As Confidentially Submitted to the Securities and Exchange Commission on August 19, 2015

Registration No. 333-

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

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

APELLIS PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

Delaware	2834	27–1537290
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

6400 Westwind Way, Suite A
Crestwood, KY 40014
(502) 241-4114
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Cedric Francois, M.D., Ph.D.
President and Chief Executive Officer
Apellis Pharmaceuticals, Inc.
6400 Westwind Way, Suite A
Crestwood, KY 40014
(502) 241-4114
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Stuart Falber, Esq. Cynthia T. Mazareas, Esq. Wilmer Cutler Pickering Hale and Dorr LLP 60 State Street Boston, MA 02109 Telephone: (617) 526-6000 Fax: (627) 526-5000	David O. Watson, Esq. General Counsel, Vice President of Corporate Development Apellis Pharmaceuticals, Inc. 6400 Westwind Way, Suite A Crestwood, KY 40014 Telephone: (502) 241-4114 Fax: (502) 241-4116	Brent B. Siler Darren DeStefano Divakar Gupta Cooley LLP 1299 Pennsylvania Avenue, NW, Suite 700 Washington, DC 20004 Telephone: (202) 842-7800 Fax: (202) 842-7899

Approximate date of commencement of proposed sale to the public:
As soon as practicable after this Registration Statement is declared effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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

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

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting offers to buy these securities in any state or other jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED , 2015

PRELIMINARY PROSPECTUS

Apellis

Shares

Apellis Pharmaceuticals, Inc.

Common Stock

$ per share

This is the initial public offering of our common stock. We are selling shares of common stock in this offering. We currently expect the initial public offering price to be between $ and $ per share of common stock.

We have granted the underwriters an option to purchase up to additional shares of common stock to cover over-allotments.

We have applied to list our common stock on the NASDAQ Global Market under the symbol "APLS."

Investing in our common stock involves risks. See "Risk Factors" beginning on page 8.

We are an "emerging growth company" under applicable Securities and Exchange Commission rules and will be eligible for reduced public company disclosure requirements. See "Summary—Implications of Being an Emerging Growth Company."

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public Offering Price	$	$
Underwriting Discount(1)	$	$
Proceeds to Apellis Pharmaceuticals, Inc. (before expenses)	$	$

(1) We refer you to "Underwriting" beginning on page 129 for additional information regarding underwriter compensation.

The underwriters expect to deliver the shares to purchasers on or about , 2015 through the book-entry facilities of The Depository Trust Company.

Citigroup **Barclays** **Leerink Partners**

, 2015

We are responsible for the information contained in this prospectus. We have not authorized anyone to provide you with different information, and we take no responsibility for any other information others may give you. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

TABLE OF CONTENTS

	Page
Summary	1
Risk Factors	8
Special Note Regarding Forward-Looking Statements and Industry Data	49
Use of Proceeds	51
Dividend Policy	52
Capitalization	53
Dilution	55
Selected Consolidated Financial Data	58
Management's Discussion and Analysis of Financial Condition and Results of Operations	59
Business	72
Management	100
Executive Compensation	106
Transactions with Related Persons	114
Principal Stockholders	117
Description of Capital Stock	119
Shares Eligible for Future Sale	123
Material U.S. Federal Income and Estate Tax Considerations for Non-U.S. Holders of Common Stock	125
Underwriting	129
Legal Matters	136
Experts	136
Where You Can Find More Information	136
Index to Consolidated Financial Statements	F-1

SUMMARY

This summary highlights, and is qualified in its entirety by, the more detailed information and consolidated financial statements included elsewhere in this prospectus. This summary does not contain all of the information that may be important to you. You should read and carefully consider the entire prospectus, especially our consolidated financial statements and the related notes thereto appearing at the end of this prospectus and the "Risk Factors" section of this prospectus, before deciding to invest in our common stock.

