

FORM 10-Q
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark one)

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

For the quarterly period ended March 31, 2007

OR

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

For the transition period from _____ to _____

Commission file number 001-33133

METABOLIX, INC.

Delaware
(State or other jurisdiction of
incorporation or organization)

04-3158289
(I.R.S. Employer
Identification No.)

21 Erie Street
Cambridge, MA
(Address of principal executive offices)

02139
(Zip Code)

(617) 492-0505

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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

The number of shares outstanding of the registrant's common stock as of May 4, 2007 was 21,622,431 .

Metabolix, Inc.
Form 10-Q
For the Quarter Ended March 31, 2007

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

METABOLIX, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
UNAUDITED
(in thousands, except share and per share data)

	March 31, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,861	\$ 25,182
Short-term investments	98,264	96,898
Accounts receivable	74	58
Due from related parties	734	521
Unbilled receivable	107	90
Prepaid expenses and other current assets	622	651
Total current assets	119,662	123,400
Restricted cash	498	498
Property and equipment, net	4,000	3,673
Other assets	25	25
Total assets	<u>\$ 124,185</u>	<u>\$ 127,596</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,330	\$ 1,604
Accrued expenses	1,606	1,391
Current portion of deferred rent	165	166
Deferred revenue	135	60
Total current liabilities	3,236	3,221
Deferred rent	1,007	1,048
Long-term deferred revenue	14,425	13,667
Other long-term liabilities	74	72
Total liabilities	18,742	18,008
Commitments and contingencies (Note 11)		
Stockholders' Equity		
Common stock (\$0.01 par value per share); 100,000,000 shares authorized at March 31, 2007 and December 31, 2006; 21,079,513 and 20,574,412 shares issued and outstanding at March 31, 2007 and December 31, 2006, respectively;		
	211	206
Additional paid-in capital	176,316	175,803
Deferred compensation	(186)	(212)
Accumulated other comprehensive income	27	28
Accumulated deficit	(70,925)	(66,237)
Total stockholders' equity	105,443	109,588
Total liabilities and stockholders' equity	<u>\$ 124,185</u>	<u>\$ 127,596</u>

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

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

	Three Months Ended March 31,	
	2007	2006
Revenue:		
Research and development revenue	\$ —	\$ 2,502
License fee and royalty revenue:		
From related parties	75	140
Grant revenue	354	439
Total revenue	<u>429</u>	<u>3,081</u>
Operating expenses:		
Research and development expenses, including cost of revenue	3,808	2,132
Selling, general, and administrative expenses	2,847	1,406
Total operating expenses	<u>6,655</u>	<u>3,538</u>
Loss from operations	<u>(6,226)</u>	<u>(457)</u>
Other income (expense):		
Interest income, net	1,538	132
Net loss	<u>\$ (4,688)</u>	<u>(325)</u>
Net loss per share:		
Basic and Diluted	\$ (0.22)	\$ (0.11)
Number of shares used in per share calculation		
Basic and Diluted	21,430,893	2,977,256

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

METABOLIX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED
(in thousands)

	Three Months Ended March 31,	
	2007	2006
Cash flows from operating activities		
Net loss	\$ (4,688)	\$ (325)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	247	190
Stock-based compensation	517	55
Changes in operating assets and liabilities:		
Receivables (billed and unbilled)	(35)	(487)
Due from related party	516	—
Prepaid expenses and other assets	29	(424)
Accounts payable	(297)	(325)
Accrued expenses	158	515
Deferred lease obligation	(41)	(41)
Deferred revenue	104	(1,704)
Net cash used in operating activities	<u>(3,490)</u>	<u>(2,546)</u>
Cash flows from investing activities		
Purchase of property and equipment	(530)	(413)
Purchase of short term investments	(42,386)	(16,246)
Proceeds from sale and maturity of short term investments	41,020	1,225
Net cash used in investing activities	<u>(1,896)</u>	<u>(15,434)</u>
Cash flows from financing activities		
Principal payments for capitalized lease obligations	—	(26)
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs	—	17,434
Advances from investors	—	(615)
Proceeds from exercise of options and warrants	65	37
Net cash provided by financing activities	<u>65</u>	<u>16,830</u>
Net decrease in cash and cash equivalents	(5,321)	(1,150)
Cash and cash equivalents at beginning of period	25,182	1,835
Cash and cash equivalents at end of period	<u>\$ 19,861</u>	<u>\$ 685</u>

METABOLIX, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(All dollar amounts are stated in thousand.)

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements are unaudited and have been prepared by Metabolix, Inc. (“the Company”) in accordance with accounting principles generally accepted in the United States of America and pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in the Company’s annual consolidated financial statements have been condensed or omitted. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The condensed consolidated financial statements, in the opinion of management, reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair statement of the financial position and results of operations for the interim periods ended March 31, 2007 and 2006.

The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for any future period or the entire fiscal year. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2006, which are contained in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission.

2. ACCOUNTING POLICIES

There have been no material changes in accounting policies since the end of the fiscal year ended December 31, 2006, as described in Note 3 to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2006.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued SFAS No.157, *Fair Value Measurements* (“SFAS No. 157”). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The standard is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The adoption of SFAS No. 157 in the first quarter of 2008 is not expected to have a material impact on the financial statements of the Company.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FAS 115* (“SFAS No. 159”). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The fair value option established by this statement permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings (or another performance indicator if the business entity does not report earnings) at each subsequent reporting date. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is expected to expand the use of fair value measurement, which is consistent with the Board’s long-term measurement objectives for accounting for financial instruments. The standard is effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of SFAS No. 159 in the first quarter of 2008 is not expected to have a material impact on the financial statements of the Company.

4. COMPREHENSIVE LOSS

Comprehensive loss is comprised of net loss and unrealized gains (losses) on marketable securities. Total comprehensive loss for the three months ended March 31, 2007 and 2006 is as follows (in thousands):

	Three Months Ended	
	March 31,	
	2007	2006
Net loss	\$ (4,688)	\$ (325)
Other comprehensive income:		
Change in unrealized gain on investments	27	—
Total other comprehensive income	27	—
Comprehensive loss	\$ (4,661)	\$ (325)

5. BASIC AND DILUTED NET LOSS PER SHARE

Basic net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding and warrants outstanding that were previously issued for little or no consideration, excluding the dilutive effects of common stock equivalents. Common stock equivalents include stock options, certain warrants and convertible securities. Diluted net income per share assumes the conversion of all outstanding shares of

redeemable convertible preferred stock using the “if converted” method, if dilutive, and includes the dilutive effect of common stock equivalents under the treasury stock method.

The number of shares of potentially dilutive common stock related to redeemable convertible preferred stock, options, and warrants that were excluded from the calculation of dilutive shares since the inclusion of such shares would be anti-dilutive for the quarters ended March 31, 2007 and 2006, respectively, are shown below:

	Three Months Ended March 31,	
	2007	2006
Net loss basic and diluted	\$ (4,688)	\$ (325)
Shares used in calculating basic and diluted net loss per share	21,430,893	2,977,256
Basic and diluted net loss per share	\$ (0.22)	\$ (0.11)

The following amounts were not included in the calculation of net loss per share because their effects were antidilutive:

	Three Months Ended March 31,	
	2007	2006
Redeemable convertible preferred stock	—	9,488,229
Options	2,708,001	2,012,171
Warrants	710,845	939,150

6. STOCK-BASED COMPENSATION

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* (“SFAS No. 123(R)”). Under the provisions of SFAS No. 123(R), compensation cost recognized for the three months ended March 31, 2007 and 2006 included compensation cost for all stock options granted to employees subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123(R) and will be recognized over the vesting period of the applicable award on a straight-line basis. The effect of SFAS No. 123(R) for the three months ended March 31, 2007 was an increase in net loss of \$398 and a \$0.02 increase to basic and diluted net loss per share. The impact of SFAS No. 123(R) on the net loss and basic and diluted net loss per share

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was insignificant for the three months ended March 31, 2006. The Company granted options to an officer of the Company prior to January 1, 2006 that contained performance based vesting conditions which were met during the year ended December 31, 2006. The resulting deferred compensation is being recorded ratably over the remaining service period and \$26 was recorded during the three months ended March 31, 2007.

A summary of option activity for the three months ended March 31, 2007 and 2006 is as follows:

	March 31,			
	2007		2006	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding at beginning of period	2,717,244	\$ 4.60	2,036,982	\$ 2.42
Granted	22,500	\$ 18.67	17,570	\$ 1.84
Exercised	(31,459)	\$ 1.95	(3,063)	\$ 3.14
Canceled	(9,375)	\$ 14.00	(61,065)	\$ 10.66
Outstanding at end of period	<u>2,698,910</u>	\$ 4.71	<u>1,990,424</u>	\$ 2.16
Options exercisable as of March 31,	1,579,598		991,704	
Weighted average grant date fair value of options granted during the period		\$ 11.13		\$ 2.13

Non-employee Stock Option Awards

The compensation expense related to non-employee stock options is generally recognized over a period of four years. The grants generally vest quarterly and such vesting is contingent upon future services provided by the consultants to the Company. Relating to these options, the Company recorded stock-based compensation expense of \$93 and \$47 for the three months ended March 31, 2007 and 2006, respectively. Options remaining unvested for the non-employees are subject to remeasurement each reporting period prior to vesting in full. Since the fair market value of the options issued to the non-employees are subject to changes in the future, the compensation expense recognized in each quarter may not be indicative of future compensation charges.

7. SIGNIFICANT COLLABORATIONS

ADM Agreement

On November 3, 2004, the Company signed an agreement with ADM Polymer Corporation (“ADM”), a subsidiary of Archer Daniels Midland Company, to establish an alliance whereby the Company would provide technology and licenses thereto and research and development services, and ADM would provide manufacturing services and capital necessary to produce *Mirel™* natural plastic on a commercial scale basis. This agreement was amended by the parties on September 8, 2005 to define certain cost sharing activities related to pilot manufacturing, to change certain milestones and to make other minor modifications.

The Technology Alliance and Option Agreement provided ADM with an option (the "Option") to enter into a commercial alliance for further research, development, manufacture, use and sale of *Mirel* on the terms and conditions set forth in the Commercial Alliance Agreement (see below). The Option was exercisable by ADM under certain conditions at any time until 30 days after the expiration of the term of the Technology Alliance and Option Agreement. On July 12, 2006, ADM exercised this Option.

Commercial Alliance Agreement

The Commercial Alliance Agreement specifies the terms and structure of the relationship between the Company and ADM. The primary function of this agreement is to establish the activities and obligations of the Company and ADM by which the parties will commercialize *Mirel* natural plastic. These activities include: the establishment of a Joint Sales Company, which has been named Telles ("Telles" or the "JSC"), to market and sell *Mirel*, the construction of a manufacturing facility capable of producing 110 million pounds of material annually (the "Commercial Manufacturing Facility"), the licensing of

technology to Telles and to ADM, and the conducting of various research, development, manufacturing, sales and marketing, formulation and administrative services by the parties.

Telles is a limited liability company, formed and equally owned by the Company and ADM, and is intended to: (i) serve as the commercial entity to establish and develop the commercial market for *Mirel*, and conduct the marketing and sales in accordance with the goals of the commercial alliance, (ii) assist in the coordination and integration of the manufacturing, formulation and marketing activities, and (iii) administer and account for financial matters on behalf of the parties. The Company and ADM each have 50% equity and voting interest in Telles.

A summary of the key activities under this agreement is as follows: (i) ADM will arrange for, finance the construction of, and own, a facility in which it will manufacture *Mirel* natural plastic under contract to Telles; (ii) the Company will either arrange for and finance the acquisition or construction of a facility in which it will formulate *Mirel* natural plastic or it will arrange for third parties to formulate the *Mirel* natural plastic; (iii) the Company, acting in the name and on behalf of Telles, will establish the initial market for *Mirel*. The Company will also continue its research and development efforts to further advance the technology and expand and enhance the commercial potential of *Mirel*. Subject to certain limitations, ADM will finance the working capital requirements of Telles.

Telles will make up to twelve payments of \$1,575 per calendar quarter to the Company to support these activities during the construction of the Commercial Manufacturing Facility. In the event construction is completed and sale of commercial product commences prior to Telles making all twelve such payments, the quarterly payments will cease and Telles will pay the Company a lump sum equal to the number of remaining unpaid payments multiplied by \$250. Through March 31, 2007, support payments totaling \$6,300 have been received by the Company and recorded as deferred revenue.

During the construction period of the Commercial Manufacturing Facility all pre-commercial material production expenses incurred by ADM and the Company are shared equally. From the execution of this agreement in July 2006 through March 31, 2007, ADM has reimbursed the Company \$970. At March 31, 2007 net reimbursements of \$728 were due from ADM. All amounts due or received from ADM relating to this agreement are recorded as deferred revenue.

Upon the commencement of commercial sales, Telles will pay the Company royalties on sales as well as reimburse it for the cost of services provided pursuant to the Commercial Alliance Agreement.

While Telles is a fifty-fifty joint venture, ADM will be advancing a disproportionate share of the financial capital needed to construct the manufacturing plant and to fund its activities. Therefore, a preferential distribution of cash flow will be used, whereby all profits (after payment of all royalties, reimbursements and fees) from Telles will be distributed to ADM until ADM's disproportionate investment in Telles has been returned in full. Once ADM has recouped such amounts, the profits of Telles will be distributed in equal amounts to the parties.

The Commercial Alliance Agreement provides for expansion of the operations of Telles beyond the initial license of 110 million pounds annual production through an equally-owned joint venture. While certain principles of the joint venture have been agreed to, the detailed terms and conditions will not be determined until a later date.

The Commercial Alliance Agreement and related agreements include detailed provisions setting out the rights and obligations of the parties in the event of a termination of the Commercial Alliance. These provisions include the right for either party to terminate the Commercial Alliance upon a material default of a material obligation by the other party after a notice and cure period has expired. The parties are also permitted to terminate the Commercial Alliance if a change in circumstances that is not reasonably within the control of a party makes the anticipated financial return from the project inadequate or too uncertain. Finally, the parties have specific obligations to fulfill in the event of termination or if they file for bankruptcy protection.

8. INCOME TAXES

In July, 2006 the Financial Accounting Standards Board ("FASB") issued Financial Accounting Standards Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement of Accounting Standards No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attributable for the financial statement recognition and

measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transitions. The Company adopted FIN 48 on January 1, 2007.

The tax years 1993 through 2006 remain open to examination by major taxing jurisdictions to which we are subject, which are primarily in the US.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of January 1, 2007, the Company had no accrued interest or penalties related to uncertain tax positions.

At December 31, 2006 the Company had net operating loss carryforwards for federal and state income tax purposes of \$26,230. The Company's federal and state net operating loss carryforwards will begin to expire in 2008 and 2007, respectively. The Company also had available research and development credits for federal and state income tax purposes of \$1,515 and \$1,226, respectively. The federal and state research and development credit will begin to expire in 2012 and 2017 respectively. As of December 31, 2006 the Company also had available investment tax credits for state income tax purposes of \$159 which began to expire in 2007. Management of the Company has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets, which are comprised principally of net operating loss carryforwards and research and development credits. Under the applicable accounting standards, management has considered the Company's history of losses and concluded that it is more likely than not that the Company will not recognize the benefits of federal and state deferred tax assets. Accordingly, a full valuation allowance has been established against the deferred tax assets.

Utilization of NOL and R&D credit carryforwards may be subject to a substantial annual limitation due to ownership change limitations that have occurred previously or that could occur in the future as provided by Section 382 of the Internal Revenue Code of 1986, as well as similar state provisions. These ownership changes may limit the amount of NOL and R&D credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Section 382, results from transactions increasing the ownership of certain shareholders or public groups in the stock of a corporation by more than 50 percentage points over a three year period. Since the Company's formation, the Company has raised capital through the issuance of capital stock which, combined with the purchasing shareholders' subsequent disposition of those shares, may have resulted in a change of control, as defined by Section 382, or could result in a change of control in the future upon subsequent disposition. The Company has not currently completed a study to assess whether there have been multiple changes of control since the Company's formation due to the significant complexity and cost associated with such study. If the Company has experienced a change in control at any time since the Company's formation, utilization of the Company's NOL or R&D credit carryforwards would be subject to an annual limitation under Section 382. Any limitation may result in expiration of a portion of the NOL or R&D credit carryforwards before utilization. Until a study is completed and any limitation known, no amounts are being presented as uncertain tax positions under FIN 48.

9. ACCRUED LIABILITIES

Accrued liabilities consisted of the following at:

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
Intellectual property costs	\$ 169	\$ 143
Contracted research and development	75	44
Professional services	539	306
Capital expenditures	44	88
Employee compensation and benefits	363	201
Pre-commercial manufacturing costs	200	384
Other	216	225
Total accrued expenses	<u>\$ 1,606</u>	<u>\$ 1,391</u>

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10. SEGMENT INFORMATION

There have been no changes in the segment information since the fiscal year ended December 31, 2006, as described in Note 3 to the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

11. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time, the Company is involved in various investigations, claims and legal proceedings that arise in the ordinary course of business activities.

