible from outside the Premises or install any internal lighting that may be visible from the exterior of the Premises;

(b) Hang any non-Building Standard curtains, blinds, shades or screens in any window or door of the Premises;

(c) Coat or sunscreen the interior or exterior of any windows; or

(d) Place any objects on windowsills.

8. **Directories and Signs.** Tenant shall be identified on the Building's directory in the main lobby and the Premises will be identified by one (1) Building Standard sign consisting of Tenant's name and suite number located at the entrance to the Premises. In the event that multiple tenants are located on one floor, each tenant's suite shall be identified on a floor lobby directory sign as well. The initial lobby directory listing, floor lobby directory sign, if

applicable, and Premises sign will be at Landlord's cost and expense, and any changes to the listing or sign will be made at Tenant's cost and expense

9. **HVAC Operation.** Tenant will not obstruct the HVAC convectors or diffusers, or adjust or interfere with the HVAC system. Tenant will assist the HVAC system in maintaining comfort in the Premises by drawing shades, blinds and other window coverings in the Premises as may be reasonably required. Tenant may not use any method of heating or cooling the Premises other than that supplied by Landlord and individual space heaters or fans, so long as the Maximum Connected Load is not exceeded.

10. **Plumbing.** Tenant will use plumbing fixtures only for the purpose for which they are constructed. Tenant will reimburse Landlord for any damage caused by Tenant's misuse of plumbing fixtures.

11. **Equipment Location.** Landlord may specify the location of any of Tenant's business machines, mechanical equipment or other property that are unusually heavy, may damage the Building, or may cause vibration, noise or annoyance to other tenants. Tenant will reimburse Landlord for any professional engineering certification or assistance reasonably required to determine the location of these items.

12. **Bicycles.** Tenant may not bring bicycles or other vehicles into the Building or Premises. Bicycles and other vehicles may only be parked in areas designated by Landlord.

13. **Animals.** Tenant may not bring any birds, fish, reptiles, amphibians, insects or animals, excepting seeing-eye/assistance dogs, into the Building or Premises.

14. **Carpet Protection.** To protect carpeting in the Premises, Tenant will, at its own expense, install and maintain pads to protect the carpet under all furniture having castors other than carpet castors.

15. **Elevators.** Any use of the elevators for purposes other than normal passenger use (such as moving to or from the Building or delivering freight), whether during or after Business Hours, must be scheduled through the office of the Property Manager. Tenant will reimburse Landlord for any extra costs incurred by Landlord in connection with any such non-passenger use of the elevators.

16. **Moving and Deliveries.** Tenant's movers are subject to Landlord's reasonable approval. Moving of Tenant's Personal Property and deliveries of materials and supplies to the Premises must be made during the times and through the entrances, elevators and corridors reasonably designated by Landlord. Moving and deliveries may not be made through any of the main entrances to the Building without Landlord's prior permission. Any hand truck or other conveyance used in the Common Areas must be equipped with rubber tires and rubber side guards to prevent damage to the Building and its property. Tenant will promptly reimburse Landlord for the cost of repairing any damage to the Building or its property caused by any person making deliveries to the Premises.

17. **Solicitation.** Canvassing, soliciting and peddling in the Building are prohibited and Tenant will cooperate in preventing the same.

18. **Food.** Only persons approved from time to time by Landlord may prepare, solicit orders for, sell, serve or distribute food in or around the Project. Except as may be specified in the Lease or on construction drawings for the Premises approved by Landlord, and except for microwave cooking, Tenant will not use the Premises for preparing or dispensing food, or soliciting of orders for sale, serving or distribution of food.

19. **Work Orders.** Only authorized representatives of Tenant may request services or work on behalf of Tenant. Tenant may not request that Building employees perform any work outside of their duties assigned by Landlord.

20. **Smoking**. Neither Tenant nor its Affiliates shall smoke or permit smoking in any part of the Premises, Building, Common Areas or Project in which Landlord, in Landlord's sole discretion, prohibits smoking or in which smoking is prohibited by law. Landlord may designate the entire Building, Common Areas or Project a no-smoking area.

21. **Holiday Decorations.** Organic holiday decorations are not permitted in any part of the Premises.