Overview

We are a clinical-stage biopharmaceutical company focused on the discovery and development of novel therapeutic compounds for autoimmune and inflammatory diseases. Our approach is centered on the inhibition of the complement system, which is a cascade of interacting proteins and is an integral component of the immune system. Our lead compounds are designed to broadly inhibit complement C3, or C3, the central protein in the complement cascade. Under conditions of excessive or uncontrolled activation, the complement system plays a key role in a wide range of autoimmune and inflammatory diseases. We believe that by inhibiting the complement system at C3 we may effectively control these diseases. In addition, we believe that C3 inhibition may potentially correct the underlying immunological dysfunction that characterizes many of these diseases, an approach we refer to as complement immunotherapy.

Our Programs

We are developing our lead product candidates, APL-2 and APL-1, to treat paroxysmal nocturnal hemoglobinuria, or PNH, geographic atrophy, or GA, intermediate age-related macular degeneration, or intermediate AMD, and chronic obstructive pulmonary disease, or COPD.

The following table summarizes key information about our lead programs:

Indication	Clinical Trials	Trial Participants	Estimated Timeline
PNH			
APL-2 (subcutaneous)	Phase 1 single ascending dose	Healthy volunteers	Data expected 4Q 2015
	Phase 1 multiple ascending dose	Healthy volunteers	Data expected 1Q 2016
	Phase 1b	Eculizumab-treated PNH patients	Data expected 2H 2016
	Planned Phase 1b	Treatment-naïve PNH patients	Expected initiation in
AMD			
APL-2 (intravitreal)	Phase 1 single ascending dose	Wet AMD patients	Data expected 1H 2016
	Planned Phase 2	GA patients	Expected initiation in
	Planned Phase 2	Intermediate AMD patients	Expected initiation in
COPD			
APL-1 (inhaled)	Planned Phase 2	COPD patients	Expected initiation in

In addition to our lead programs, we intend to combine our core expertise in C3 with our deep understanding of immunology and the role of the complement system in disease to build a pipeline of additional potential treatments. We plan to initiate proof-of-concept trials of APL-2 in patients with myasthenia gravis, neuromyelitis optica and chronic rejection in organ transplantation. We also intend to study APL-1 in patients with idiopathic pulmonary fibrosis. Finally, we plan to explore the role of the complement system in immune oncology. We hold worldwide commercialization rights to our product candidates.

Paroxysmal Nocturnal Hemoglobinuria

PNH is a rare, chronic, debilitating, acquired blood disorder that is most frequently diagnosed in early adulthood and usually continues throughout the life of the patient. Some of the prominent symptoms of PNH include severe anemia, severe abdominal pain, severe headaches, back pain, excessive weakness, fatigue and recurrent infections. If not treated with complement inhibition, PNH results in the death of approximately 35% of affected individuals within five years of diagnosis, and 50% of affected individuals within 10 years of diagnosis, primarily due to thrombotic complications. We estimate that there are approximately 5,000 PNH patients in the United States.

The only approved drug for the treatment of PNH is eculizumab, marketed as Soliris by Alexion Pharmaceuticals. Eculizumab is a complement C5 inhibitor that acts downstream of C3 in the complement cascade. According to a third-party study, 35% to 40% of patients on eculizumab continued to be transfusion dependent for 30 months following the beginning of treatment, with approximately 18% of patients still transfusion dependent at the end of the study after 36 months. In addition, patients on eculizumab require chronic treatment. Based on published studies, we believe that the continued transfusion dependency and need for chronic treatment in PNH patients on eculizumab may be caused by excessive or uncontrolled C3 activation, which is not inhibited by eculizumab.

We believe that APL-2 may provide the following benefits for patients with PNH: prevention of blood clot formation; reduced anemia and transfusion dependency; and ease of use. In addition, we believe that correction of the immune dysfunction in PNH could potentially reduce or obviate the need for chronic treatment. We are conducting three clinical trials of APL-2, including two Phase 1 clinical trials in healthy volunteers and a Phase 1b clinical trial in PNH patients being treated with eculizumab. We also plan to commence a Phase 1b clinical trial of APL-2 as a stand-alone treatment in treatment-naïve PNH patients.