Procter & Gamble Company ("P&G") filed a nullity action on March 8, 2005 in Germany seeking to revoke the German equivalent of one of the Company's patents. The patent is licensed by the Massachusetts Institute of Technology ("MIT") exclusively to the Company. The Company is controlling the response to the nullity action, at the Company's expense, with MIT's cooperation. The Company believes this nullity action is without merit and intends to vigorously defend this patent. The Company is unable to determine the potential outcome at this time and has not reserved for any potential liability in this matter as of March 31, 2007.

License Agreement with Massachusetts Institute of Technology ("MIT")

The Company's exclusive license agreement with MIT requires the Company to pay annual license fees of \$25 and additional potential royalty payments to MIT based on a percentage of net sales of products or services covered by patents that are subject to the license. There was \$67 accrued for license fees or royalties at March 31, 2007 and \$62 at December 31, 2006.

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

(All dollar amounts are stated in thousands)

Forward Looking Statements

This quarterly report on Form 10-Q contains "forward-looking statements" within the meaning of 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In particular, statements contained in the Form 10-Q, including but not limited to, statements regarding our future results of operations and financial position, business strategy and plan prospects, projected revenue or costs and objectives of management for future research, development or operations, are forward-looking statements. These statements relate to our future plans, objectives, expectations and intentions and may be identified by words such as "may," "will," "should," "expects," "plans," "anticipate," "intends," "target," "projects," "contemplates," "believe," "estimates," "predicts," "potential," and "continue," or similar words.

Although we believe that our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, the forward-looking statements contained in this document are neither promises nor guarantees; and our business is subject to significant risk and uncertainties and there can be no assurance that our actual results will not differ materially from our expectations. These forward looking statements include, but are not limited to, statements concerning: current or future financial performance and position, management's strategy, plans and objectives for future operations, plans and objectives for product development and commercialization, plans and objectives for present and future research and development and results of such research and development, plans and objectives for manufacturing, the commercialization of environmentally sustainable, economically attractive alternatives to petrochemical-based plastics, fuels and chemicals, the commercialization of natural plastic through our alliance with Archer Daniels Midland Company, or ADM, sales of natural plastic as an alternative to petrochemical-based plastics, the construction of the Commercial Manufacturing Facility, the production of natural plastic at the Commercial Manufacturing Facility, the commercial success of natural plastic, the feasibility of extracting natural plastic from switchgrass, the commercial viability of switchgrass, recognition of revenue, management's plans and expectations for revenue from government grants, research and development revenue, research and development expenses and capital and working capital requirements. Factors which could cause actual results to differ materially from our expectations set forth in our forward-looking statements include, among others: (i) our ability to successfully manufacture natural plastic at commercial scale in a timely or economical manner, (ii) we may not be successful in the development of our products, including natural plastic, (iii) if ADM does not build the Commercial Manufacturing Facility on time and on budget, our revenues and the distribution of profits, if any, to us will be delayed, (iv) we may not be able to develop manufacturing capacity sufficient to meet demand in an economical manner or at all, (v) we may not achieve market acceptance of our products, (vi) we have limited marketing and sales experience and capabilities, which may make the commercialization of our products difficult, (vii) we rely heavily on ADM and will rely heavily on future collaborative partners, (viii) our success will be influenced by the price of petroleum, the primary ingredient in conventional petrochemical-based plastics, relative to corn sugar, the primary ingredient in our products, (ix) our future profitability is uncertain, and we have a limited operating history on which you can base your evaluation of our business, (x) we may need to secure additional funding and may be unable to raise additional capital on favorable terms or at all, (xi) if we lose key personnel or are unable to attract and retain necessary talent, we may be unable to develop or commercialize our products under development, (xii) confidentiality agreements with employees and others may not adequately prevent disclosure of our trade secrets and other proprietary information and may not adequately protect our intellectual property, which could limit our ability to compete, (xiii) patent protection for our products is important and uncertain, (xiv) a substantial portion of the technology used in our business is owned by or subject to retained rights of third parties, (xv) third parties may claim we infringe their intellectual property, and we could suffer significant litigation or licensing expense as a result, (xvi) if we are unable to manage our growth effectively, our business could be adversely affected, (xvii) we may not be successful in identifying market needs for new technologies and developing new products to meet those needs, (xviii) our products are made using genetically modified products which may be, or may be perceived as being, harmful to human health or the environment, (xix) we face and will face substantial competition in

several different markets that may adversely affect our results of operations, (xx) we are subject to significant foreign and domestic government regulations, including environmental and health and safety regulations, and failure to comply with these regulations could harm our business, (xxi) our government grants may subject us to government audits, which could materially harm our business and results of operations, (xxii) we face risks associated with our international business, (xxiii) if we are unable to develop, implement and maintain appropriate internal controls we will not be able to comply with applicable regulatory requirements imposed on reporting companies, (xxiv) changes in, or interpretations of, accounting rules and regulations, such as revenue recognition and expensing of stock options, could result in unfavorable accounting treatment or require us to change our compensation policies and (xxv) our pre-commercial manufacturing recovery operations are currently conducted at a single location which makes us susceptible to disasters.

The forward-looking statements and risks factors presented in this document are made only as of the date hereof and we do not intend to update any of these factors or to publicly announce the results of any revisions to any of our forward-looking statements other than as required under the federal securities laws. The above risks factors should be read in conjunction with Item 1A, Risk Factors, of our Annual Report on Form 10-K for the year ended December 31, 2006.

Overview

We are a biotechnology company that develops and plans to commercialize environmentally sustainable, economically attractive alternatives to petrochemical-based plastics, fuels and chemicals. Our strategy is to develop technology platforms that integrate advanced biotechnology with current industrial practice and to commercialize these platforms with industry leading strategic partners. Our first platform, which we will be commercializing through a joint venture with Archer Daniels Midland Company, or ADM, is a proprietary, large-scale microbial fermentation system for producing a versatile family of naturally occurring polymers known as polyhydroxyalkanoates, which we call *Mirel* natural plastic. Our microbial fermentation system combines our proprietary engineered bacteria with corn sugar and other materials in a fermenter. The bacteria digest the corn sugar and produce the natural plastic inside the bacteria. We separate the natural plastic from the remainder of the bacteria and formulate the polymer into its final form for commercial sale. Through the joint venture with ADM, which will operate under the name Telles, we intend to sell these polymers as environmentally friendly, but functionally equivalent, alternatives to petrochemical-based plastics in a wide range of commercial applications, including disposable goods, packaging, agricultural products, consumer goods and electronics. *Mirel* will be produced in a 110 million pound annual capacity commercial scale plant, or Commercial Manufacturing Facility, which is presently under construction by ADM in Clinton, Iowa. The Commercial Manufacturing Facility will produce biodegradable *Mirel* natural plastic out of corn sugar, an abundant agriculturally-produced renewable resource. We are currently producing pre-commercial quantities of *Mirel* natural plastic jointly with ADM at a small scale, market development plant.

ADM will construct, finance, own and operate the Commercial Manufacturing Facility through a manufacturing agreement with our Telles joint venture. We will provide or procure formulation services to convert the output from the Commercial Manufacturing Facility into forms that are suitable for various commercial applications. Even though Telles is a separate legal entity owned equally by us and ADM Polymer, ADM Polymer will disproportionately fund the activities of the joint venture. Specifically, the cost of the Commercial Manufacturing Facility, the working capital requirements of the joint venture and the support payments to us will exceed the investments made by us to establish formulation operations for the joint venture. In order to rebalance the respective investments made by the parties, a preferential distribution of cash flow will be used, whereby all profits from the joint venture, after payment of all royalties, reimbursements and fees, will be distributed to ADM until ADM's disproportionate investment in the joint venture including the costs of constructing the Commercial Manufacturing Facility have been returned to ADM. Once ADM has recouped such amounts, the profits of the joint venture will be distributed in equal amounts to the parties. In order to track the disproportionate investments ADM has made, a "Ledger Account" has been established to record the respective investments made by the parties. As of March 31, 2007 the balance of the Ledger Account, as defined in the Commercial Alliance Agreement, was \$29,256. This balance is expected to increase as the construction of the Commercial Manufacturing Facility progresses and our joint venture Telles becomes operational.

Our second technology platform, which is in an early stage, is a biomass biorefinery system using switchgrass to co-produce both natural plastic and biomass feedstock for the production of power or liquid fuels such as ethanol or other biofuels. For this system, we are engineering switchgrass to produce natural plastic in the leaf and stem of the plant. We intend to extract the polymer from switchgrass and use the remaining plant material as a biomass feedstock for the production of energy products including electricity and ethanol. Switchgrass is a commercially and ecologically attractive, non-food energy crop that is indigenous to North America and is generally considered to be a leading candidate for cellulose-derived production of ethanol and other biofuels. We believe that using switchgrass to co-produce these products can offer superior economic value and productivity as compared to single product systems that produce them individually. We have been working on our biomass biorefinery platform using switchgrass with support from the U.S. Department of Energy and the U.S. Department of Agriculture for several years, and we believe that we are a scientific leader in this field. Our goals for this program are to have commercially viable switchgrass varieties in pre-commercial field trials in approximately four years and to establish strategic alliances with attractive partners to commercially exploit this platform.

As of March 31, 2007, we had an accumulated deficit of \$70,925 and total stockholders' equity was \$105,443.

Collaborative Arrangements

Our strategy for collaborative arrangements is to retain substantial participation in the future economic value of our technology while receiving current cash payments to offset research and development costs and working capital needs. By their nature, these agreements are complex and have multiple elements that cover a variety of present and future activities. In addition, certain elements of these agreements are intrinsically difficult to separate and treat as separate units for accounting purposes. Consequently, we expect to defer recognizing most, if not all, of the payments we receive from partners as revenue until future years.

We entered into our alliance with ADM in 2004. We also formed a joint development arrangement with BP in 2005. As of March 31, 2007, all payments received from ADM had been recorded as deferred revenue on our balance sheet. We expect that future payments from ADM, through at least the construction phase of the Commercial Alliance Agreement, including quarterly operating payments of \$1,575 and other payments, will be classified as deferred revenue as well. We expect to begin recognizing revenue at the time of the first commercial sale of *Mirel* natural plastic. All amounts will be recognized proportionally over the period in which our commercial obligations are fulfilled in accordance with the terms of the Commercial Alliance Agreement.

Deferred revenue of \$2,500 associated with the BP arrangement was recognized in full during the first quarter of 2006 when the alliance was terminated.

We received the following payments from these arrangements to offset operating cash needs during the three years ended December 31, 2006 and through the three months ended March 31, 2007:

- upfront payment of \$3,000 from ADM in November 2004;
- milestone payment of \$2,000 from ADM in May 2006;
- support payments of \$6,300 from ADM through March 2007;
- cumulative cost sharing payments from ADM for pre-commercial manufacturing plant construction and operations of \$2,689; and
- development payments of \$2,500 from BP during 2005 and 2006.

United States Government Contracts and Grants

As of March 31, 2007, expected gross proceeds of \$1,114 remain to be received under our various government contracts and grants, which include amounts for reimbursement to our subcontractors, as well

as reimbursement for our employees' time, benefits and other expenses related to future performance under the various contracts.

The status of our United States government contracts and grants is as follows:

<u>Program Title</u>	<u>Funding Agency</u>	<u>Total government funds</u>	<u>Total received through March 31, 2007</u>	<u>Remaining amount to be received as of March 31, 2007</u>	<u>Contract/Grant Expiration</u>
Biomass Biorefinery for the Production of Polymers and Fuel	Department of Energy	\$ 7,480	\$ 6,889	\$ 231	Dec. 2007
Advanced Biorefinery Feedstocks	Department of Agriculture	\$ 2,000	\$ 2,000	—	Oct. 2006
PHA Bioplastic Packaging Materials	SERDP (1)(2)	\$ 1,005	\$ 191	\$ 814	Aug. 2008
Blow Molded Bioproducts from Natural Plastic	Department of Agriculture	\$ 80	\$ 11	\$ 69	Dec. 2007
Total		\$ 10,565	\$ 9,091	\$ 1,114	

(1) Strategic Environmental Research and Development Program.

(2) Funding of these government contracts and grants beyond the United States government's current fiscal year is subject to annual congressional appropriations.

Critical Accounting Estimates and Judgments

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. for interim financial information. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition and share-based compensation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The significant accounting policies used in preparation of these condensed consolidated financial statements for the three months ended March 31, 2007 are consistent with those discussed in Note 3 to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2006. The critical accounting policies and the significant judgments and estimates used in the preparation of our condensed consolidated financial statements for the three months ended March 31, 2007 are consistent with those discussed in our Annual Report on Form 10-K for the year ended December 31, 2006 in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates and Judgements."

Results of Operations

Comparison of the Three Months Ended March 31, 2007 and 2006

Revenue

	<u>Three Months ended March 31,</u>		<u>Change</u>
	<u>2007</u>	<u>2006</u>	
	(in thousands)		
Research and development revenue	\$ —	\$ 2,502	\$ (2,502)
License fee and royalty revenue	75	140	(65)
Grant revenue	354	439	(85)
Total revenue	<u>\$ 429</u>	<u>\$ 3,081</u>	<u>\$ (2652)</u>

Research and development revenue

During the first quarter of 2006 we recognized revenue from research and development services of \$2,500 from our joint development arrangement with BP upon the termination of the arrangement by BP in January 2006, as we had been released from any future performance obligations. There was no research and development revenue recognized for the three month period ended March 31, 2007.

License fee and royalty revenue

License fee and royalty revenue from a related party was \$75 and \$140 for the three months ended March 31, 2007 and 2006, respectively. The decrease of \$65 was due to the receipt of the final payment due under one of the license agreements with a related party during the first half of 2006.

Grant Revenue

Grant revenue was \$354 and \$439 for the three months ended March 31, 2007 and 2006, respectively. Government grant revenue declined due to the completion of the US Department of Agriculture program in the first quarter of 2006. These decreases were partially offset by new grant programs in 2006 and increased US Department of Energy grant activity.

Expenses

	Three Months ended March 31,		Change
	2007	2006	
	(in thousands)		
Research and development expenses, including cost of revenue	\$ 3,808	\$ 2,132	\$ 1,676
Selling, general, and administrative expenses	2,847	1,406	1,441
Total operating expenses	<u>\$ 6,655</u>	<u>\$ 3,538</u>	<u>\$ 3,117</u>

Research and development expenses

Research and development expenses were \$3,808 and \$2,132 for the three months ended March 31, 2007 and 2006, respectively. The increase of \$1,676 was primarily due to product development and pre-commercial manufacturing of *Mirel* and related activities and increases in research and development personnel to support our collaborative agreements with ADM and to support our switchgrass research program. Payroll and benefit related expenses during the first quarter of 2007 were \$1,389 as compared to \$670 during the same quarter in 2006, including stock-based compensation expense which increased to \$80 in the first quarter 2007 as compared to \$6 during the same period in 2006. The expenses related to pre-commercial manufacturing increased to \$1,210 during the first quarter in 2007 as compared to \$620 during the same period in 2006. We expect to incur increasing research and development expenses in future periods as we expand our pre-commercial manufacturing and product development activities.

Selling, general, and administrative expenses

Selling, general, and administrative expenses were \$2,847 and \$1,406 for the three months ended March 31, 2007 and 2006, respectively. The increase of \$1,441 was primarily due to increased costs associated with being a public company and an increase in sales and marketing costs as we build our sales and marketing infrastructure to prepare for the commercialization of natural plastic. Payroll and benefits related expenses increased to \$1,196 during the first quarter of 2007 as compared to \$625 for the same period in 2006, including stock-based compensation expense which increased to \$437 as compared to \$49 for the same period in 2006. Expenses related to sales and marketing activities increased from \$247 to \$533 during the first quarter of 2007. We expect that selling, general and administrative expenses will continue to increase in the future due to increased payroll, expanded infrastructure, increased consulting, legal, accounting and investor relations expenses associated with being a public company.

Other income (expense)

	Three Months ended March 31,		Change
	2007	2006	
	(in thousands)		
Total other income, net	\$ 1,538	\$ 132	\$ 1,406

Other income, net, consists of investment income and was \$1,538 and \$132 for the three months ended March 31, 2007 and 2006, respectively. The increase of \$1,406 was due to an increase in cash, cash equivalents and short-term investment balances. The increase in cash and short-term investments was primarily a result of the completion of our initial public offering in November 2006. We held \$118,623 and \$17,543 in cash and short-term investments at March 31, 2007 and 2006, respectively.

Liquidity and Capital Resources

Currently, we require cash to fund our working capital needs, to purchase capital assets and to pay our capital lease obligations.

We fund our cash requirements primarily through the following methods:

- our strategic alliance with ADM;
- government grants;
- equity financing; and
- interest earned on invested capital.