22. **Certificates of Insurance.** Tenant is to provide Landlord with certificates of insurance as required by Landlord, from each of contractor, vendor or agent performing work in, delivering products to, moving items into/out of the Premises and/or Building.

23. **Rules Applied**. These Rules and Regulations apply equally to Tenant's Affiliates and others permitted by Tenant to access, use or occupy the Premises. Landlord shall deliver to Tenant copies of any amendments to these Rules and Regulations.

EXHIBIT D — JANITORIAL SPECIFICATIONS
(CLEANING AND JANITORIAL SERVICES)

NIGHTLY CLEANING	1.	Empty all waste receptacles, clean as necessary.
	2.	Vacuum all carpeted traffic areas and other areas as needed.
	3.	Dust furniture, files, fixtures, etc.
	4.	Damp wipe and polish all glass furniture tops.
	5.	Remove finger marks and smudges from vertical surfaces.
	6.	Clean all water coolers.
	7.	Sweep all private stairways nightly, vacuum if carpeted.
	8.	Damp mop spillage in office and public areas as required.
WEEKLY CLEANING	1.	Twice weekly, detail vacuum all rugs and carpeted areas.
	2.	Once weekly, dust all cleared surfaces of furniture, files, fixtures, etc.
WASH ROOMS (NIGHTLY)	1.	Damp mop, rinse and dry floors nightly.
	2.	Scrub floors as necessary.
	3.	Clean all mirrors, bright work and enameled surfaces nightly.
	4.	Wash and disinfect all fixtures.
	5.	Damp wipe and disinfect all partitions, tile walls, etc.
	6.	Empty and sanitize all receptacles.
	7.	Fill toilet tissue, soap, towel, and sanitary napkin dispensers.
	8.	Clean flushometers and other metal work.
	9.	Wash and polish all wall partitions, tile walls and enamel surfaces from trim to floor monthly.
	10.	Vacuum all louvers, ventilating grilles and dust light fixtures monthly.
FLOORS	1.	Ceramic tile, marble and terrazzo floors to be swept nightly and washed or scrubbed as necessary.
	2.	Vinyl floors and bases to be swept nightly.
	3.	Tile floors to be waxed and buffed monthly.
	4.	All carpeted areas and rugs to be detailed vacuumed twice weekly and all carpeted traffic areas and other areas as needed to be vacuumed nightly.

	5.	Carpet shampooing will be performed at Tenant's request and billed to Tenant.
GLASS	1.	Clean inside of all perimeter windows as needed, but not more frequently than once every eighteen (18) months.
	2.	Clean outside of all perimeter windows as needed, but not more frequently than once every eighteen (18) months.
	3.	Clean glass entrance doors and adjacent glass panels nightly.
HIGH DUSTING (QUARTERLY)	1.	Dust and wipe clean all closet shelving when empty.
	2.	Dust all picture frames, charts, graphs, etc.
	3.	Dust clean all vertical surfaces.
	4.	Damp dust all ceiling air conditioning diffusers.
	5.	Dust the exterior surfaces of lighting fixtures.
DAY SERVICE	1.	Check men's washrooms for toilet tissue replacement.
	2.	Check ladies' washrooms for toilet tissue and sanitary napkin replacements.
	3.	Supply toilet tissue, soap and towels in men's and ladies' washrooms.

Neither Service Provider nor the janitorial company will be responsible for removing items from surfaces in order to dust them. It is understood that while dusting is completed nightly in the common areas, it is only completed in the Premises

once a week and on no particular day. In addition, neither Service Provider nor the janitorial company will be responsible for moving, dusting or cleaning any computer, copier, printer or other office equipment. Notwithstanding anything herein to the contrary, it is understood that no services of the character provided for in this Exhibit shall be performed on Saturdays, Sundays or Holidays.

EXHIBIT E - STORAGE SPACE

1. In addition to the other rights granted by this Lease, provided that Tenant is not in default of the Lease beyond any applicable cure periods and further provided that Tenant is in occupancy of the Premises, Tenant shall have the right but not the obligation, during the Term to use the space identified on Exhibit E-2, and containing approximately 270 square feet ("**Storage Space**"), for the term ("**Storage Term**") commencing on the Commencement Date of the Lease ("**Storage Commencement Date**") and ending on the expiration or sooner termination of the Lease ("**Storage Expiration Date**").