Age-Related Macular Degeneration

AMD is a disorder of the central portion of the retina, resulting in progressive and chronic degeneration of the macula. In the early stage of the disease, yellow deposits called drusen appear under the retina. Over time, the disease can progress to intermediate AMD, where drusen deposits grow larger and other changes reflective of disease progression appear. Patients with intermediate AMD are at risk of progressing to GA or wet AMD. In contrast to intermediate AMD, these advanced forms of AMD are associated with progressive and often severe vision loss. According to the American Society of Retina Specialists, approximately 15 million people in the United States have some form of AMD. Based on published studies, we believe that at least one million of these people have GA. While the pathological mechanism of AMD is not fully understood, uncontrolled and excessive complement activation in AMD has been observed in numerous studies.

While anti-VEGF therapies like Avastin, Lucentis and Eylea are approved for the treatment of patients with wet AMD, there are no therapies approved to treat GA or intermediate AMD. The only drug candidate to have shown efficacy against GA in clinical trials is Roche's complement factor D inhibitor, lampalizumab, which inhibits one of the three activation pathways of complement. In a Phase 2 clinical trial in which patients received monthly injections, lampalizumab showed efficacy in a subset of GA patients.

We believe that APL-2 may provide the following benefits for patients with GA or intermediate AMD: prevention or reduction of the rate of retinal cell death progression; application to a broad patient population; local administration; and reduced frequency of injections. In addition, we believe that correction of the immune dysfunction in the back of the eye with C3 inhibition might reduce or obviate the need for chronic treatment in patients with GA, or avoid progression of intermediate AMD to GA and wet AMD. We are conducting a Phase 1 clinical trial of APL-2 in patients with wet AMD and plan to initiate Phase 2 clinical trials of APL-2 in patients with GA and intermediate AMD.

Chronic Obstructive Pulmonary Disease

COPD is a progressive disorder of the lungs that develops over many years and is characterized by lung tissue destruction and obstruction of airflow from the lungs. The U.S. Centers for Disease Control and Prevention estimates that 15 million people in the United States have moderate to severe COPD. We believe that the chronic inflammation associated with COPD is at least in part driven by the complement system.

COPD represents a significant unmet need. Current therapies do not effectively control or modify COPD and are mostly limited to symptomatic treatments to reduce inflammation and improve air flow. Although drugs are being developed for potentially novel therapeutic targets in COPD, these drugs are in the early stages of development.

We believe that APL-1 may provide the following benefits for patients with COPD: improvement in lung function and reduction of tissue destruction and COPD exacerbations; local administration to the lungs; ease of administration; and reduction in hospitalizations and hospital readmissions. In addition, we believe that correction of the immune dysfunction in COPD with C3 inhibition might make it possible to treat COPD patients with APL-1 for only short periods of time to mitigate or halt progression of the disease and to establish meaningful symptom-free periods without the need for additional therapeutic interventions. We conducted a Phase 1 clinical trial of APL-1 in healthy volunteers and plan to initiate a Phase 2 clinical trial of APL-1 in patients with COPD.

Our Strategy

Our objective is to become a leading biopharmaceutical company focused on the discovery, development and commercialization of therapeutics to treat autoimmune and inflammatory diseases through complement inhibition and complement immunotherapy. To achieve this goal, we are pursuing the following strategies:

- initially target indications where complement inhibition has been shown to have an impact;
- advance the clinical development of APL-2 for PNH;
- advance the clinical development of APL-2 for GA and intermediate AMD;
- advance the clinical development of APL-1 for COPD;
- use our C3 expertise to build a pipeline of treatments for complement-mediated diseases;
- establish complement immunotherapy as a disease-modification approach in complement-mediated diseases; and
- selectively commercialize our product candidates.

Risks Associated with Our Business

Our business is subject to a number of risks of which you should be aware before making an investment decision. These risks are discussed more fully in the “Risk Factors” section of this prospectus immediately following this prospectus summary. These risks include the following:

- We have incurred significant losses since inception, expect to incur significant and increasing losses for at least the next several years, and may never achieve or maintain profitability.
- We will need substantial additional funding, and if we are unable to raise capital when needed, we could be forced to delay, reduce or eliminate our product development programs or commercialization efforts.
- We are at a very early stage in our development efforts, our approach is unproven and we may not be able to successfully develop and commercialize any product candidates.
- We are dependent on the successful development and commercialization of our lead product candidates, APL-2 and APL-1.