Currently our products are in the pre-commercial stage of development and commercial sales have not begun. In addition, we have incurred significant expenses relating to our research and development efforts. As a result, we have incurred net losses since our inception. As of March 31, 2007 we had an accumulated deficit of \$70,925. Our total unrestricted cash, cash equivalents and short-term investments as of March 31, 2007 were \$118,125 as compared to \$122,080 at December 31, 2006. Based on our current business plan, we believe that our existing cash, cash equivalents, short-term investments and projected cash inflows from revenues will be sufficient to fund our operating expenses and capital requirements for the next two years. Certain economic or strategic factors may require that we seek to raise additional cash by selling debt or equity securities. However, such funds may not be available when needed, or we may not be able to obtain funding on favorable terms, or at all.

Operating activities

Net cash used in operating activities was \$3,490 and \$2,546 for the period ended March 31, 2007 and 2006, respectively. The net cash used in 2007 primarily reflects the net loss for this period, as adjusted for deferred revenue, stock-based compensation expense, and depreciation. During the first quarter of 2007 we received \$516 from our partner, ADM, for net reimbursements of pre-commercial manufacturing expenses. Deferred revenue decreased by \$1,704 for the period ended March 31, 2006, primarily due to the recognition of \$2,500 revenue related to the termination of our joint development agreement with BP, partially offset by reimbursement of expenses by ADM related to the construction of the pre-commercial manufacturing facility and production costs for our pre-commercial material.

Investing activities

Net cash used in investing activities was \$1,896 and \$15,434 for the period ended March 31, 2007 and 2006, respectively. Amounts used for the purchase of property and equipment totaled \$530 and \$413 for the three months ended March 31, 2007 and 2006, respectively. The increase in property and equipment for the three months ended March 31, 2007 primarily related to the expansion of the pre-commercial manufacturing facility to support the production of pre-commercial material. We anticipate that these expansion project expenses will increase in the following two quarters.

Financing activities

Net cash received from financing activities was \$65 and \$16,830 for the three months ended March 31, 2007 and 2006. The proceeds from financing activities consisted of option and warrant exercises for the three month period ended March 31, 2007. For the three month period ended March 31, 2006 cash flows from financing activities primarily consisted of \$17,434 from the proceeds of the sale of redeemable convertible preferred stock, net of issuance costs.

Contractual Obligations

The following table summarizes our contractual obligations at March 31, 2007 and the effects such obligations are expected to have on our liquidity and cash flows in our future periods:

	Payments Due by Period				
	Total	Less Than 1 year	2-3 Years	4-5 Years	More Than 5 years
Operating lease obligations	\$ 7,946	\$ 860	\$ 2,332	\$ 2,363	\$ 2,391
Purchase obligations	225	25	50	50	100
	<u>\$ 8,171</u>	<u>\$ 885</u>	<u>\$ 2,382</u>	<u>\$ 2,413</u>	<u>\$ 2,491</u>

Off-Balance Sheet Arrangements

As of March 31, 2007, we had no off-balance sheet arrangements as defined in Item 303(a) (4) of the Securities and Exchange Commission's Regulation S-K.

Related Party Transactions

We have recorded license and royalty revenue from Tepha, Inc., a related party, during the three months ended March 31, 2007 and 2006. We also have various transactions with our alliance partner ADM, a related party, during the three months ended March 31, 2007 and 2006. In 2005 we granted an option to purchase common stock to the spouse of one of our directors, a related party, in connection with a consulting agreement. For more information on our related party transactions, please see Note 10 to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2006.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No.157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The standard is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We do not believe the adoption of SFAS No. 157 in the first quarter of 2008 will have a material impact on the financial statements.

In February 2007, the FASB issued SFAS no. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FAS 115*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The fair value option established by this statement permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings (or another performance indicator if the business entity does not report earnings) at each subsequent reporting date. The objective is to improve financial reporting by

providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. The standard is effective for financial statements issued for fiscal years beginning after November 15, 2007. We do not believe the adoption of SFAS No. 159 in the first quarter of 2008 will have a material impact on the financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in information affecting our market risk since the end of the fiscal year ended December 31, 2006, as described in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2006.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

The Company's management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, our chief executive officer and chief financial officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, on a timely basis, and is accumulated and communicated to the Company's management, including the Company's chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

No change in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) occurred during the first quarter of 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company is involved in various investigations, claims and legal proceedings that arise in the ordinary course of business activities.

Procter & Gamble Company ("P&G") filed a nullity action on March 8, 2005 in Germany seeking to revoke the German equivalent of one of the Company's patents. The patent is licensed by the Massachusetts Institute of Technology ("MIT") exclusively to the Company. The Company is controlling the response to the nullity action, at the Company's expense, with MIT's cooperation. The Company believes this nullity action is without merit and intends to vigorously defend this patent. The Company is unable to determine the potential outcome at this time and has not reserved for any potential liability in this matter as of March 31, 2007.

ITEM 1A. RISK FACTORS

There have been no material changes in information regarding our risk factors since the end of the fiscal year ended December 31, 2006, as described in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2006.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Use of Proceeds from Registered Securities

During the quarter ended March 31, 2007, the Company issued an aggregate of 473,642 shares of common stock upon the exercise of warrants as follows:

An aggregate of 30,443 shares of common stock were issued upon exercise of warrants for which the exercise price of \$.1224 per share was paid in cash.

An aggregate of 307,337 shares of common stock were issued in net exercise transactions upon the exercise of warrants having an exercise price of \$.1224 per share.

An aggregate of 135,862 shares of common stock were issued in net exercise transactions upon the exercise of warrants having an exercise price of \$13.2142 per share.

The shares of common stock were issued to stockholders who had acquired warrants in connection with the Company's private placement financings during the period from 2002 to 2005. No underwriters were involved in the exercise transactions, and there were no underwriting discounts or commissions. The issuance of securities described above were deemed to be exempt from registration under the Securities Act of 1933 in reliance on Section 4(2) of the Securities Act of 1933 as transactions by an issuer not involving any public offering. The recipients of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates and other instruments issued in such transactions. The sales of these securities were made without general solicitation or advertising.

Use of Proceeds from Registered Securities

There has been no material change in the planned use of proceeds from our initial public offering as described in our Annual Report on Form 10-K for the year ended December 31, 2006.

Issuer Purchases of Equity Securities

During the quarter ended March 31, 2007, there were no repurchases made by us or on our behalf, or by any "affiliated purchasers," of shares of our common stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

ITEM 5. OTHER INFORMATION

On March 30, 2007, the Company entered into a lease with Fortune Wakefield, LLC, as landlord, for approximately 14,000 square feet of space in Lowell, Massachusetts. The lease has a term of five years. The Company intends to use this space, in addition to its headquarters location in Cambridge, Massachusetts, for office and laboratory purposes.

On May 3, 2007, Metabolix, Inc. appointed its current Chairman of the Board, Jay Kouba, Ph.D., as President and Chief Executive Officer. Dr. Kouba replaced James J. Barber, Ph.D., who resigned on May 3, 2007, as President, Chief Executive Officer and as a member of the Board of Directors. Upon his appointment as President and Chief Executive Officer, Mr. Kouba resigned as a member of the audit committee. On May 11, 2007, Metabolix notified the Nasdaq Stock Market, LLC ("Nasdaq") that due to Mr. Kouba's resignation from the audit committee Metabolix's audit committee was comprised of two members and was not in compliance with Marketplace Rule 4350(d)(2)(A) which requires an audit committee comprised of three members. Metabolix also notified Nasdaq that it was relying on a 180-grace period to appoint a third member to its audit committee pursuant to Rule 4350(d)(4). Metabolix intends to appoint a third member to its audit committee at its next board meeting to be held on May 17, 2007.

ITEM 6. EXHIBITS

- 10.1 Lease by and between Fortune Wakefield, LLC ("Landlord") and Metabolix, Inc. dated March 30, 2007 (filed herewith).
- 31.1 Rule 13a-14(a)/15d-14(a) Certification (furnished herewith).
- 31.2 Rule 13a-14(a)/15d-14(a) of Certification (furnished herewith).
- 32.1 Section 1350 Certification (furnished herewith).

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.

METABOLIX, INC.

May 11, 2007

By: /s/ JAY KOUBA
Jay Kouba
Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

May 11, 2007

By: /s/ THOMAS G. AUCHINCLOSS, JR.
Thomas G. Auchincloss
Vice President and Chief Financial Officer
(Principal Financial Officer)

LEASE

This instrument is an indenture of lease by and between **Fortune Wakefield, LLC** ("Landlord") and **Metabolix, Inc., a Massachusetts corporation** ("Tenant").

The parties to this instrument hereby agree with each other as follows:

ARTICLE I
SUMMARY OF BASIC LEASE PROVISIONS

1.1 INTRODUCTION

As further supplemented in the balance of this instrument and its Exhibits, the following set forth the basic terms of this Lease, and, where appropriate, constitute definitions of certain terms used in this Lease.

1.2 BASIC DATA

Date:	March 30, 2007
Landlord:	Fortune Wakefield, LLC
Present Mailing Address of Landlord:	c/o Farley White Management Company, LLC 660 Suffolk Street Lowell, MA 01854
Payment Address:	Fortune Wakefield, LLC c/o Farley White Management Company, LLC 10 High Street Suite 900 Boston, MA 02110
Managing Agent:	Farley White Management Company, LLC 660 Suffolk Street Lowell, MA 01854
Tenant:	Metabolix, Inc.
Mailing Address of Tenant:	650 Suffolk Street Lowell, MA 01854
Premises:	13,702 Rentable Square Feet
Lease Term:	Five (5) Years (plus the partial calendar month, if any, immediately following the Term Commencement Date).
Term Commencement Date:	The later of May 18, 2007 or the date that Landlord's Work is Substantially Complete. However, if prior thereto Tenant occupies the Premises for the purpose of conducting its business, the Term Commencement Date shall be immediate upon such date of occupancy.

Base Rent:	Years 1-3:	\$178,126.00 per annum (\$14,843.83 per month)
	Year 4:	\$191,828.00 per annum (\$15,985.67 per month)
	Year 5:	\$205,530.00 per annum (\$17,127.50 per month)
Rent Commencement Date:	The Rent Commencement Date shall be the same as the Term Commencement Date.	
Security Deposit:	\$44,531.50.	
Permitted Use:	For general office and research and development laboratory use and for no other purpose or purposes.	
Tenant's Proportionate Share:	5.37%. Tenant's Proportionate Share shall be adjusted in the event of any increase or decrease in the total square footage of rentable floor area contained within the Premises and/or the Building, based upon the square footage of rentable floor area contained within the Premises as compared to the square footage of rentable floor area contained within the Building, as increased or decreased.	
Operating Expense Base	Actual Calendar Year 2006 Expenses	

Unreserved Parking Spaces:

The total number of parking spaces: Forty-One (41).

Location of Parking spaces: Five (5) - West Yard, Nine (9) - Tremont yard, Twenty-Seven (27)- Ayotte Garage. Parking spaces will not be reserved and will be used in common with others entitled to use spaces in the yards and the garage.

1.3 ENUMERATION OF EXHIBITS

Exhibit A:	Plan showing the Premises.
Exhibit B:	Landlord's Work.
Exhibit C:	Building Services
Exhibit D:	Commencement Date Agreement
Exhibit E:	Form of Letter of Credit in Lieu of Security Deposit

ARTICLE II
DESCRIPTION OF PREMISES AND APPURTENANT
RIGHTS

2.1 LOCATION OF PREMISES

The Landlord hereby leases to Tenant, and Tenant hereby accepts from Landlord, the premises (the "Premises") identified on **Exhibit A** in Landlord's building (the "Building") located at 175 Cabot Street and 650 & 660 Suffolk Street in Lowell, MA. Nothing in Exhibit A shall be treated as a representation that the Premises or the Building shall be precisely of the area, dimensions, or shapes as shown, it being the

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intention of the parties only to show diagrammatically, rather than precisely, on **Exhibit A** the layout of the Premises and the Building.

2.2 APPURTENANT RIGHTS AND RESERVATIONS

Tenant shall have, as appurtenant to the Premises, rights to use in common with others entitled thereto the common facilities included in the Building or the land on which the Building is located (the "Lot"), including common walkways, driveways, lobbies, hallways, ramps, and stairways. Such rights shall always be subject to reasonable rules and regulations from time to time established by Landlord by suitable notice, and to the right of Landlord to designate and to change from time to time the areas and facilities so to be used, provided that such changes do not unreasonably interfere with the use of the Premises for the Permitted Use. Tenant shall abide by the Rules and Regulations from time to time established by Landlord, it being agreed that such Rules and Regulations will be established and applied by Landlord in a non-discriminatory fashion, such that all Rules and Regulations shall be generally applicable to other tenants of the Building of similar nature to the Tenant named herein. Landlord agrees to use reasonable efforts to insure that any such Rules and Regulations are uniformly enforced, but Landlord shall not be liable to Tenant for violation of the same by any other tenant or occupant of the Building, or persons having business with them. In the event that there shall be a conflict between such Rules and Regulations and the provisions of this Lease, the provisions of this Lease shall control.

Not included in the Premises are the roof or ceiling, the floor and all perimeter walls of the space identified in **Exhibit A**, except the inner surfaces thereof and the perimeter doors and windows. The Landlord reserves the right to install, use, maintain, repair and replace in the Premises (but in such manner as not unreasonably to interfere with Tenant's use of the Premises) utility lines, shafts, pipes, and the like, in, over and upon the Premises, provided that the same are located above the dropped ceiling (or, if there is no dropped ceiling, then within three (3) feet of the roof deck), below the floor surfaces or tight against demising walls or columns. Landlord agrees to repair any damage to the Premises caused by the installation of any such items. Such utility lines, shafts, pipes and the like shall not be deemed part of the Premises under this Lease. The Landlord also reserves the right to alter or relocate any common facility, provided that substitutions are at least equivalent in quality and functional utility to the common facilities as of the date of this Lease, and to change the lines of the Lot.

Landlord shall cause Tenant's name to be listed on the building directory and at the entry way to the Premises of similar type to the other signage in the Building.

ARTICLE III
TERM OF LEASE; CONDITION OF PREMISES

3.1 TERM OF LEASE

The term of this Lease shall be the period specified in Section 1.2 hereof as the "Lease Term" commencing upon the Term Commencement Date specified in Section 1.2.

Landlord and Tenant shall execute an agreement substantially in the form of Exhibit D setting forth the Term Commencement Date.

3.2 CONDITION OF PREMISES

Prior to the delivery of the Premises to Tenant pursuant to **Exhibit B**, and based upon mutually acceptable plans, Landlord shall perform at its sole expense a turn-key build-out of the Premises. All work shall be performed in a good and workmanlike manner using Building Standard materials. Landlord agrees to use reasonable efforts to Substantially Complete Landlord's Work by May 1, 2007. Substantially Complete shall mean that the Premises is available for occupancy and the work is complete with the exception of minor punch list items. Landlord shall not be liable to Tenant or any other party, and Tenant's obligations shall not be reduced hereunder in the event that the work is not Substantially Complete by the Term Commencement Date. In the event of a material delay caused by Tenant, the Rent Commencement Date shall be accelerated by one day for each day of delay. All other work necessary to prepare said Premises for occupancy by Tenant shall be performed by Tenant at its own expense.

Tenant shall pay for the cost to install any wire molds or any floor mounted electric / data outlets.

3.3 OPTION TO EXTEND

Provided that Tenant is still occupying the Premises and is not then in default beyond any applicable cure period pursuant to the Lease, Tenant may elect to extend the term of the Lease for one (1) five (5) year period (the "Extension Term"), by giving Landlord notice of such election no later than twelve (12) months prior to the Term Expiration Date. Any extension shall be upon the terms, covenants, and conditions contained in this Lease except that Tenant shall have no further right to extend the Lease Term and except that the Base Rent for the Extension Term shall be at fair market rent for comparable space in comparable properties in the greater Lowell area and not less than the then current Base Rent.

If Landlord and Tenant are unable to agree on the amount of such fair market rent by the date that is thirty (30) days after the date of Tenant's election notice based on rental rates and terms for comparable space in the greater Lowell area, then Landlord shall promptly specify in writing the rent (the "Landlord's Rental Rate") at which Landlord is willing to lease the Premises for the Extension Term and Tenant shall promptly specify in writing the rent (the "Tenant's Rental Rate") which Tenant is willing to pay for the Premises for the Extension Term and the amount of the fair market rent shall be established by appraisal in the following manner. The Landlord and Tenant shall each appoint one appraiser and the two appraisers so appointed shall determine the fair market rent within thirty (30) days of Tenant's election notice. If such appraisers are unable to agree on the amount of such fair market rent within such thirty- (30) day period, they shall appoint a third appraiser within ten (10) days of the expiration of such period, who shall be instructed to select, as between the rents chosen by the two appraisers, the rent that is closest to the third appraiser's estimate of fair market rent. The fair market rent shall be the amount so selected by the third appraiser and shall be conclusive on the Landlord and Tenant.