2. The Storage Space shall be used by Tenant for the storage of equipment, inventory or other non-perishable items normally used in Tenant's business, and for no other purpose whatsoever. Tenant agrees to keep the Storage Space in a neat and orderly fashion, free of vermin and pests, and to keep all stored items in cartons, file cabinets or other suitable containers. Landlord shall have the right to designate the location within the Storage Space of any items to be placed therein. All items stored in the Storage Space shall be elevated at least 6 inches above the floor on wooden pallets, and shall be at least eighteen inches (18") below the bottom of all sprinklers located in the ceiling of the Storage Space, if any. Tenant shall not store anything in the Storage Space which is unsafe or which otherwise may create a hazardous condition, or which may increase Landlord's insurance rates, or cause a cancellation or modification of Landlord's insurance coverage. Without limitation, Tenant shall not store any flammable, combustible or explosive fluid, chemical or substance nor any perishable food or beverage products, except with Landlord's prior written approval. Landlord reserves the right to adopt and enforce reasonable rules and regulations governing the use of the Storage Space from time to time. Upon expiration or earlier termination of Tenant's rights to the Storage Space, Tenant shall completely vacate and surrender the Storage Space to Landlord in the condition in which it was delivered to Tenant, ordinary wear and tear excepted, broom clean and empty of all personalty and other items placed therein by or on behalf of Tenant.

3. No rent shall be payable for the Storage Space during the Term of this Lease.

4. All terms and provisions of the Lease shall be applicable to the Storage Space, except that Landlord shall only supply electricity sufficient for storage level lighting and need not supply air-conditioning, ventilation, heat, water, janitorial service, cleaning, passenger or freight elevator service, window washing, pest control or other service to the Storage Space and Tenant shall not be entitled to any work allowances, rent credits, expansion rights or renewal rights with respect to the Storage Space unless such concessions or rights are specifically provided for herein with respect to the Storage Space. Landlord shall not be liable for any theft or damage to any items or materials stored in the Storage Space, it being understood that Tenant is using the Storage Space at its own risk. The Storage Space shall not be included in the determination of Tenant's Share under the Lease nor shall Tenant be required to pay Expenses or Taxes in connection with the Storage Space.

5. At any time and from time to time, Landlord shall have the right to relocate the Storage Space, on not less than seven (7) days' written notice, to a new location which shall be no smaller than the square footage of the Storage Space. Landlord shall pay the direct, out-of-pocket, reasonable expenses of such relocation.

6. If Tenant assigns the Lease or sublets all or any part of the Premises, Landlord, at its option, may terminate Tenant's rights to the Storage Space effective as of 30 days after notice to Tenant. Additionally, notwithstanding anything set forth in the Lease to the contrary, Tenant shall not, without the prior written consent of Landlord, which consent may be withheld in Landlord's sole discretion, assign, sublease, transfer or encumber the Storage Space or grant any license, concession or other right of occupancy or permit the use of the Storage Space by any party other than Tenant.

EXHIBIT E-2

STORAGE SPACE LOCATION

PICTURE OF STORAGE SPACE LOCATION

EXHIBIT 31.1

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION

I, Marc S. Hanover, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 10, 2015

/s/ Marc S. Hanover
Marc S. Hanover
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

PRINCIPAL FINANCIAL OFFICER CERTIFICATION

I, Jason T. Shackelford, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 10, 2015

/s/ Jason T. Shackelford
Jason T. Shackelford
Senior Director of Accounting and Corporate Controller,
and Principal Financial and Accounting Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

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

In connection with the Quarterly Report of GTx, Inc. (the "Company") on Form 10-Q for the three months ended June 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marc S. Hanover, Chief Executive Officer of the Company certify, pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: August 10, 2015

/s/ Marc S. Hanover
Marc S. Hanover
Chief Executive Officer
(Principal Executive Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934 (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

EXHIBIT 32.2

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

In connection with the Quarterly Report of GTx, Inc. (the "Company") on Form 10-Q for the three months ended June 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jason T. Shackelford, Principal Financial Officer of the Company certify, pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: August 10, 2015

/s/ Jason T. Shackelford
Jason T. Shackelford
Senior Director of Accounting and Corporate Controller,
and Principal Financial and Accounting Officer
(Principal Financial and Accounting Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934 (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.