- If clinical trials of our product candidates fail to satisfactorily demonstrate safety and efficacy to the U.S. Food and Drug Administration, or FDA, and other regulators, we, or any future collaborators, may incur additional costs, experience delays or be unable to complete the development and commercialization of these product candidates.
- We rely on third parties to conduct our clinical trials and to manufacture and distribute our product candidates for our clinical trials. If these third parties do not perform satisfactorily, our development or commercialization efforts could be delayed or impaired.
- We expect to seek to establish collaborations and, if we are not able to establish or maintain them on commercially reasonable terms, we may have to alter our development and commercialization plans.
- If we fail to comply with our obligations under our license agreement with the Trustees of the University of Pennsylvania or any future intellectual property licenses with third parties, we could lose license rights that are important to our business.
- Even if we complete the necessary preclinical studies and clinical trials, the marketing approval process is expensive, time consuming and uncertain and may prevent us or any future collaborators from obtaining approvals for the commercialization of some or all of our product candidates.

Our Corporate Information

We were incorporated under the laws of the State of Delaware on September 25, 2009 under the name Apellis Pharmaceuticals, Inc. Our executive offices are located at 6400 Westwind Way, Suite A, Crestwood, Kentucky 40014, and our telephone number is (502) 241-4114. Our website address is www.apellis.com. The information contained on, or that can be accessed through, our website is not a part of this prospectus. We have included our website address in this prospectus solely as an inactive textual reference.

Except as otherwise indicated herein or as the context otherwise requires, references in this prospectus to “Apellis,” “the company,” “we,” “us” and “our” refer to Apellis Pharmaceuticals, Inc. and our wholly-owned subsidiary Apellis Australia Pty Ltd.

The Apellis logo is our trademark. The other trademarks, trade names and service marks appearing in this prospectus are the property of their respective owners.

Implications of Being an Emerging Growth Company

As a company with less than $1.0 billion of revenue during our last fiscal year, we qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and we may remain an emerging growth company for up to five years. For so long as we remain an emerging growth company, we are permitted and intend to rely on exemptions from certain disclosure and other requirements that are applicable to other public companies that are not emerging growth companies. In particular, in this prospectus, we have provided only two years of audited consolidated financial statements and have not included all of the executive compensation related information that would be required if we were not an emerging growth company. Accordingly, the information contained herein may be different than the information you receive from other public companies in which you hold stock.

THE OFFERING

Common stock offered	shares
Common stock to be outstanding immediately following this offering	shares
Over-allotment option	shares
Use of proceeds	We intend to use the net proceeds from this offering, together with our existing cash and cash equivalents, to fund our clinical development of APL-2 for PNH, GA and intermediate AMD, our clinical development of APL-1 for COPD, our planned proof-of-concept trials of APL-2 and APL-1 for additional disease indications and our planned early development of new product candidates to target the complement pathways. The remainder will be used for working capital and other general corporate purposes. See the "Use of Proceeds" section in this prospectus for a more complete description of the intended use of proceeds from this offering.
Risk factors	You should read the "Risk Factors" section of this prospectus for a discussion of factors to consider carefully before deciding to invest in shares of our common stock.
Proposed NASDAQ Global Market symbol	"APLS"

The number of shares of our common stock to be outstanding after this offering is based on 9,777,760 shares of our common stock outstanding as of June 30, 2015 and 35,248,069 additional shares of our common stock issuable upon the automatic conversion of all outstanding shares of our preferred stock upon the closing of this offering.

The number of shares of our common stock to be outstanding after this offering excludes:

- 5,077,500 shares of our common stock issuable upon the exercise of stock options outstanding as of June 30, 2015, at a weighted-average exercise price of $1.19 per share;
- 2,120,938 shares of our common stock available for future issuance as of June 30, 2015 under our 2010 equity incentive plan;
- additional shares of our common stock that will become available for future issuance in connection with this offering under our 2015 stock incentive plan; and
- 8,200,000 shares of our common stock that we intend to issue to Potentia Pharmaceuticals, Inc., or Potentia, upon the closing of the asset purchase agreement that we entered into with Potentia on September 24, 2014.