Each party shall bear the cost of its appraiser, and the cost of the third appraiser shall be split equally between parties; provided that if the rental rate as so determined is equal to or greater than the Landlord's Rental Rate, then Tenant shall pay the entire cost of all appraisers and if such rate as so determined is equal to or less than Tenant's Rental Rate, then Landlord shall pay the entire cost of all appraisers.

Until such time as the fair market rent is so determined, Tenant shall continue to pay Base Rent at the rate of \$205,530.00 per annum in monthly installments of \$17,127.50 with appropriate adjustments once the fair market rent is determined. The third appraiser's estimate shall be based on the data supplied and used by the original two appraisers and the findings made by the third appraiser shall be set forth in writing.

ARTICLE IV RENT

4.1 RENT PAYMENTS

The Base Rent (at the rates specified in Section 1.2 hereof) and the additional rent or other charges payable pursuant to this Lease (collectively the "Rent") shall be payable by Tenant to Landlord at the Payment Address or such other place as Landlord may from time to time designate by notice to Tenant without any demand whatsoever except as otherwise specifically provided in this Lease and without any counterclaim, offset or deduction whatsoever. Rent shall be made payable to the order of Managing Agent as agent for Landlord.

(a) Commencing on the Rent Commencement Date, Base Rent and the monthly installments of Tenant's Proportionate Share of the Taxes and Tenant's Proportionate Share of Operating Expenses shall be payable in advance on the first day of each and every calendar month during the term of this Lease. If the Rent Commencement Date falls on a day other than the first day of a calendar month, the first payment which Tenant shall make shall be made on the Rent Commencement Date and shall be equal to a proportionate part of such monthly Rent for the partial month from the Rent Commencement Date to the

first day of the succeeding calendar month, and the monthly Rent for such succeeding calendar month. As used in this Lease, the term "lease year" shall mean any twelve (12) month period commencing on the Rent Commencement Date.

(b) Base Rent and the monthly installments of Tenant's Proportionate Share of the Taxes and Tenant's Proportionate Share of Operating Expenses for any partial month shall be paid by Tenant to Landlord at such rate on a pro rata basis. Any other charges payable by Tenant on a monthly basis, as hereinafter provided, shall likewise be prorated.

(c) Rent not paid within five (5) days of the date due shall be subject to an administrative charge of five (5) percent of the current monthly rent. Thereafter, any past due amount shall bear interest at a rate (the "Lease Interest Rate") equal to 1.5% per month.

4.2 REAL ESTATE TAX

(a) The term "Taxes" shall mean all taxes and assessments (including without limitation, assessments for public improvements or benefits and water and sewer use charges), and other charges or fees in the nature of taxes for municipal services which at any time during or in respect of the Lease Term may be assessed, levied, confirmed or imposed on or in respect of, or be a lien upon, the Building and the Lot, or any part thereof, or any rent therefrom or any estate, right, or interest therein, or any occupancy, use, or possession of such property or any part thereof, and ad valorem taxes for any personal property used in connection with the Building or Lot. Without limiting the foregoing, Taxes shall also include any payments made by Landlord in lieu of taxes. The Landlord agrees that Tenant's share of any special assessment shall be determined (whether or not Landlord avails itself of the privilege so to do) as if Landlord had elected to pay the same in installments over the longest period of time permitted by applicable law and Tenant shall be responsible only for those installments (including interest accruing and payable thereon) or parts of installment that are attributable to periods within the Lease Term.

Should the Commonwealth of Massachusetts, or any political subdivision thereof, or any other governmental authority having jurisdiction over the Building, (1) impose a tax, assessment, charge or fee, which Landlord shall be required to pay, by way of substitution for or as a supplement to such Taxes, or (2) impose an income or franchise tax or a tax on rents in substitution for or as a supplement to a tax levied against the Building or the Lot or any part thereof and/or the personal property used in connection with the Building or the Lot or any part thereof, all such taxes, assessments, fees or charges ("Substitute Taxes") shall be deemed to constitute Taxes hereunder. Taxes shall also include, in the year paid, all fees and costs incurred by Landlord in seeking to obtain a reduction of, or a limit on the increase in, any Taxes, regardless of whether any reduction or limitation is obtained. Except as hereinabove provided with regard to Substitute Taxes, Taxes shall not include any inheritance, estate, succession, transfer, gift, franchise, net income or capital stock tax.

(b) The Tenant shall pay to Landlord, as additional rent, Tenant's Proportionate Share of any increase in the Taxes assessed against the Building and Lot during any tax year (i.e., July 1 through June 30, as the same may change from time to time) over the Real Estate Tax Base as defined in Section 1.2 during the Lease Term. The Tenant shall pay to Landlord, together with monthly payments of Base Rent, pro rata monthly installments on account of the projected Tax increase over the Real Estate Tax Base for each lease year reasonably calculated by Landlord from time to time by Landlord with an adjustment made after the close of the tax year, to account for actual Taxes for such tax year. After the end of each tax year, Landlord shall submit to Tenant a reasonably detailed accounting of Taxes paid, including copies of all assessments, invoices, bills and other documents evidencing Taxes paid by Landlord, for such lease year, and Landlord shall certify to the accuracy thereof. The initial monthly payments on account of Taxes shall be none per month. If the total of such monthly installments in any lease year is greater than Tenant's Proportionate Share of actual Taxes for such tax year, Tenant shall be entitled to a credit against Tenant's rental obligations hereunder in the amount of such difference or, if the Lease Term has expired and Tenant has no outstanding monetary obligations to Landlord, Landlord shall promptly pay such amount to Tenant. In no event shall the Landlord credit Tenant's account for an amount greater than the amount of Taxes paid in by Tenant during the lease year. If the total of such monthly installments is less than such liability for such tax year, Tenant shall pay to Landlord the amount of such difference within thirty (30) days after Tenant receives Landlord's invoice therefor.

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(c) If any increase in Taxes over the Real Estate Tax Base, with respect to which Tenant shall have paid Tenant's Proportionate Share, shall be adjusted to take into account any abatement or refund, Tenant shall be entitled to a credit against rental obligations hereunder, in the amount of Tenant's Proportionate Share of such abatement or refund less Landlord's costs or expenses, including without limitation appraiser's and attorneys' fees, of securing such abatement or refund or, if the Lease Term has expired and Tenant has no outstanding monetary obligations to Landlord, Landlord shall promptly pay such amount to Tenant. The Tenant shall not apply for any real estate tax abatement without the prior written consent of Landlord. In no event shall Landlord credit Tenant's account for an amount greater than the amount of Taxes actually paid in by Tenant during the lease year.

(d) Tenant shall pay or cause to be paid, prior to delinquency, any and all taxes and assessments levied upon all trade fixtures, inventories and other personal property placed in and upon the Premises by Tenant.

4.3 TENANT'S SHARE OF OPERATING COSTS

The Tenant shall pay to Landlord, as additional rent, Tenant's Proportionate Share of increases in Operating Costs (defined below) over the Operating Expense Base. The Tenant shall pay to Landlord pro rata monthly installments on account of the projected increase in Operating Costs over the Operating Expense Base (as defined in Section 1.2) for each lease year during the Lease Term in amounts reasonably calculated from time to time by Landlord with an adjustment made after the close of the lease year, to account for actual Operating Costs for such lease year. After the end of each lease year, Landlord shall submit to Tenant a reasonably detailed accounting of Operating Costs for such lease year, and Landlord shall certify to the accuracy thereof. The initial monthly payments on account of Operating Costs shall be none per month. If the total of such monthly installments in any lease year is greater than Tenant's Proportionate Share of actual Operating Costs for such lease year, Tenant shall be entitled to a credit against Tenant's monthly installments on account of projected Operating Costs hereunder in the amount of such difference or, if the Lease Term has expired and Tenant has no outstanding monetary obligations to Landlord, Landlord shall promptly pay such amount to Tenant. In no event shall the Landlord credit Tenant's account for an amount greater than the amount of Operating Costs actually paid in by Tenant during the lease year. If the total of such monthly installments is less than such liability for such lease year, Tenant shall pay to Landlord the amount of such difference, as additional rent, within thirty (30) days after Tenant receives Landlord's invoice therefor.

As used in this Lease, the term "Operating Costs" shall mean all costs and expenses incurred by Landlord in connection with operation, insuring, repair, equipping, maintenance, management, cleaning and protection (collectively, "the Operation") of the Building, the Building heating, ventilating, electrical, plumbing, and other systems and the Lot (collectively, "the Property"), including, without limitation, the following:

(1) All expense incurred by Landlord or its agents which shall be related to employment of day and night supervisors, janitors, handymen, carpenters, engineers, firemen, mechanics, electricians, plumbers, guards, cleaners and other personnel (including amounts incurred for wages, salaries and other compensation for services, payroll, social security, unemployment and similar taxes, workmen's compensation insurance, disability benefits, pensions, hospitalization, retirement plans and group insurance, uniforms and working clothes and the cleaning thereof, and expenses imposed on Landlord or its agents pursuant to any collective bargaining agreement), for services in connection with the Operation of the Property, and personnel engaged in supervision of any of the persons mentioned above; provided, however, that the costs of employing personnel who work less than full-time in connection with the Operation of the Property shall be equitably adjusted;

(2) The cost of services, materials and supplies furnished or used in the Operation of the Property;

(3) The amounts paid to managing agents and for legal and other professional fees relating to the Operation of the Property, but excluding such fees paid in connection with (x) negotiations for or the enforcement of leases; and (y) seeking abatements of Taxes; provided, however, that management fees shall not exceed prevailing market rates;

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- (4) Insurance premiums and the positive difference, if any, between the amounts of what the insurance premiums would be if such insurance were maintained without deductibles over the actual premiums for such policies;
- (5) Costs for electricity, steam and other utilities required in the Operation of the Property;
- (6) Water and sewer use charges;
- (7) The costs of snow-plowing and removal, parking fees and parking lot maintenance, and landscaping;
- (8) Amounts paid to independent contractors for services, materials and supplies furnished for the Operation of the Property; and
- (9) All other expenses incurred in connection with the Operation of the Property.

Operating Costs may be incurred directly or by way of reimbursement, and shall include taxes applicable thereto. The following shall be excluded from Operating Costs:

- (1) Salaries of officers and executives of Landlord not connected with the Operation of the Property (i.e., above the level of Building Manager) and other costs and expenses associated with the Operation of the Property, but allocable to other properties (e.g., where a service is provided at a single cost to both the Property and another property of Landlord, an equitable allocation shall be made to exclude the cost fairly attributable to such other property);
- (2) Depreciation of the original construction costs of the Building;
- (3) Expenses relating to tenants' alterations;
- (4) Interest on indebtedness;
- (5) Expenses for which Landlord, by the terms of this Lease or any other lease, makes a separate charge;
- (6) Real estate taxes;
- (7) The cost of any electric current or other utilities furnished to the Building tenants and separately metered or billed;
- (8) Leasing fees or commissions;
- (9) Capital expenses; and
- (10) other expenses incurred in the construction of additional leasable area on the Property.

Provided that Tenant shall have first paid all of amounts due and payable by Tenant pursuant to this Article III and upon written notice of Tenant within 60 days of the receipt of a final certificate (but not more than once with respect to any operating year), Tenant may cause Landlord's books and records to be audited with respect to Operating Costs or Taxes applicable to the Building for such operating year. The audit shall be performed within 30 days of Landlord's receipt of notice by a certified public accountant at Tenant's sole cost and expense and at a mutually agreeable time and place where the books and records are customarily kept by the Landlord (or property manager) in the ordinary course. During such time of audit Tenant shall pay its full share of Operating Costs and Taxes. If it is determined that there are any amounts owed Tenant or Landlord as a result of said audit, such amount shall be reimbursed to the other within 30 days of said audit results. Tenant shall keep the results of any such audit confidential and shall not disclose the results of such inspection nor the content of such books and records with any third party other than Tenant's consultants and attorneys. Failure of Tenant to provide Landlord with a written request to review such books and records in a timely manner pursuant to this Article 3 with respect to each operating year shall be deemed a waiver of Tenant's rights hereunder with respect to such operating year.

ARTICLE V USE OF PREMISES

5.1 PERMITTED USE

Tenant agrees that the Premises shall be used and occupied by Tenant only for the purposes specified as the Permitted Use thereof in Section 1.2 of this Lease, and for no other purpose or purposes.

The Tenant shall comply and shall cause its employees, agents, and invitees to comply with such reasonable rules and regulations as Landlord shall from time to time establish for the proper regulation of the Building and the Lot, provided that Landlord gives Tenant reasonable advance notice thereof and that such additional rules and regulations shall be of general application to all the tenants in the Building, except where different circumstances justify different treatment.

5.2 COMPLIANCE WITH LAWS

Tenant agrees that no trade or occupation shall be conducted in the Premises or use made thereof which will be unlawful, improper, or contrary to any law, ordinance, by-law, code, rule, regulation or order applicable in the municipality in which the Premises are located or which will disturb the quiet enjoyment of the other tenants of the Building. Tenant shall obtain any and all approvals, permits, licenses, variances and the like from governmental or quasi-governmental authorities, including without limitation any Architectural Access Board and Board of Fire Underwriters (collectively, "Approvals") which are required for Tenant's use of the Premises, including, without limitation, any which may be required for any construction work and installations, alterations, or additions made by Tenant to, in, on, or about the Premises; provided, however, that Tenant shall not seek or apply for any Approvals without first having given Landlord a reasonable opportunity to review any applications for Approvals and all materials and plans to be submitted in connection

therewith and obtaining Landlord's written consent, which consent shall not be unreasonably withheld. In any event, Tenant shall be responsible for all costs, expenses, and fees in connection with obtaining all Approvals. Without limiting the general application of the foregoing, Tenant shall be responsible for compliance of the Premises, including, without limitation, any alterations it may make to the Premises with the requirements of the Americans with Disabilities Act (42 U.S.C. Section 12101 et seq.) and the regulations and Accessibility Guidelines for Buildings and Facilities issued pursuant thereto, as the same may be amended from time to time (collectively, the "ADA"). The Landlord shall be responsible for the compliance with the requirements of the ADA of (x) the common areas of the Building and Lot; (y) the access to the Premises from the common areas and (z) the Premises as delivered to Tenant on the Term Commencement Date. Tenant's inability to obtain or delay in obtaining any such Approval shall in no event reduce, delay, or terminate Tenant's rental, payment, and performance obligations hereunder. Tenant shall, at its own cost and expense, (i) make all installations, repairs, alterations, additions, or improvements to the Premises required by any law, ordinance, by-law, code, rule, regulation or order of any governmental or quasi-governmental authority; (ii) keep the Premises equipped with all required safety equipment and appliances; and (iii) comply with all laws, ordinances, codes, rules, regulations, and orders and the requirements of Landlord's and Tenant's insurers applicable to the Premises, Building and Lot. Tenant shall not place a load upon any floor in the Premises exceeding the lesser of (a) the floor load per square foot of area which such floor was designed to carry as certified by Landlord's architect and (b) the floor load per square foot of area which is allowed by law. Landlord reserves the right to prescribe the weight and position of all business machines and mechanical equipment, including safes, which shall be placed so as to distribute the weight. Notwithstanding the foregoing paragraph, to the best of Landlord's knowledge, the Building is substantially in compliance with ADA.

5.3 INSURANCE RISKS

Tenant shall not permit any use of the Premises which will make voidable or, unless Tenant pays the extra insurance premium attributable thereto as provided below, increase the premiums for any insurance on the Building or on the contents of said property or which shall be contrary to any law or regulation from time to time established by the New England Fire Insurance Rating Association (or any

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successor organization) or which shall require any alteration or addition to the Building. Tenant shall, within thirty (30) days after written demand therefor, reimburse Landlord and all other tenants for the costs of all extra insurance premiums caused by Tenant's use of the Premises. Any such amounts shall be deemed to be additional rent hereunder.

5.4 ELECTRICAL EQUIPMENT

The Tenant shall not, without Landlord's written consent in each instance, connect to the electrical distribution system any fixtures, appliances, or equipment which will operate individually or collectively at a wattage in excess of the capacity of the electrical system serving the Premises as the same may be reasonably determined by Landlord and Landlord may audit Tenant's use of electric power to determine Tenant's compliance herewith. If Landlord, in its sole discretion, permits such excess usage, Tenant will pay for the cost of such excess power as additional rent, together with the cost of installing any additional risers, meters, or other facilities that may be required to furnish or measure such excess power to the Premises.

5.5 TENANT'S OPERATIONAL COVENANTS

(a) Affirmative Covenants

In regard to the use and occupancy of the Premises, and except as set forth in Exhibit C, Tenant will at its expense: (1) keep the inside and outside of all glass in the doors and windows of the Premises reasonably clean; (2) replace promptly any cracked or broken glass of the Premises with glass of like kind and quality; (3) maintain the Premises in a clean, orderly and sanitary condition and free of insects, rodents, vermin and other pests; (4) keep any garbage, trash, rubbish or other refuse in vermin-proof containers within the interior of the Premises until removed (and Tenant shall cause the Premises to be inspected and exterminated on a regular basis by a reputable, licensed exterminator and shall provide Landlord, on request, with a copy of Tenant's contract for such services); (5) keep all mechanical apparatus free of vibration and loud noise which may be transmitted beyond the Premises; and (6) comply with and observe all rules and regulations reasonably established by Landlord from time to time.