Unless otherwise indicated, all information in this prospectus assumes:

- no exercise of the outstanding options described above;
- no exercise by the underwriters of their option to purchase up to additional shares of our common stock to cover over-allotments; and
- the automatic conversion of all outstanding shares of our preferred stock into an aggregate of 35,248,069 shares of our common stock upon the closing of this offering.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

You should read the following summary consolidated financial data together with our consolidated financial statements and the related notes appearing at the end of this prospectus and the "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of this prospectus. We have derived the statement of operations data for the years ended December 31, 2013 and 2014 from our audited consolidated financial statements appearing at the end of this prospectus. The statement of operations data for the six months ended June 30, 2014 and 2015 and the balance sheet data as of June 30, 2015 have been derived from our unaudited consolidated financial statements appearing at the end of this prospectus and have been prepared on the same basis as the audited consolidated financial statements. In the opinion of management, the unaudited consolidated financial data reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial information as of and for the periods presented. Our historical results are not necessarily indicative of results that should be expected in any future period, and our results for any interim period are not necessarily indicative of results that should be expected for any full year.

	Year Ended December 31,		Six Months Ended June 30,	
	2013	2014	2014	2015
Statement of Operations Data:				
Operating expenses:				
Research and development	$ 2,317,275	$ 8,379,522	$ 4,493,265	$ 6,056,537
General and administrative	1,706,032	2,908,166	1,212,929	1,901,314
Depreciation	6,265	6,594	2,863	3,849
Operating loss	(4,029,572)	(11,294,282)	(5,709,057)	(7,961,700)
Other income	68,004	62,459	23,895	24,504
Loss before income taxes	(3,961,568)	(11,231,823)	(5,685,162)	(7,937,196)
Income tax benefit	—	443,340	55,645	826,486
Net loss	$ (3,961,568)	$ (10,788,483)	$ (5,629,517)	$ (7,110,710)
Net loss per common share, basic and diluted(1)	$ (0.41)	$ (1.10)	$ (0.58)	$ (0.73)
Shares used in computing net loss per common share, basic and diluted(1)	9,776,198	9,776,198	9,776,198	9,776,742
Pro forma net loss per share, basic and diluted (unaudited)(1)		$ (0.38)		$ (0.17)
Shares used in computing pro forma net loss per common share, basic and diluted (unaudited)(1)		28,698,023		41,155,934

(1) See Note 11 in the notes to our audited consolidated financial statements and Note 9 in the notes to our unaudited consolidated financial statements appearing at the end of this prospectus for a description of the method used to calculate basic and diluted net loss per common share and pro forma basic and diluted net loss per common share (unaudited).

The following table sets forth summary consolidated balance sheet data as of June 30, 2015:

- on an actual basis;
- on a pro forma basis to give effect to the conversion of all outstanding shares of our preferred stock into 35,248,069 shares of our common stock upon the closing of this offering; and
- on a pro forma as adjusted basis to give further effect to our issuance and sale of shares of our common stock in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	As of June 30, 2015		
	Actual	Pro Forma	Pro Forma As Adjusted(1)
Balance Sheet Data:			
Cash and cash equivalents	$ 14,865,008	$ 14,865,008	$
Working capital	15,440,066	15,440,066	
Total assets	16,817,771	16,817,771	
Total liabilities	1,270,869	1,270,869	
Convertible preferred stock	45,141,260	—	
Accumulated deficit	(31,727,676)	(31,727,676)	
Total stockholders' equity	15,546,902	15,546,902	

(1) The pro forma as adjusted information presented in the summary balance sheet data is illustrative only and will change based on the actual initial public offering price and other terms of this offering determined at pricing. A $1.00 increase or decrease in the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease the pro forma as adjusted amount of each of cash and cash equivalents, working capital, total assets and total stockholders' equity by $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. An increase or decrease of shares in the number of shares offered by us, as set forth on the cover page of this prospectus, would increase or decrease the pro forma as adjusted amount of each of cash and cash equivalents, working capital, total assets and total stockholders' equity by $ million, assuming no change in the assumed initial public offering price per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

RISK FACTORS

Investing in our common stock involves a high degree of risk. Before you decide to invest in our common stock, you should carefully consider the risks described below, together with the other information contained in this prospectus, including our consolidated financial statements and the related notes appearing at the end of this prospectus. If any of the following risks actually occur, our business, financial condition, results of operations and future growth prospects could be harmed. In these circumstances, the market price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to Our Financial Position and Need for Additional Capital

We have incurred significant losses since inception, expect to incur significant and increasing losses for at least the next several years, and may never achieve or maintain profitability.

We have incurred significant annual net operating losses in every year since our inception. We expect to continue to incur significant and increasing net operating losses for at least the next several years. Our net losses were $4.0 million and $10.8 million for the years ended December 31, 2013 and 2014, respectively, and $7.1 million for the six months ended June 30, 2015. As of June 30, 2015, we had an accumulated deficit of $31.7 million. We have not generated any revenues from product sales, have not completed the development of any product candidate and may never have a product candidate approved for commercialization. We have financed our operations to date primarily through private placements of our preferred stock. We have devoted substantially all of our financial resources and efforts to research and development, including preclinical studies and our clinical trials. Our net losses may fluctuate significantly from quarter to quarter and year to year. Net losses and negative cash flows have had, and will continue to have, an adverse effect on our stockholders' equity and working capital.

We anticipate that our expenses will increase substantially if and as we:

- continue to develop and conduct clinical trials with respect to our lead product candidates, APL-2 and APL-1;
- initiate and continue research, preclinical and clinical development efforts for any future product candidates;
- seek to identify additional product candidates;
- seek regulatory and marketing approvals for our product candidates that successfully complete clinical trials, if any;
- establish sales, marketing, distribution and other commercial infrastructure in the future to commercialize various products for which we may obtain marketing approval, if any;
- require the manufacture of larger quantities of product candidates for clinical development and, potentially, commercialization;
- maintain, expand and protect our intellectual property portfolio;
- hire and retain additional personnel, such as clinical, quality control and scientific personnel;
- add operational, financial and management information systems and personnel, including personnel to support our product development and help us comply with our obligations as a public company; and
- add equipment and physical infrastructure to support our research and development.

Our ability to become and remain profitable depends on our ability to generate revenue. We do not expect to generate significant revenue unless and until we are, or any future collaborator is, able to obtain marketing approval for, and successfully commercialize, one or more of our product candidates. Successful

commercialization will require achievement of key milestones, including completing clinical trials of our product candidates, obtaining marketing approval for these product candidates, manufacturing, marketing and selling those products for which we, or any of our future collaborators, may obtain marketing approval, satisfying any post-marketing requirements and obtaining reimbursement for our products from private insurance or government payors. Because of the uncertainties and risks associated with these activities, we are unable to accurately predict the timing and amount of revenues, and if or when we might achieve profitability. We and any future collaborators may never succeed in these activities and, even if we do, or any future collaborators do, we may never generate revenues that are large enough for us to achieve profitability. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would decrease the value of our company and could impair our ability to raise capital, expand our business, maintain our research and development efforts, diversify our pipeline of product candidates or continue our operations. A decline in the value of our company could cause you to lose all or part of your investment.

We have a limited operating history and no history of commercializing pharmaceutical products, which may make it difficult to evaluate the prospects for our future viability.

We commenced operations in May 2010. Our operations to date have been limited to financing and staffing our company, developing our technology and conducting preclinical research and early-stage clinical trials for our product candidates. We have not yet demonstrated an ability to successfully conduct late-stage clinical trials, obtain marketing approvals, manufacture a commercial-scale product, or arrange for a third party to do so on our behalf, or conduct sales and marketing activities necessary for successful product commercialization. Accordingly, you should consider our prospects in light of the costs, uncertainties, delays and difficulties frequently encountered by companies in the early stages of development, especially clinical-stage biopharmaceutical companies such as ours. Any predictions you make about our future success or viability may not be as accurate as they could be if we had a longer operating history or a history of successfully developing and commercializing pharmaceutical products.

We may encounter unforeseen expenses, difficulties, complications, delays and other known or unknown factors in achieving our business objectives. We will eventually need to transition from a company with a development focus to a company capable of supporting commercial activities. We may not be successful in such a transition.