(b) Negative Covenants

In regard to the use and occupancy of the Premises and common areas, Tenant will not: (7) place or maintain any trash, refuse or other articles in any vestibule or entry of the Premises, on the sidewalks or corridors adjacent thereto or elsewhere on the exterior of the Premises so as to obstruct any corridor, stairway, sidewalk or common area; (8) permit undue accumulations of or burn garbage, trash, rubbish or other refuse within or without the Premises; (9) cause or permit objectionable odors to emanate or to be dispelled from the Premises except by means of an exhaust systems used in the normal course of Tenant's business, approved by the Landlord in its reasonable discretion and maintained in accordance with any applicable laws or regulations; or (10) commit, or suffer to be committed, any waste upon the Premises or any public or private nuisance or other act or thing which may disturb the quiet enjoyment of any other tenant or occupant of the Building, or use or permit the use of any portion of the Premises for any unlawful purpose; (11) park trucks or other vehicles in a manner that will block access to the loading docks serving the Building, except when Tenant is actively using such loading docks.

5.6 SIGNS

Except as expressly permitted in this Section 5.6, Tenant shall not place any signs, placards, or the like on the Building or in the Premises that will be visible from outside the Premises (including without limitation both interior and exterior surfaces of windows).

5.7 HAZARDOUS MATERIALS

The Tenant shall not use, handle or store or dispose of any oil, hazardous or toxic substances, materials or wastes (collectively "Hazardous Materials") in, under, on or about the Property or in any Tenant vehicles parked on the Property except for such storage and use consented to by Landlord in advance which consent may be withheld in Landlord's sole and absolute discretion. Any Hazardous

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Materials in the Premises, and all containers therefor, shall be used, kept, stored and disposed of in conformity with all applicable laws, ordinances, codes, rules, regulations and orders of governmental authorities. If the transportation, storage, use or disposal of Hazardous Materials anywhere on the Property in connection with Tenant's use of the Premises results in (1) contamination of the soil or surface or ground water or (2) loss or damage to person(s) or property, then Tenant agrees (i) to notify Landlord immediately of any contamination, claim of contamination, loss or damage, (ii) after consultation with and approval by Landlord, to clean up all contamination in full compliance with all applicable statutes, regulations and standards, and (iii) to indemnify, defend and hold Landlord harmless from and against any claims, suits, causes of action, costs and fees, including, without limitation, reasonable attorneys' fees, arising from or connected with any such contamination, claim of contamination, loss or damage. This provision shall survive the termination of this Lease. No consent or approval of Landlord shall in any way be construed as imposing upon Landlord any liability for the means, methods, or manner of removal, containment or other compliance with applicable law for and with respect to the foregoing. The terms of this Section 5.7 shall apply to any transportation, storage, use or disposal of Hazardous Materials irrespective of whether Tenant has obtained Landlord's consent therefor but nothing in this Lease shall limit or otherwise modify the requirement of obtaining Landlord's prior consent as set forth in the first sentence of this Section 5.7.

Notwithstanding anything set forth in the preceding paragraph, Landlord acknowledges that Tenant's business requires the use of certain Hazardous Materials and Landlord hereby expressly consents to the use of such Hazardous Materials as are used or may be used in the course of Tenant's business during the Lease Term; provided that such use complies with all applicable laws and regulations and is consistent with industry standards and practice. Upon reasonable request of Landlord, Tenant shall identify any materials being stored or otherwise in use on the Premises or Tenant's vehicles and shall cooperate fully with Landlord in any investigation thereof.

ARTICLE VI INSTALLATIONS, ALTERATIONS, AND ADDITIONS

6.1 INSTALLATIONS, ALTERATIONS, AND ADDITIONS

Tenant shall not make structural installations, alterations, or additions to the Premises, but may make nonstructural installations, alterations or additions provided that Landlord consents thereto in advance and in writing, which consent shall not be unreasonably withheld, delayed or conditioned as to work in the existing office space that will not affect the utility or building service systems or equipment. In any event, Tenant shall not demolish the existing office space in the Premises, without the prior written approval of Landlord, which approval may be withheld in Landlord's sole and absolute discretion. In no event shall Landlord's approval of any proposed installations, alterations, or additions to the Premises, whether in connection with Tenant's initial leasehold improvements or otherwise, constitute a representation by Landlord that such work complies with the requirements of any applicable law or regulation, including without limitation the requirements of the ADA. Any installations, alterations, or additions made by Tenant shall be at Tenant's sole cost and expense and shall be done in a good and workmanlike manner using materials of a quality at least equivalent to that of the existing improvements and in compliance with the requirements of Section 5.2; and prior to Tenant's use of the Premises, after the performance of any such work, Tenant shall procure certificates of occupancy and any other required certificates. Tenant shall not suffer or permit any mechanics' or similar liens to be placed upon the Premises for labor or materials furnished to Tenant or claimed to have been furnished to Tenant in connection with work of any character performed or claimed to have been performed at the direction of Tenant, and shall cause any such lien to be released of record forthwith without cost to Landlord. Any and all Tenant installations, alterations, and additions, in or to the Premises, that are intended to become or do become part of the real estate or fixtures therein (other than trade fixtures that are readily removable without damage to the Premises) including but not limited to equipment, appliances, and machinery, shall be fully paid for and free and clear of any and all chattel mortgages, conditional bills of sale, security interests, or any liens or encumbrances of any kind or nature. At all times when any installation, alteration, or addition by Tenant is in progress, there shall be maintained, at Tenant's cost and expense, insurance meeting the requirements of Section 11.3 below and certificates of insurance evidencing such coverage shall be furnished to Landlord prior to the commencement of any such work. Any installations, alterations or additions made by Tenant to the Premises, including, without limitation, all utility systems, fixtures, machinery, equipment, and appliances installed in connection therewith, other than movable personal property, shall become the property of

Landlord at the termination or expiration of this Lease, unless Landlord requires, at the time of Landlord's approval of such work, Tenant to remove any of the same, in which event Tenant shall, at its own cost and expense, comply with such requirement and repair any damage caused by such removal.

ARTICLE VII ASSIGNMENT AND SUBLETTING

7.1 PROHIBITION

Notwithstanding any other provision of this Lease, Tenant shall not, directly or indirectly, assign, mortgage, pledge or otherwise transfer, voluntarily or involuntarily, this Lease or any interest herein or sublet (which term without limitation, shall include granting of concessions, licenses, and the like) or allow any other person or entity to occupy the whole or any part of the Premises, without, in each instance, having first received the express consent of Landlord, which consent shall not be unreasonably withheld. Any assignment of this Lease or subletting of the whole or any part of the Premises (other than as permitted to a subsidiary or a controlling corporation as set forth below) by Tenant without Landlord's express consent shall be invalid, void and of no force or effect. This prohibition includes, without limitation, any assignment, subletting, or other transfer which would occur by operation of law, merger, consolidation, reorganization, acquisition, transfer, or other change of Tenant's corporate or proprietary structure, including a change in the partners of any partnership, and the sale, pledge, or other transfer of any of the issued or outstanding capital stock of any corporate Tenant (unless such stock is publicly traded on a recognized security exchange or over-the-counter market). Any request for consent under this Section 7.1 shall set forth, in detail reasonably satisfactory to Landlord, the identification of the proposed assignee or sublessee, its financial condition and the terms on which the proposed assignment or subletting is to be made, including, without limitation, the rent or any other consideration to be paid in respect thereto and such request shall be treated as Tenant's warranty in respect of the information submitted therewith.

In any case where Landlord shall consent to any assignment or subletting, Tenant originally named herein shall remain fully liable for Tenant obligations hereunder, including, without limitation, the obligation to pay the rent and other amounts provided under this Lease and such liability shall not be affected in any way by any future amendment, modification, or extension of this Lease or any further assignment, other transfer, or subleasing and Tenant hereby irrevocably consents to any and all such transactions. Notwithstanding anything set forth in the previous sentence, in no event shall any amendment, modification, or extension of the terms of this Lease agreed to by the Landlord and any assignee or sublessee increasing the obligations of Tenant imposed

under the terms of this Lease be binding on Tenant. Tenant agrees to pay to Landlord, within fifteen (15) days of billing therefor, all reasonable legal and other out-of-pocket expenses incurred by Landlord in connection with any request to assign or sublet. It shall be a condition of the validity of any permitted assignment or subletting that the assignee or sublessee agree directly with Landlord, in form satisfactory to Landlord, to be bound by all Tenant obligations hereunder, including, without limitation, the obligation to pay all Rent and other amounts provided for under this Lease and the covenant against further assignment or other transfer or subletting.

Without limiting Landlord's discretion to grant or withhold its consent to any proposed assignment or subletting, if Tenant requests Landlord's consent to assign this Lease or sublet all or any portion of the Premises, Landlord shall have the option, exercisable by notice to Tenant given within thirty (30) days after Landlord's receipt of such request, to terminate this Lease as of the date specified in such notice which shall be not less than thirty (30) nor more than sixty (60) days after the date of such notice for the entire Premises, in the case of an assignment or subletting of the whole, and for the portion of the Premises, in the case of a subletting of a portion. In the event of termination in respect of a portion of the Premises, the portion so eliminated shall be delivered to Landlord on the date specified in good order and condition in the manner provided in Section 8.1 at the end of the Lease Term and thereafter, to the extent necessary in Landlord's judgment, Landlord, at Landlord's sole cost and expense, may have access to and may make modification to the Premises so as to make such portion a self-contained rental unit with access to common areas, elevators and the like. Rent and Tenant's Proportionate Share shall be adjusted according to the extent of the Premises for which this Lease is terminated. Without limitation of the rights of Landlord hereunder in respect thereto, if there is any assignment of this Lease by Tenant for consideration or a subletting of the whole of the Premises by Tenant at a rent which exceeds the rent payable hereunder by Tenant, or if there is a subletting of a portion of the Premises by Tenant at a rent in excess of the subleased

portion's pro rata share of the Rent payable hereunder by Tenant, then Tenant shall pay to Landlord, as additional rent, forthwith upon Tenant's receipt of the consideration (or the cash equivalent thereof) therefor, in the case of an assignment, and in the case of a subletting, fifty percent (50%) of the amount of any such excess rent. The provisions of this paragraph shall apply to each and every assignment of this Lease and each and every subletting of all or a portion of the Premises, whether to a subsidiary or controlling corporation of Tenant or any other person, firm or entity, in each case on the terms and conditions set forth herein. For the purposes of this Section 7.1, the term "rent" shall mean all rent, additional rent or other payments and/or consideration payable by one party to another for the use and occupancy of all or a portion of the Premises.

The requirement of Landlord's prior consent and Landlord's recapture right shall not, however, be applicable to an assignment of this Lease by Tenant to a subsidiary (for such period of time as at least 50% of the stock of such subsidiary continues to be owned by Tenant, it being agreed that the subsequent sale or transfer of the stock of such subsidiary (either individually or in the aggregate) resulting in Tenant owning less than 50% of the stock of such subsidiary shall be treated as if such sale or transfer were, for all purposes, an assignment of this Lease governed by the provisions of this Section 7.1) or controlling corporation, provided (and it shall be a condition of the validity of any such assignment) that such subsidiary or controlling corporation agree directly with Landlord to be bound by all of the obligations of Tenant hereunder, including, without limitation, the obligation to pay the rent and other amounts provided for under this Lease, the covenant to use the Premises only for the purposes specifically permitted under this Lease and the covenant against further assignment; but such assignment shall not relieve Tenant herein named of any of its obligations hereunder, and Tenant shall remain fully liable therefor. Further, Landlord's consent shall not be required for an assignment of this Lease in connection with a transfer of substantially all operations of Tenant to another entity by way of merger, consolidation or sale of substantially all of the stock therein or assets thereof, provided that at the time of such assignment such entity has a net worth at least equal to that of Tenant or any guarantor on the date hereof or on the date of such assignment, whichever is greater.

7.2 ACCEPTANCE OF RENT FROM TRANSFEREE

The acceptance by Landlord of the payment of Rent, additional rent, or other charges following assignment, subletting, or other transfer prohibited by this Article VII shall not be deemed to be a consent by Landlord to any such assignment, subletting, or other transfer, nor shall the same constitute a waiver of any right or remedy of Landlord.

ARTICLE VIII REPAIRS AND MAINTENANCE

8.1 TENANT OBLIGATIONS

From and after the date that possession of the Premises is delivered to Tenant and until the end of the Lease Term, Tenant shall keep the Premises and every part thereof in good order, condition, and repair, reasonable wear and tear and damage by casualty, as a result of condemnation, or as a result of the failure of Landlord to provide services required to be provided hereunder only excepted; and shall return the Premises to Landlord at the expiration or earlier termination of the Lease Term in such condition.

8.2 LANDLORD OBLIGATIONS

Except as may be provided in Articles XII and XIII, Landlord agrees to provide the services described in **Exhibit C** and to keep in good order, condition, and repair the structural components and the roof of the Building, the common utility and Building systems, the common hallways, entrances, restrooms and elevators, the paved surface of the parking areas serving the Building and the sprinkler system to the extent the same is located outside the Premises except that Tenant shall reimburse Landlord, as additional rent hereunder, for the costs of maintaining, repairing, or otherwise correcting any condition caused by an act, omission, neglect or default under this Lease of Tenant or any employee, agent, or contractor of Tenant or any other party for whose conduct Tenant is responsible. Without limitation, Landlord shall not be responsible to make any improvements or repairs other than as expressly provided in this Section 8.2, and Landlord shall not be liable for any failure to make such repairs unless Tenant has given notice to Landlord

of the need to make such repairs and Landlord has failed to commence to make such repairs within a reasonable time thereafter.

ARTICLE IX
SERVICES TO BE FURNISHED BY LANDLORD;

9.1 LANDLORD'S SERVICES

The Landlord agrees to cause the parking areas, driveways, and walkways on the Lot to be kept clear of accumulations of dirt, litter, rubbish, ice and snow, cause the landscaping on the Lot to be kept in a neat and attractive condition, keep the parking areas on the Lot lighted as necessary from the hours of 6:00 p.m. until 8:00 a.m. and perform its obligations with respect to maintenance and repair set forth in Section 8.2 above. Upon the request of Tenant from time to time, Landlord shall use reasonable efforts to provide services at hours other than the times set forth above and Tenant shall reimburse Landlord as additional rent for the cost of such services within thirty (30) days after invoice therefor. Landlord shall have no obligation to provide utilities or equipment other than the utilities and equipment within the Premises as of the Term Commencement Date of this Lease. Tenant shall not, without first having obtained Landlord's prior written consent, which consent shall not be unreasonably withheld, install or use any additional air-conditioning or heating equipment in the Premises. In the event that Tenant should require additional utilities, appliances, machines or equipment, the installation, maintenance and costs thereof shall be Tenant's sole obligation, provided that any such installation shall require the written consent of Landlord, which consent Landlord shall not unreasonably withhold.

9.2 CAUSES BEYOND CONTROL OF THE LANDLORD

The Landlord shall in no event be liable for failure to perform any of its obligations under this Lease when prevented from doing so by causes beyond its reasonable control, including without limitation labor dispute, breakdown, accident, order or regulation of or by any governmental authority, or failure of supply, or inability by the exercise of reasonable diligence to obtain supplies, parts, or employees necessary to furnish services required under this Lease, or because of war or other emergency, or for any cause due to any act, neglect, or default of Tenant or Tenant's servants, contractors, agents, employees, licensees or any person claiming by, through or under Tenant, and in no event shall Landlord ever be liable to Tenant for any indirect, special or consequential damages under the provisions of this Section 9.2 or any other provision of this Lease. If there is an interruption of utility service or other building services to the Premises due to the negligence or willful misconduct of Landlord or its agents, employees, or contractors that renders all or any portion of the Premises untenable for the Permitted Use hereunder and Tenant actually vacates all or any portion of the Premises and notifies Landlord thereof, then, commencing on the third business day after Tenant so vacates the Premises and notifies Landlord thereof, then, as Tenant's sole and exclusive remedy therefor, the Rent shall proportionately abate until such services are restored and Landlord gives Tenant notice thereof or Tenant reoccupies the Premises (or such vacated portion), whichever occurs first.

9.3 SEPARATELY METERED UTILITIES

Effective on the Term Commencement Date, Tenant shall pay directly to the utility, as they become due, all bills for electricity, gas, water and sewer, and other utilities (whether they are used for furnishing heat or for other purposes) that are furnished to the Premises and now or hereafter separately metered or billed by the utility to the Premises. If any utilities used or consumed by Tenant are not separately metered, Tenant shall pay its allocable share of such utilities, based on use or pro rata share of the meter, as determined by Landlord.

ARTICLE X
INDEMNITY

10.1 THE TENANT'S INDEMNITY

The Tenant shall indemnify and save harmless Landlord, the directors, officers, agents, and employees of Landlord, against and from all claims, expenses, or liabilities of whatever nature (a) arising directly or indirectly from any default or breach by Tenant or Tenant's contractors, licensees, agents, servants, or employees under any of the terms or covenants of this Lease (including without limitation any violation of Landlord's Rules and Regulations and any failure to maintain or repair equipment or installations to be maintained or repaired by Tenant hereunder) or the failure of Tenant or such persons to comply with any rule, order, regulation, or lawful direction now or hereafter in force of any public authority, in each case to the extent the same are related, directly or indirectly, to the Premises or the Building, or Tenant's use thereof; or (b) arising directly or indirectly from any accident, injury, or damage, however caused, to any person or property, on or about the Premises; or (c) arising directly or indirectly from any accident, injury, or damage to any person or property occurring outside the Premises but within the Building or on the Lot, where such accident, injury, or damage results, or is claimed to have resulted, from any act, omission, or negligence on the part of Tenant, or Tenant's contractors, licensees, agents, servants, employees, or customers, or anyone claiming by or through Tenant: provided, however, that in no event shall Tenant be obligated under this clause (c) to indemnify Landlord, the directors, officers, agents, employees of Landlord, to the extent such claim, expense, or liability results from any omission, fault, negligence, or other misconduct of Landlord or the officers, agents, or employees of Landlord on or about the Premises or the Building.

This indemnity and hold harmless agreement shall include, without limitation, indemnity against all expenses, reasonable attorney's fees and liabilities incurred in connection with any such claim or proceeding brought thereon and the defense thereof with counsel acceptable to Landlord. At the request of Landlord, Tenant shall defend any such claim or proceeding directly on behalf and for the benefit of Landlord.

10.2 THE TENANT'S RISK

The Tenant agrees to use and occupy the Premises and to use such other portions of the Building and the Lot as Tenant is herein given the right to use at Tenant's sole risk; and Landlord shall have no responsibility or liability for any loss or damage, however caused, to furnishings, fixtures, equipment, or other personal property of Tenant or of any persons claiming by, through, or under Tenant.

10.3 INJURY CAUSED BY THIRD PARTIES

The Tenant agrees that Landlord shall not be responsible or liable to Tenant, or to those claiming by, through, or under Tenant, for any loss or damage resulting to Tenant or those claiming by, through, or under Tenant, or its or their property, that may be occasioned by or through the acts or omissions of persons occupying any part of the Building, or for any loss or damage from the breaking, bursting, crossing, stopping, or leaking of electric cables and wires, and water, gas, sewer, or steam pipes, or like matters.

10.4 SECURITY

Tenant agrees that, in all events, Tenant is responsible for providing security to the Premises and its own personnel, and that Landlord shall have no obligation to provide security to the Premises or the City of Lowell parking garage providing parking to the Premises. Landlord shall be responsible for providing security to the common areas of the Building and the Lot.

10.5 LANDLORD'S NEGLIGENCE OR MISCONDUCT

Notwithstanding anything to the contrary contained in this Article X, Landlord shall not be released from liability for any injury, loss, damages, or liability to the extent arising from the gross

negligence or gross misconduct of Landlord, its servants, employees or agents, acting within the scope of their authority on or about the Premises.

ARTICLE XI INSURANCE

11.1 PUBLIC LIABILITY INSURANCE

The Tenant agrees to maintain in full force from the date upon which Tenant first enters the Premises for any reason, throughout the Lease Term, and thereafter so long as Tenant is in occupancy of any part of the Premises, a policy of commercial general liability insurance, written on an occurrence basis and including contractual liability coverage to cover any liabilities assumed under this Lease, insuring against all claims for injury to or death of persons or damage to property on or about the Premises or arising out of the use of the Premises, including products liability, and completed operations liability. Each such policy shall designate Tenant as a named insured and Landlord, its managing agent, if any, and any mortgagees (as may be set forth in a notice given from time to time by Landlord) shall be named as additional insureds, as their interests appear.

The minimum limits of liability of such insurance shall be bodily injury and property damage combined single limit of \$3,000,000 per occurrence. The Landlord shall have the right from time to time to increase such minimum limits upon notice to Tenant, provided that any such increase shall provide for coverage in amounts similar to like coverage being carried on like property in the greater Boston area.

11.2 HAZARD INSURANCE

The Tenant agrees to maintain in full force from the date upon which Tenant first enters the Premises for any reason, throughout the Lease Term, and thereafter so long as Tenant is in occupancy of any part of the Premises, a policy insuring any leasehold improvements paid for by Tenant and all fixtures, equipment, and other personal property of Tenant against damage or destruction by fire or other casualty in an amount equal to the full replacement cost of such property. Tenant shall also maintain insurance against such other hazards as may from time to time reasonably be required by Landlord or the holder of any mortgage on the Premises, provided that such insurance is customarily carried in the area in which the Premises are located on property similar to the Building and that Tenant receives written notice specifying all such additional insurance as may be required. At Landlord's request, any such policies of insurance shall name any such mortgagee as loss payee under a standard mortgagee's clause.

Notwithstanding the foregoing, Tenant shall be permitted to self-insure its fixtures, equipment and other personal property from time to time located in, on or about the Premises, and all leasehold improvements to the Premises constructed or installed by Tenant, provided that at all times when Tenant so self-insures the same or any portion thereof, Tenant's net worth shall be and remain at least Twenty Million and 00/100 Dollars (\$20,000,000.00). During all periods in which Tenant so self-insures any of the same, the rights and obligations of Landlord and Tenant shall remain the same as if Tenant shall have purchased and kept in force thereon insurance from an independent, institutional insurer of recognized responsibility, and, without limitation, the provisions of Sections 10.2 and 11.5 of this Lease shall remain in full force and effect. The Tenant represents, by so self-insuring, that Tenant then is financially able to absorb any loss thereto without significant reduction of available capital or any other material, adverse effect on Tenant or its business operations, and that Tenant then is of at least such minimum net worth.

The Landlord shall maintain in full force throughout the Lease Term a policy of insurance upon the Building and its fixtures and equipment.

11.3 CONSTRUCTION PERIOD INSURANCE

At any time when demolition or construction work is being performed on or about the Premises or Building by or on behalf of Tenant, the Tenant shall keep in full force and effect the following insurance coverage:

(1) builder's risk completed value (non-reporting form) in such form and affording such protections as required by Landlord, naming Landlord and its mortgagees as additional insureds; and

(2) workers' compensation or similar insurance in form and amounts required by law.

Tenant shall cause a certificate or certificates of such insurance to be delivered to Landlord prior to the commencement of any work in or about the Building or the Premises, in default of which Landlord shall have the right, but not the obligation, to obtain any or all such insurance at the expense of Tenant, in addition to any other right or remedy of Landlord. The provisions of this §11.3 shall survive the expiration or earlier termination of this Lease.

11.4 RENTAL ABATEMENT INSURANCE

The Landlord shall keep and maintain in full force and effect during the Lease Term rental abatement insurance against abatement or loss of Rent in case of fire or other casualty, in an amount at least equal to the amount of the Rent payable by Tenant during the then current lease year as reasonably determined by Landlord. All premiums for such insurance shall be included in Operating Costs for the purposes of this Lease.

11.5 WAIVER OF SUBROGATION

Insofar as and to the extent that the following provisions may be effective without invalidating or making it impossible to secure insurance coverage from responsible insurance companies doing business in The Commonwealth of Massachusetts (even though extra premium may result therefrom): Landlord and Tenant mutually agree that with respect to any loss which is covered by insurance then being carried by them, the one carrying such insurance and suffering said loss releases the other of and from any and all claims with respect to such loss; and they further mutually agree that their insurance companies shall have no right of subrogation against the other on account thereof. In the event that an additional premium is payable by either party as a result of this provision, the other party shall reimburse the party paying such premium the amount of such extra premium. If, at the written request of one party, this release and non-subrogation provision is waived, then the obligation of reimbursement shall cease for such period of time as such waiver shall be effective, but nothing contained in this Section shall be deemed to modify or otherwise affect any releases elsewhere contained in this Lease.

ARTICLE XII CASUALTY

12.1 DEFINITION OF "SUBSTANTIAL DAMAGE" AND "PARTIAL DAMAGE"

The term "substantial damage", as used herein, shall refer to damage which is of such a character that in Landlord's reasonable, good faith estimate the same cannot, in ordinary course, be expected to be repaired within 60 calendar days from the time that such repair work would commence. Any damage which is not "substantial damage" is "partial damage".

12.2 PARTIAL DAMAGE TO THE BUILDING

If during the Lease Term there shall be partial damage to the Building by fire or other casualty and if such damage shall materially interfere with Tenant's use of the Premises as contemplated by this Lease, Landlord shall promptly proceed to restore the Building to substantially the condition in which it was immediately prior to the occurrence of such damage.

12.3 SUBSTANTIAL DAMAGE TO THE BUILDING

If during the Lease Term there shall be substantial damage to the Building by fire or other casualty and if such damage shall materially interfere with Tenant's use of the Premises as contemplated by this Lease, Landlord shall promptly restore the Building to the extent reasonably necessary to enable Tenant's use of the Premises, unless Landlord, within ninety (90) days after the occurrence of such damage, shall give notice to Tenant of Landlord's election to terminate this Lease. The Landlord shall have the right to

make such election in the event of substantial damage to the Building whether or not such damage materially interferes with Tenant's use of the Premises. If Landlord shall give such notice, then this Lease shall terminate as of the date of such notice with the same force and effect as if such date were the date originally established as the expiration date hereof. If Landlord has not restored the Premises to the extent required under this Section 12.3 within nine (9) months after the date of such damage or destruction, such nine-month period to be extended to the extent of any delays of the completion of such restoration due to matters beyond Landlord's reasonable control, or if the Premises shall be substantially damaged during the last nine (9) months of the Lease Term then, in either such case, Tenant may elect to terminate this Lease by giving written notice of such election to Landlord within thirty (30) days after the end of such nine-month period and before the substantial completion of such restoration. If Tenant so elects to terminate this Lease, then this Lease and the term hereof shall cease and come to an end on the date that is thirty (30) days after the date that Landlord receives Tenant's termination notice, unless on or before such date Landlord has substantially completed such restoration.

12.4 ABATEMENT OF RENT

If during the Lease Term the Building shall be damaged by fire or casualty and if such damage shall materially interfere with Tenant's use of the Premises as contemplated by this Lease, a just proportion of the Base Rent payable by Tenant hereunder shall abate proportionately for the period in which, by reason of such damage, there is such interference with Tenant's use of the Premises, having regard to the extent to which Tenant may be required to discontinue Tenant's use of the Premises, but such abatement or reduction shall end if and when Landlord shall have substantially restored the Premises or so much thereof as shall have been originally constructed by Landlord (exclusive of any of Tenant's fixtures, furnishings, equipment and the like or work performed therein by Tenant) to substantially the condition in which the Premises were prior to such damage.

12.5 MISCELLANEOUS

In no event shall Landlord have any obligation to make any repairs or perform any restoration work under this Article XII if prevented from doing so by reason of any cause beyond its reasonable control, including, without limitation, the requirements of any applicable laws, codes, ordinances, rules, or regulations, the refusal of the holder of a mortgage or ground lease affecting the premises to make available to Landlord the net insurance proceeds attributable to such restoration, or the inadequacy of such proceeds to fund the full cost of such repairs or restoration, but reasonably promptly after Landlord ascertains the existence of any such cause, it shall either terminate this Lease or waive such condition to its restoration obligations and proceed to restore the Premises as otherwise provided herein. Further, Landlord shall not be obligated in any event to make any repairs or perform any restoration work to any alterations, additions, or improvements to the Premises performed by or for the benefit of Tenant (all of which Tenant shall repair and restore) or to any fixtures in or portions of the Premises or the Building which were constructed or installed by or for some party other than Landlord or which are not the property of Landlord.

ARTICLE XIII EMINENT DOMAIN

13.1 RIGHTS OF TERMINATION FOR TAKING

If the Premises, or such portion thereof as to render the balance (if reconstructed to the maximum extent practicable in the circumstances) physically unsuitable for Tenant's purposes, shall be taken (including a temporary taking in excess of 180 days) by condemnation or right of eminent domain or sold in lieu of condemnation, Landlord or Tenant may elect to terminate this Lease by giving notice to the other of such election not later than thirty (30) days after Tenant has been deprived of possession.

Further, if so much of the Building (which may include the Premises) or the Lot shall be so taken, condemned or sold or shall receive any direct or consequential damage by reason of anything done pursuant to public or quasi-public authority such that continued operation of the same would, in Landlord's opinion, be uneconomical, Landlord may elect to terminate this Lease by giving notice to Tenant of such election not later than thirty (30) days after the effective date of such taking.

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Should any part of the Premises be so taken or condemned or receive such damage and should this Lease be not terminated in accordance with the foregoing provisions, Landlord shall promptly after the determination of Landlord's award on account thereof, expend so much as may be necessary of the net amount which may be awarded to Landlord in such condemnation proceedings in restoring the Premises to an architectural unit that is reasonably suitable to the uses of Tenant permitted hereunder. Should the net amount so awarded to Landlord be insufficient to cover the cost of so restoring the Premises, in the reasonable estimate of Landlord, Landlord may, but shall have no obligation to, supply the amount of such insufficiency and restore the Premises to such an architectural unit, with all reasonable diligence, or Landlord may terminate this Lease by giving notice to Tenant within a reasonable time after Landlord has determined the estimated cost of such restoration.

13.2 PAYMENT OF AWARD

The Landlord shall have and hereby reserves and excepts, and Tenant hereby grants and assigns to Landlord, all rights to recover for damages to the Building and the Lot and the leasehold interest hereby created, and to compensation accrued or hereafter to accrue by reason of such taking or damage, as aforesaid. The Tenant covenants to deliver such further assignments and assurances thereof as Landlord may from time to time request. Nothing contained herein shall be construed to prevent Tenant from prosecuting in any condemnation proceedings a claim for the value of any of Tenant's trade fixtures installed in the Premises by Tenant at Tenant's expense and for relocation expenses, provided that such action shall not affect the amount of compensation otherwise recoverable hereunder by Landlord from the taking authority.

13.3 ABATEMENT OF RENT

In the event of any such taking of the Premises, the Base Rent or a fair and just proportion thereof, according to the nature and extent of the damage sustained, shall be suspended or abated, as appropriate and equitable in the circumstances.

13.4 MISCELLANEOUS

In no event shall Landlord have any obligation to make any repairs under this Article XIII if prevented from doing so by reason of any cause beyond its reasonable control, including, without limitation, requirements of any applicable laws, codes, ordinances, rules, or regulations or requirements of any mortgagee. Further, Landlord shall not be obligated to make any repairs to any portions of the Premises or the Building which were constructed or installed by or for some party other than Landlord or which are not the property of Landlord.

ARTICLE XIV DEFAULT

14.1 TENANT'S DEFAULT

(a) If at any time any one or more of the following events (herein referred to as a "Default of Tenant") shall occur:

(i) Tenant shall fail to make payment of rent or any other monetary amount due under this lease within five (5) days after Landlord has sent to Tenant notice of such default.

However, if: (A) Landlord shall have sent to Tenant a notice of such default, even though the same shall have been cured and this Lease not terminated; and (B) during the lease year in which said notice of default has been sent by Landlord to Tenant, Tenant thereafter shall default in any monetary payment, the same shall be deemed to be a Default of Tenant upon Landlord giving Tenant written notice thereof, without the five (5) day grace period set forth above; or

(ii) Tenant shall fail to perform or observe any other covenant or provision herein contained on Tenant's part to be performed or observed and Tenant shall fail to remedy the same within thirty (30) days after notice to Tenant specifying such neglect or failure, or, if such failure is of such a nature that Tenant cannot reasonably remedy the same within such thirty (30) day period, Tenant shall fail

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to commence promptly to remedy the same and to prosecute such remedy to completion with diligence and continuity.