We expect our financial condition and operating results to continue to fluctuate significantly from quarter to quarter and year to year due to a variety of factors, many of which are beyond our control. Accordingly, you should not rely upon the results of any quarterly or annual periods as indications of future operating performance.

We will need substantial additional funding, and if we are unable to raise capital when needed, we could be forced to delay, reduce or eliminate our product development programs or commercialization efforts.

Developing pharmaceutical products, including conducting preclinical studies and clinical trials, is a very time-consuming, expensive and uncertain process that takes years to complete. We expect our expenses to increase in connection with our ongoing activities, particularly as we initiate new clinical trials of, initiate new research and preclinical development efforts for and seek marketing approval for, our product candidates. In addition, if we obtain marketing approval for any of our product candidates, we may incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution to the extent that such sales, marketing, manufacturing and distribution are not the responsibility of a future collaborator. Furthermore, following the completion of this offering, we expect to incur significant additional costs associated with operating as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we may be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts.

We plan to use the net proceeds of this offering primarily to fund our clinical development of APL-2 for PNH, GA and intermediate AMD, our clinical development of APL-1 for COPD, our planned proof-of-concept trials of APL-2 and APL-1 for additional disease indications and our planned early development of new product candidates to target the complement pathways, and for working capital and other general corporate purposes. We will be required to expend significant funds in order to advance the development of APL-2 and APL-1 in multiple disease areas, as well as other product candidates we may seek to develop. In addition, while we may seek one or more collaborators for future development of our product candidates for one or more indications, we may not be able to enter into a collaboration for any of our product candidates for such indications on suitable terms, on a timely basis or at all. In any event, the net proceeds of this offering and our existing cash and cash equivalents will not be sufficient to fund all of the efforts that we plan to undertake or to fund the completion of development of any of our product candidates. Accordingly, we will be required to obtain further funding through public or private equity offerings, debt financings, collaborations and licensing arrangements or other sources. We do not have any committed external source of funds. Adequate additional financing may not be available to us on acceptable terms, or at all. Our failure to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy.

We believe that the net proceeds from this offering, together with our existing cash and cash equivalents as of June 30, 2015, will enable us to fund our operating expenses and capital expenditure requirements at least through . Our estimate as to how long we expect the net proceeds from this offering, together with our existing cash and cash equivalents, to be able to continue to fund our operations is based on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. Further, changing circumstances, some of which may be beyond our control, could cause us to consume capital significantly faster than we currently anticipate, and we may need to seek additional funds sooner than planned. Our future funding requirements, both short-term and long-term, will depend on many factors, including:

- the scope, progress, timing, costs and results of clinical trials of, and research and preclinical development efforts for, our current and future product candidates;
- our ability to enter into, and the terms and timing of, any collaborations, licensing or other arrangements;
- the number of future product candidates that we pursue and their development requirements;
- the outcome, timing and costs of seeking regulatory approvals;
- the costs of commercialization activities for any of our product candidates that receive marketing approval to the extent such costs are not the responsibility of any future collaborators, including the costs and timing of establishing product sales, marketing, distribution and manufacturing capabilities;
- subject to receipt of marketing approval, revenue, if any, received from commercial sales of our current and future product candidates;
- our headcount growth and associated costs as we expand our research and development and establish a commercial infrastructure;
- the costs of preparing, filing and prosecuting patent applications, maintaining and protecting our intellectual property rights and defending against intellectual property related claims; and
- the costs of operating as a public company.

Raising additional capital may cause dilution to our stockholders, including purchasers of common stock in this offering, restrict our operations or require us to relinquish rights to our technologies or product candidates.

We expect our expenses to increase in connection with our planned operations. To the extent that we raise additional capital through the sale of common stock, convertible securities or other equity securities, your ownership interest may be diluted, and the terms of these securities could include liquidation or other preferences

and anti-dilution protections that could adversely affect your rights as a common stockholder. In addition, debt financing, if available, would result in fixed payment obligations and may involve agreements that include restrictive covenants that limit our ability to take specific actions, such as incurring additional debt, making capital expenditures, creating liens, redeeming stock or declaring dividends, that could adversely impact our ability to conduct our business. In addition, securing financing could require a substantial amount of time and attention from our management and may divert a disproportionate amount of their attention away from day-to-day activities, which may adversely affect our management's ability to oversee the development of our product candidates.