However, if (A) Landlord shall have sent to Tenant a notice of such default, even though the same shall have been cured and this Lease not terminated; and (B) during the lease year in which said notice of default have been sent by Landlord to Tenant, Tenant thereafter shall default in any non-

monetary matter, the same shall be deemed to be a Default of Tenant upon Landlord giving Tenant written notice thereof, and Tenant shall have no grace period within which to cure the same; or

(iii) except as otherwise provided by applicable law, if the estate hereby created shall be taken on execution or by other process of law, or if Tenant shall be judicially declared bankrupt or insolvent according to law, or if any assignment shall be made of the property of Tenant for the benefit of creditors, or if a receiver, guardian, conservator, trustee in involuntary bankruptcy or other similar officer shall be appointed to take charge of all or any substantial part of Tenant's property by a court of competent jurisdiction, or if a petition shall be filed for the reorganization of Tenant under any provisions of law now or hereafter enacted, and such proceeding is not dismissed within sixty (60) days after it is begun, or if Tenant shall file a petition for such reorganization, or for arrangements under any provisions of such laws providing a plan for a debtor to settle, satisfy, or extend the time for the payment of debts; or

(iv) Tenant shall vacate or abandon the Premises,

then, in any such case, Landlord may, in addition to any remedies otherwise available to Landlord, immediately or at any time thereafter, and without demand or notice, enter into and upon the Premises or any part thereof in the name of the whole and repossess the same as of Landlord's former estate, and expel Tenant and those claiming by, through or under it and remove its or their effects (forcibly if necessary) without being deemed guilty of any manner of trespass, and without prejudice to any remedies which might otherwise be used for arrears of rent or preceding breach of covenant and/or Landlord may terminate this Lease by notice to Tenant and this Lease shall come to an end on the date of such notice as fully and completely as if such date were on the date herein originally fixed for the expiration of the term of this Lease (Tenant hereby waiving any rights of redemption, if any, under M.G.L.A. c. 186, §11 to extent that such rights may be lawfully waived), and Tenant will then quit and surrender the Premises to Landlord, but Tenant shall remain liable as herein provided. To the extent permitted by law, Tenant hereby expressly waives any and all rights of redemption granted by or under any present or future laws in the event of Tenant being evicted or dispossessed, or in the event of Landlord obtaining possession of the Premises, by reason of the violation by Tenant of any of the covenants and conditions of this Lease. In the event of any such termination, entry or re-entry, Landlord shall have the right to remove and store Tenant's abandoned property and that of persons claiming by, through or under Tenant at the sole risk and expense of Tenant and, if Landlord so elects, (x) to sell such property at public auction or private sale and apply the net proceeds to the payment of all sums due to Landlord from Tenant and pay the balance, if any, to Tenant, or (y) to dispose of such property in any manner in which Landlord shall elect, Tenant hereby agreeing to the fullest extent permitted by law that it shall have no right, title or interest in any property remaining in the Premises after such termination, entry or re-entry.

(b) Tenant covenants and agrees, notwithstanding any termination of this Lease as aforesaid or any entry or re-entry by Landlord, whether by summary proceedings, termination, or otherwise, to pay and be liable for on the days originally fixed herein for the payment thereof, amounts equal to the several installments of Rent and other charges reserved as they would become due under the terms of this Lease if this Lease had not been terminated or if Landlord had not entered or re-entered, as aforesaid, and whether the Premises be relet or remain vacant, in whole or in part, or for a period less than the remainder of the Term, or for the whole thereof; but in the event the Premises be relet by Landlord, Tenant shall be entitled to a credit in the net amount of rent received by Landlord in reletting, after deduction of all expenses incurred in reletting the Premises (including, without limitation, remodeling costs, brokerage fees, attorneys' fees and the like), and in collecting the rent in connection therewith. In lieu of any other damages or indemnity and in lieu of full recovery by Landlord of all sums payable under all the foregoing provisions of this Section 14.1 (b), Landlord may by written notice to Tenant, at any time after this Lease is terminated under any of the provisions contained in Section 14.1 or is otherwise terminated for breach of any obligation of Tenant and before such full recovery, elect to recover, and Tenant shall thereupon pay, as liquidated damages, an amount equal to the excess of the present value of Rent during the Lease Term

(excluding any Extension Term not yet commenced) over the fair market value of the Premises for the same period.

(c) In case of any Default of Tenant, re-entry, entry, expiration and dispossession by summary proceedings or otherwise, Landlord may (i) re-let the Premises or any part or parts thereof, either in the name of Landlord or otherwise, for a term or terms which may at Landlord's option be equal to or less than or exceed the period which would otherwise have constituted the balance of the Lease Term and may grant concessions or free rent to the extent that Landlord considers advisable or necessary to re-let the Premises and (ii) make such alterations, repairs and decorations in the Premises as Landlord, in its sole judgment, considers advisable or necessary for the purpose of reletting the Premises; and no action by Landlord in accordance with the foregoing shall operate or be construed to release Tenant from liability hereunder as aforesaid. It is specifically understood and agreed that Landlord shall be entitled to take into account in connection with any reletting of the Premises all relevant factors which would be taken into account by a sophisticated developer in securing a replacement tenant for the Premises, such as, but not limited to, the first class quality of the Building and the financial responsibility of any such replacement tenant. Landlord shall in no event be liable in any way whatsoever for failure to re-let the Premises, or, in the event that the Premises are re-let, for failure to collect the rent under such re-letting. The Landlord agrees to list the Premises with a broker in the event of a termination, entry or re-entry under this ARTICLE XIV, provided that Landlord's obligation to list the Premises as provided herein is independent of Tenant's obligations under this ARTICLE XIV and shall not be construed to entitle Tenant to set-off against any amounts payable by Tenant hereunder in the event of a breach or alleged breach by Landlord of such obligation. In no event shall Landlord be obligated to give priority to the re-letting of the Premises over any other Premises in the Building or any other building owned by Landlord.

(d) If there is at any time a guarantor or assignee of this Lease or any interest of Tenant herein or any sublessee, franchisee, concessionee, or licensee of all or any portion of the Premises, the happening of any of the events described in paragraph (a)(iii) of this Section with respect to such guarantor, assignee, sublessee, franchisee, concessionee, or licensee shall constitute a Default of Tenant hereunder.

(e) The specified remedies to which Landlord may resort hereunder are not intended to be exclusive of any remedies or means of redress to which Landlord may, at any time, be entitled lawfully and Landlord may invoke any remedy (including the remedy of specific performance) allowed at law or in equity as if specific remedies were not herein provided for.

(f) All costs and expenses incurred by or on behalf of Landlord (including, without limitation, attorneys' fees and expenses) in enforcing its rights hereunder or occasioned by any Default of Tenant shall be paid by Tenant.

Nothing contained in this Lease shall limit or prejudice the right of Landlord to prove for and obtain in proceedings for bankruptcy, insolvency, or like proceedings by reason of the termination of this Lease, an amount equal to the maximum allowed by any statute or rule of law in effect at

the time when, and governing the proceedings in which, the damages are to be proved, whether or not the amount be greater than, equal to, or less than the amount of the loss or damages referred to above.

14.2 LANDLORD'S DEFAULT

Landlord shall in no event be in default in the performance of any of Landlord's obligations hereunder unless and until Landlord shall have failed to perform such obligations within thirty (30) days, or such additional time as is reasonably required to correct any such default, after notice by Tenant to Landlord specifying wherein Landlord has failed to perform any such obligation.

ARTICLE XV THE LANDLORD'S ACCESS TO PREMISES

15.1 THE LANDLORD'S RIGHT OF ACCESS

The Landlord and its agents, contractors, and employees shall have the right to enter the Premises at all reasonable hours upon reasonable advance notice, except in exigent circumstances, or any time in case of emergency, for the purpose of inspecting or of making repairs or alterations, to the Premises or the Building or additions to the Building, and Landlord shall also have the right to make access available at all reasonable hours to prospective or existing mortgagees or purchasers of any part of the Building. To assure access by Landlord to the Premises, Tenant shall provide Landlord with duplicate copies of all keys used by Tenant in providing access to the Premises.

For a period commencing twelve (12) months prior to the expiration of the Lease Term, as such Lease Term may be extended as provided in Section 3.3 hereof, Landlord may have reasonable access to the Premises at all reasonable hours for the purpose of exhibiting the same to prospective tenants.

ARTICLE XVI RIGHTS OF MORTGAGEES

16.1 SUBORDINATION AND ATTORNMENT

(a) If any holder of a mortgage or holder of a ground lease of property which includes the Premises, executed and recorded subsequent to the date of this Lease, shall so elect, the interest of Tenant hereunder shall be subordinate to the rights of such holder, provided that such holder shall agree to recognize in writing the rights of Tenant under this Lease upon the terms and conditions set forth herein, and the performance by Tenant of Tenant's obligations hereunder (but without any assumption by such holder of Landlord's obligations under this Lease); or

(b) If any holder of a mortgage or holder of a ground lease of property which includes the Premises executed and recorded prior to the date of this Lease shall so elect, this Lease, and the rights of Tenant hereunder, shall be superior in right to the rights of such holder, with the same force and effect as if this Lease had been executed and delivered, and recorded, or a statutory notice hereof recorded, prior to the execution, delivery and recording of any such mortgage.

The election of any such holder as to Subsection (a) above shall be exercised by notice to Tenant, in the same fashion as notices under this Lease are given by Landlord to Tenant, and, if such notice is given, such subordination shall be effective as to all advances then or thereafter made by such holder under such mortgage or in connection with such ground lease. Any election as to Subsection (b) above shall become effective upon either notice from such holder to Tenant in the same fashion as notices from Landlord to Tenant are to be given hereunder or by the recording in the appropriate registry or recorder's office of an instrument, in which such holder subordinates its rights under such mortgage or ground lease to this Lease.

(c) Forthwith upon the request of Landlord, the holder of any mortgage or deed of trust affecting the Premises, or the lessor under any ground lease affecting the Premises, Tenant shall execute and deliver to such party an attornment agreement providing that Tenant shall attorn to such holder or lessor in the event of a foreclosure of such mortgage or deed of trust or transfer in lieu thereof or a termination of such ground lease and incorporating such other terms and conditions as such party may reasonably require, provided that such agreement includes an agreement by such other party to recognize the rights of Tenant under this Lease. Irrespective of whether any such attornment agreement has been executed, Tenant shall, in the event any proceedings are brought for the foreclosure of, or in the event of exercise of the power of sale under, any mortgage or deed of trust made by Landlord, its successors or assigns, encumbering the Premises, or any part thereof, or in the event of termination of any ground lease, if so requested, attorn to the purchaser or ground lessor upon such foreclosure, sale or termination or upon any grant of a deed in lieu of foreclosure and recognize such purchaser or ground lessor as Landlord under this Lease.

(d) Tenant agrees on request of Landlord to execute and deliver from time to time any instrument that Landlord may reasonably deem necessary to implement the provisions of this Section 16.1.

16.2 NOTICE TO MORTGAGEE AND GROUND LESSOR; OPPORTUNITY TO CURE

After receiving notice from any person, firm, or other entity (or from Landlord on behalf of any such person, etc.) that it holds a mortgage which includes the Premises as part of the mortgaged premises, or that it is the ground lessor under a lease with Landlord as ground lessee, which includes the Premises as a part of the demised premises, no notice from Tenant to Landlord shall be effective unless and until a copy of the same is given to such holder or ground lessor, and the curing of any of Landlord's defaults by such holder or ground lessor shall be treated as performance by Landlord. Accordingly, no act or failure to act on the part of Landlord which would entitle Tenant under the terms of this Lease, or by law, to be relieved of Tenant's obligations hereunder shall have such an effect unless and until:

(a) Tenant shall have first given written notice to such holder or ground lessor, if any, specifying the act or failure to act on the part of Landlord which could or would give basis to Tenant's rights; and

(b) such holder or ground lessor, after receipt of such notice, has failed or refused to correct or cure the condition complained of within a reasonable time thereafter, but nothing contained in this Section 16 or elsewhere in this Lease shall be deemed to impose any obligation on any such holder or ground lessor to correct or cure any such condition

16.3 ASSIGNMENT OF RENTS.

With reference to any assignment by Landlord of Landlord's interest in this Lease, or the rents payable hereunder, conditional in nature or otherwise, which assignment is made to the holder of a mortgage or ground lease on property which includes the Premises, Tenant agrees:

- (a) that the execution thereof by Landlord, and the acceptance thereof by the holder of such mortgage, or the ground lessor, shall never be treated as an assumption by such holder or ground lessor of any of the obligations of Landlord hereunder, unless such holder or ground lessor shall, by notice sent to Tenant, specifically otherwise elect; and
- (b) that, except as aforesaid, such holder or ground lessor shall be treated as having assumed Landlord's obligations hereunder only upon foreclosure of such holder's mortgage and the taking of possession of the Premises, or in the case of a ground lessor, the assumption of Landlord's position hereunder by such ground lessor.

ARTICLE XVII MISCELLANEOUS PROVISIONS

17.1 CAPTIONS

The captions throughout this Lease are for convenience or reference only and shall in no way be held or deemed to define, limit, explain, describe, modify, or add to the interpretation, construction, or meaning of any provision of this Lease.

17.2 BIND AND INURE

Except as herein otherwise expressly provided, the obligations of this Lease shall run with the land, and this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The reference herein to successors and assigns of Tenant is not intended to constitute a consent to assignment by Tenant, but has reference only to those instances in which Landlord may later give consent to a particular assignment as required by the provisions of Article VII. Neither the assignment by Landlord of its interest in this Lease as security to a lender holding a mortgage on the Building, nor the acceptance thereof by such lender, nor the exercise by such lender of any of its rights

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pursuant to said assignment shall be deemed in any way an assumption by such lender of any of the obligations of Landlord hereunder unless such lender shall specifically otherwise elect in writing or unless such lender shall have completed foreclosure proceedings under said mortgage. Whenever the Premises are owned by a trustee or trustees, the obligations of Landlord shall be binding upon Landlord's trust estate, but not upon any trustee, beneficiary or shareholder of the trust individually.

17.3 NO WAIVER

The failure of Landlord or of Tenant to seek redress for violation of, or to insist upon the strict performance of any covenant or condition of this Lease shall not be deemed to be a waiver of such violation or to prevent a subsequent act, which would originally have constituted a violation, from having all the force and effect of an original violation. The receipt by Landlord of Rent or additional rent with knowledge of the breach of any covenant of this Lease shall not be deemed to be a waiver of such breach by Landlord unless such waiver be in writing signed by Landlord. No consent or waiver, express or implied, by Landlord or Tenant to or of any breach of any agreement or duty shall be construed as a waiver or consent to or of any other breach of the same or any other agreement or duty.

17.4 NO ACCORD AND SATISFACTION

No acceptance by Landlord of a lesser sum than the minimum and additional rent then due shall be deemed to be other than on account of the earliest installment of such rent due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed to be an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other remedy in this Lease or at law or in equity provided.

17.5 CUMULATIVE REMEDIES

The specific remedies to which Landlord may resort under the terms of this Lease are cumulative and not intended to be exclusive of any other remedies or means of redress to which it may be lawfully entitled in case of any breach or threatened breach by Tenant of any provisions of this Lease. In addition to the other remedies provided in this Lease, Landlord shall be entitled to the restraint by injunction of the violation or attempted or threatened violation of any of the covenants, conditions or provisions of this Lease or to a decree compelling specific performance of any such covenants, conditions or provisions. Except as otherwise set forth herein, any obligations of Tenant as set forth herein (including, without limitation, rental and other monetary obligations, repair obligations and obligations to indemnify Landlord) shall survive the expiration or earlier termination of this Lease, and Tenant shall immediately reimburse Landlord for any expense incurred by Landlord in curing Tenant's failure to satisfy any such obligation (notwithstanding the fact that such cure might be effected by Landlord following the expiration or earlier termination of this Lease).

17.6 PARTIAL INVALIDITY

If any term or provision of this Lease or any portion thereof or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, then the remainder of this Lease and of such term or provision and the application of this Lease and of such term and provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term of this Lease shall be valid and enforceable to the fullest extent permitted by law.

17.7 LANDLORD'S RIGHT TO CURE

If Tenant shall at any time default in the performance of any obligation under this Lease, Landlord shall have the right, but not the obligation, to enter upon the Premises and/or to perform such obligation, notwithstanding the fact that no specific provision for such substituted performance by Landlord is made in this Lease with respect to such default. In performing any such obligations, Landlord may make any payment of money or perform any other act. All sums so paid by Landlord (together with interest at the Lease Interest Rate) and all necessary incidental costs and expenses in connection with the performance of any such act by Landlord, shall be deemed to be additional rent under this Lease and shall be payable to

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Landlord immediately on demand. Landlord may exercise the foregoing rights without waiving any other of its rights or releasing Tenant from any of its obligations under this Lease.

17.8 ESTOPPEL CERTIFICATES

Tenant agrees on the Commencement Date of the Lease Term and from time to time thereafter, upon not less than seven (7) days' prior written request by Landlord, to execute, acknowledge and deliver to Landlord a statement in writing, certifying that this Lease is unmodified and in full force and effect, that Tenant has no defenses, offsets or counterclaims against its obligations to pay rent and other charges required under this Lease and to perform its other covenants under this Lease and that there are no uncured defaults of Landlord or Tenant under this Lease (or, if there have been any modifications, that this Lease is in full force and effect, as modified, and stating the modifications, and, if there are any defenses, offsets, counterclaims or defaults, setting them forth in reasonable detail), and the dates to which the Rent and other charges have been paid. Any such statement delivered pursuant to this Section 17.8 may be relied upon by any prospective purchaser or mortgagee of the property which includes the Premises or any prospective assignee of any such mortgagee.

Landlord agrees on the Commencement Date of the Lease Term and from time to time thereafter, upon not less than seven (7) days' prior written request by Tenant, to execute, acknowledge and deliver to Tenant a statement in writing, certifying that this Lease is unmodified and in full force and effect, that Landlord has no claims against Tenant for its obligations to pay rent and other charges required under this Lease and to perform its other covenants under this Lease and that there are no uncured defaults of Landlord or Tenant under this Lease (or, if there have been any modifications, that this Lease is in full force and effect, as modified, and stating the modifications, and, if there are any claims or defaults, setting them forth in reasonable detail), and the dates to which the Rent and other charges have been paid. Any such statement delivered pursuant to this Section 17.8 may be relied upon by any prospective purchaser, assignee, sublessee or mortgagee of the Tenant or the Premises subject to the provisions of Article VII.

17.9 BROKERAGE

Each party hereto warrants and represents that it has dealt with no real estate broker or agent other than Farley White Management Company (the "Broker") in connection with this transaction and agrees to defend, indemnify and save the other party harmless from and against any and all claims for commissions or fees arising out of this Lease which, as to the respective parties, are inconsistent with such party's warranties and representations. Landlord shall be responsible for any commissions or fees owed to the Broker in connection with this transaction.

17.10 ENTIRE AGREEMENT

All negotiations, considerations, representations, and understandings between Landlord and Tenant are incorporated herein and this Lease expressly supersedes any proposals or other written documents relating hereto. This Lease may be modified or altered only by written agreement between Landlord and Tenant, and no act or omission of any employee or agent of Landlord shall alter, change, or modify any of the provisions hereof.

17.11 HOLDOVER

If Tenant remains in the Premises after the termination of this Lease, by its own terms or for any other reason, such holding over shall not be deemed to create any tenancy, but Tenant shall be a tenant at sufferance only, at a daily rate equal to one hundred fifty percent (150%) of the Rent applicable immediately prior to such termination plus the then applicable additional rent and other charges under this Lease. Tenant shall also pay to Landlord all damages, direct or indirect, sustained by Landlord by reason of any such holding over. Otherwise, such holding over shall be on the terms and conditions set forth in this Lease as far as applicable.

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17.12 COUNTERPARTS

This Lease is executed in any number of counterparts, each copy of which is identical, and any one of which shall be deemed to be complete in itself and may be introduced in evidence or used for any purpose without the production of the other copies.

17.13 CONSTRUCTION AND GRAMMATICAL USAGE

This Lease shall be governed, construed and interpreted in accordance with the laws of The Commonwealth of Massachusetts, and Tenant agrees to submit to the personal jurisdiction of any court (federal or state) in said Commonwealth for any dispute, claim or proceeding arising out of or relating to this Lease. In construing this Lease, feminine or neuter pronouns shall be substituted for those masculine in form and vice versa, and plural terms shall be

substituted for singular and singular for plural in any place in which the context so admits or requires. If there be more than one party tenant, the covenants of Tenant shall be the joint and several obligations of each such party and, if Tenant is a partnership, the covenants of Tenant shall be the joint and several obligations of each of the partners and the obligations of the firm.

17.14 WHEN LEASE BECOMES BINDING

Employees or agents of Landlord have no authority to make or agree to make a lease or any other agreement or undertaking in connection herewith. The submission of this document for examination and negotiation does not constitute an offer to lease, or a reservation of, or option for, the Premises, and this document shall become effective and binding only upon the execution and delivery hereof by both Landlord and Tenant.

17.15 SECURITY DEPOSIT

If, in Section 1.2 hereof, a security deposit is specified, Tenant agrees that the same will be paid upon execution and delivery of this Lease, and that Landlord shall hold the same, throughout the term of this Lease, as security for the performance by Tenant of all obligations on the part of Tenant to be kept and performed. Landlord shall have the right from time to time without prejudice to any other remedy Landlord may have on account thereof, to apply such deposit, or any part thereof, to cure a default by Tenant hereunder or Landlord's damages arising from any default on the part of Tenant. If any amount of such deposit is so applied, Tenant shall pay the amount so applied to Landlord upon demand therefor. Tenant not then being in default, Landlord shall return the deposit, or so much thereof as shall not have theretofore been applied in accordance with the terms of this Section 17.15 to Tenant on the expiration or earlier termination of the Lease Term and surrender of possession of the Premises by Tenant to Landlord. While Landlord holds such deposit, Landlord shall have no obligation to pay interest on the same and shall have the right to commingle the same with Landlord's other funds. If Landlord conveys Landlord's interest under this Lease, the deposit or any part thereof not previously applied may be turned over by Landlord to Landlord's grantee, and if so turned over, Tenant agrees to look solely to such grantee for proper application of the deposit in accordance with the terms of this Section 17.15 and the return thereof in accordance herewith.

Neither a successor landlord, the holder of a mortgage nor the lessor in a ground lease of property which includes the Premises shall ever be responsible to Tenant for the return or application of any such deposit, whether or not it succeeds to the position of Landlord hereunder, unless such deposit shall have been received in hand by such successor, holder or ground lessor.

In lieu of a cash security deposit pursuant to this Section, Tenant may elect to deliver to Landlord concurrent with Tenant's execution of this Lease, an unconditional, clean, irrevocable, fully assignable standby letter of credit (the "L-C") in the amount of the Security Deposit stated in Section 1.2 which L-C shall be issued by a commercial bank which is acceptable to Landlord, and which L-C may be presented for payment in a location acceptable to Landlord. The L-C shall be substantially in the form attached hereto as Exhibit E, and otherwise in form and content reasonably acceptable to Landlord and for a term of not less than one (1) year. Tenant shall pay all expenses, points and/or fees associated with obtaining the L-C.

The L-C shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants, and conditions of this Lease to be kept and performed by Tenant during the Lease Term.

If Tenant defaults with respect to any provisions of this Lease, including, but not limited to, the provisions relating to the payment of rent, or if Tenant fails to renew the L-C at least thirty (30) days before its expiration, Landlord may, but shall not be required to, draw upon all or any portion of the L-C for payment of any rent or any other sum in default, or for the payment of any amount that Landlord may spend or may become obligated to spend by reason of Tenant's default; or to compensate Landlord for any other loss, cost or damage that Landlord may suffer by reason of Tenant's default. The use, application or retention of the L-C, or any portion thereof, by Landlord shall not prevent Landlord from exercising any other right or remedy provided by this Lease or by law. The parties agree that Landlord shall not first be required to proceed against the L-C and the L-C shall not operate as a limitation on any recovery to which Landlord may otherwise be entitled. Any amount of the L-C which is drawn upon by Landlord, but is not used or applied by Landlord, shall be held by Landlord (and need not be segregated in a separate account) and deemed a security deposit (the "L-C Security Deposit"). If any portion of the L-C is drawn upon, Tenant shall, within five (5) business days after written demand therefore, reinstate the L-C to the amount then required under this Lease, and Tenant's failure to do so shall be an Event of Default under this Lease.

Upon Tenant's reinstatement of the L-C to the amount required under this Lease, Landlord shall promptly return to Tenant the amount of Landlord's draw on the L-C, but only to the extent Landlord has not used or is not entitled to retain the amount drawn in accordance with this Section. If Tenant shall fully and faithfully perform every provision of this Lease to be performed by it, the L-C Security Deposit and/or the L-C, or any balance thereof, shall be returned to Tenant within sixty (60) days following the later of the expiration of the Term or the vacating of the Premises by Tenant.

Upon any conveyance by Landlord of its interest under this Lease, the L-C may be assigned by Landlord to Landlord's grantee or transferee and the L-C Security Deposit may be delivered by Landlord's grantee or transferee. Upon any such assignment or delivery, Tenant hereby releases Landlord herein named of and from any and all liability with respect to the L-C and L-C Security Deposit, its and their application and return, and Tenant agrees to look solely to such grantee or transferee. This provision shall also apply to subsequent grantees and transferees. Tenant shall pay as additional rent any transfer fees charged by the issuer of the L-C.

17.16 LANDLORD'S ENFORCEMENT EXPENSES

Unless prohibited by applicable law, the Tenant agrees to pay to the Landlord the amount of all fees and expenses (including, without limitation, attorneys' fees and costs) incurred by the Landlord arising out of or resulting from any act or omission by the Tenant with respect to this Lease or the Premises, including without limitation, any breach by the Tenant of its obligations hereunder, irrespective of whether Landlord resorts to litigation as a result thereof.

17.17 NO SURRENDER

The delivery of keys to any employee of Landlord or to Landlord's agents or employees shall not operate as a termination of this Lease or a surrender of the Premises.

17.18 COVENANT OF QUIET ENJOYMENT

Subject to the terms and provisions of this Lease and on payment of the Rent, additional rent, and other sums due hereunder and compliance with all of the terms and provisions of this Lease, Tenant shall lawfully, peaceably, and quietly have, hold, occupy, and enjoy the Premises during the term hereof, without hindrance or ejection by Landlord or by any persons claiming under Landlord; the foregoing covenant of quiet enjoyment is in lieu of any other covenant, express or implied.

17.19 NO PERSONAL LIABILITY OF THE LANDLORD

The Tenant agrees to look solely to Landlord’s then equity interest in the Building and the Lot at the time owned, or in which Landlord holds an interest as ground lessee, for recovery of any judgment from Landlord; it being specifically agreed that neither Landlord (whether Landlord be an individual, partnership, firm, corporation, trustee, or other fiduciary) nor any partner, policyholder, officer, shareholder

or director of Landlord, nor any trust of which any person holding Landlord’s interest is trustee nor any successor in interest to any of the foregoing shall ever be personally liable for any such judgment, or for the payment of any monetary obligation to Tenant. The covenants of Landlord contained in this Lease shall be binding upon Landlord and Landlord’s successors only with respect to breaches occurring during Landlord’s and Landlord’s successors’ respective periods of ownership of Landlord’s interest hereunder.

17.20 NOTICES

Whenever, by the terms of this Lease, notice shall or may be given either to Landlord or to Tenant, such notice shall be in writing and shall be delivered by hand or sent by registered or certified mail, postage prepaid or by so-called “express” mail (such as Federal Express or U.S. Postal Service Express Mail):

If intended for Landlord, addressed to Managing Agent at the address set forth in Section 1.2 with a copy to Landlord at the address set forth in Section 1.2 or to such other addresses as may from time to time hereafter be designated by Landlord by like notice.

If intended for Tenant, addressed to Tenant at the address set forth on the first page of this Lease with a copy to 21 Erie Street, Cambridge, MA 02139 or to such other address or addresses as may from time to time hereafter be designated by Tenant by like notice.

All such notices shall be effective upon delivery, attempted delivery, or refusal, whichever occurs first, at the address or addresses of the intended recipient, as set forth above.

IN WITNESS WHEREOF, the parties hereto have executed this instrument under seal as of the date set forth in Section 1.2, above.

LANDLORD: **FORTUNE WAKEFIELD, LLC**

/s/ Roger W. Altreuter

By: Roger W. Altreuter

Its: Manager

TENANT: **METABOLIX, INC.**

/s/ James J. Barber

By: James J. Barber

Its: President & CEO

EXHIBIT “A”

[Plan showing the Premises]

EXHIBIT “B”

[Plan showing Landlord’s Work]

EXHIBIT "C"**BUILDING SERVICES****I. CLEANING****A. General**

1. All cleaning of common areas and public lavatories and office space will be performed between 5 PM and 12 Midnight, Monday through Friday.

B. Daily Operations (5 times per week)

1. Lavatories (Common Areas).
 - a. Scour, wash and disinfect all toilet seats, basins, bowls, urinals and tile walls near urinals, throughout.
 - b. Sweep and wash floors with disinfectant.
 - c. Wash and polish mirrors, shelves, bright work and enameled surfaces.
 - d. Hand dust and clean all partitions, dispenser and receptacles.
 - e. Fill and maintain all toilet tissue holders, soap dispensers, towel dispensers and sanitary napkin dispensers.
2. Common Areas
 - a. Sweep, wet-mop and mop dry all untreated flooring.
 - b. All finger marks, scuff marks and surface blemishes shall be removed.
 - c. Clean all metal surfaces nightly. Untreated metal shall be polished.
 - d. Clean all cigarette urns and replace sand.
 - e. Clean entrance and lobby glass.
 - f. Dust all air conditioning louvers, grills, etc.
 - g. Dust elevators doors, walls, ceilings and metal work. Vacuum door tracks and elevator floors.
 - h. Check all stairways; sweep and mop as necessary.
3. Tenant's Office Space
 - a. All flooring to be swept nightly and wash flooring weekly.
 - b. Waxing to be done at Tenant's expense.
 - c. Spot mop all floors for spills, smears and foot tracks throughout.
 - d. All carpeting and rugs to be vacuumed nightly.
 - e. Hand dust weekly and wipe clean all furniture, fixtures, etc..
 - f. Empty and clean all waste receptacles nightly and replace plastic liners as necessary.
 - g. Wash clean all water fountains and water coolers.
 - h. Dust all floor and other ventilating louvers within reach; damp wipe as necessary.
 - i. Wipe clean and polish all brass.
 - j. Clean all glass furniture tops.
 - k. Collect and remove wastepaper, cardboard boxes and waste material.
 - l. Dust and wash closet and coat room shelving, coat racks and flooring.

C. YEARLY

1. Common Areas
 - a. Strip and wax all resilient tile floor areas. Clean all carpeting.
2. Windows
 - a. Clean inside and outside of all windows (to be performed during daylight hours).

II. HEATING, VENTILATING AND AIR CONDITIONING

Heating, ventilating and air conditioning of the common areas as required to provide reasonably comfortable temperatures for normal business day occupancy (excepting holidays); Monday through Friday from 8:00 AM to 6:00 PM and Saturday from 8:00 AM to 1:00 PM, will be provided through various means. Landlord agrees to maintain and keep in good working order all heating, ventilating and air conditioning equipment servicing the premise.

III. WATER

Hot water for public lavatory purposes and cold water for public drinking, lavatory and toilet purposes.

IV. ELEVATORS

Elevators for the use of all tenants and the general public will provide access to and from all occupied floors of the buildings. Programming of elevators (including, but not limited to, service elevators) shall be as Landlord from time to time determines best for the Mill as a whole.

V. RELAMPING OF LIGHT FIXTURES

Tenant is responsible for lamps, ballasts and starters within the Premises.

VI. SECURITY

1. All parking lots will be secured with card access only (except visitor sections).

VII. SNOWPLOWING

1. Landlord will begin plowing of parking lots and walks whenever three inches of snow accumulates.
2. Landlord will use diligent efforts, following overnight storms, to have all lots cleared and open by 8:00 AM each business day morning.

VIII. SHUTTLE BUS SERVICE

Landlord shall provide a shuttle service from 7:30 AM to 9:30 AM and from 4:00 PM to 6:00 PM to and from the Ayotte Garage. Landlord shall not be obligated to provide a shuttle service so long as Landlord can meet all of the Tenant’s standard parking requirements per this Lease with parking spaces on lots surrounding the Property.

IX. VISITOR PARKING

Landlord shall provide fifty (50) visitor parking spaces for the use of all Tenants of the building and their guests.

EXHIBIT “D”

Commencement Date Agreement

Fortune Wakefield, LLC
c/o Farley White Management Company, LLC
660 Suffolk Street
Lowell, MA 01854

RE: Metabolix, Inc.
650 Suffolk Street
Lowell, MA 01854

Dear [Name of Contact]:

Reference is made to that certain Lease, dated as of March 2007, between Fortune Wakefield, LLC, as Landlord and Metabolix, Inc. as Tenant, with respect to Premises in the above-referenced building. In accordance with Section 4.1 of the Lease, this is to confirm that the Commencement Date of the Term of the Lease occurred on , and that the Term of the Lease shall expire on .

If the foregoing is in accordance with your understanding, kindly execute the enclosed duplicate of this letter, and return the same to us.

Very truly yours,

Fortune Wakefield, LLC

By: _____
Name:
Title:

Accepted and Agreed:
Metabolix, Inc.

By: _____
Name:
Title:
Date:

EXHIBIT “E”

Form of Letter of Credit

[left blank in original]

CERTIFICATION

I, Jay Kouba, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Metabolix, 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)) 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) [reserved];
 - 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 registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2007

/s/ JAY KOUBA

*Chairman of the Board, President and Chief
Executive Officer(Principal Executive Officer)*

CERTIFICATION

I, Thomas G. Auchincloss, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Metabolix, 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)) 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) [reserved];
 - 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 registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2007

/s/ THOMAS G. AUCHINCLOSS, JR.
Vice President and Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION

In connection with the Quarterly Report on Form 10-Q of Metabolix, Inc. (the "Company") for the period ending March 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Jay Kouba, the Principal Executive Officer of the Company and Thomas G. Auchincloss, Jr., the Principal Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and
- (2) the information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 11, 2007

/s/ JAY KOUBA

*Chairman of the Board, President and Chief
Executive Officer (Principal Executive Officer)*

Dated: May 11, 2007

/s/ THOMAS G. AUCHINCLOSS, JR.

*Vice President and Chief Financial Officer
(Principal Financial Officer)*