If we raise additional funds through collaborations or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Risks Related to the Discovery, Development and Commercialization of Our Product Candidates

We are at a very early stage in our development efforts, our approach is unproven and we may not be able to successfully develop and commercialize any product candidates.

APL-2 and APL-1 are novel therapeutic compounds and their potential benefit in controlling autoimmune and inflammatory diseases is unproven. APL-2 and APL-1 are designed to control and modify disease through inhibition of C3. There are no approved therapies that act by inhibiting C3 and only one approved therapy that acts by inhibiting the complement system. As a result, our product candidates may not demonstrate in patients any or all of the pharmacological benefits we believe they may possess. We have not yet succeeded and may never succeed in demonstrating efficacy and safety for these or any other product candidates in clinical trials or in obtaining marketing approval thereafter. For example, although we have evaluated APL-2 and APL-1 in preclinical studies, we have not yet successfully completed any clinical trials of APL-2 or APL-1 or advanced either product candidate into Phase 2 or Phase 3 clinical development, nor have we obtained regulatory approval to sell any product based on our therapeutic approaches.

Our scientific approach to complement inhibition also focuses on exploring the potential of C3 inhibition to correct the immunological dysfunction that underlies autoimmune and inflammatory diseases. We refer to this corrective approach to immune dysfunction as complement immunotherapy. Complement immunotherapy is an unproven approach to the treatment of disease. The scientific evidence to support the feasibility of developing products based on this approach is both preliminary and limited. Accordingly, our focus on complement immunotherapy may not result in the discovery and development of commercially viable products to treat autoimmune and inflammatory diseases.

If we are unsuccessful in our development efforts, we may not be able to advance the development of our product candidates, commercialize products, raise capital, expand our business or continue our operations.

We are dependent on the success of our lead product candidates, APL-2 and APL-1. If we are unable to develop, obtain marketing approval for or successfully commercialize either of these product candidates, either alone or through a collaboration, or if we experience significant delays in doing so, our business could be harmed.

We currently have no products approved for sale and are investing a significant portion of our efforts and financial resources in the development of APL-2 for the treatment of PNH, GA and intermediate AMD and APL-1 for the treatment of COPD. Our prospects are substantially dependent on our ability, or that of any future collaborator, to develop, obtain marketing approval for and successfully commercialize at least one of these product candidates in one or more disease indications.

The success of APL-2 and APL-1 will depend on several factors, including the following:

- successful completion of our ongoing clinical trials;
- initiation and successful enrollment and completion of additional clinical trials;
- safety, tolerability and efficacy profiles that are satisfactory to the FDA or any comparable foreign regulatory authority for marketing approval;
- timely receipt of marketing approvals from applicable regulatory authorities;
- the performance of our future collaborators, if any;
- the extent of any required post-marketing approval commitments to applicable regulatory authorities;
- establishment of supply arrangements with third-party raw materials suppliers and manufacturers;
- establishment of arrangements with third-party manufacturers to obtain finished products that are appropriately packaged for sale;
- obtaining and maintaining patent, trade secret protection and regulatory exclusivity, both in the United States and internationally;
- protection of our rights in our intellectual property portfolio;
- successful launch of commercial sales following any marketing approval;
- a continued acceptable safety profile following any marketing approval;
- commercial acceptance of our products, if approved, by patients, the medical community and third-party payors; and
- our ability to compete with other therapies.

Many of these factors are beyond our control, including clinical development, the regulatory submission process, potential threats to our intellectual property rights and the manufacturing, marketing and sales efforts of any future collaborator. If we are unable to develop, receive marketing approval for and successfully commercialize at least one of APL-2 or APL-1, on our own or with any future collaborator, or experience delays as a result of any of these factors or otherwise, our business could be substantially harmed.

If clinical trials of our product candidates fail to satisfactorily demonstrate safety and efficacy to the FDA and other regulators, we, or any future collaborators, may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of these product candidates.

We, and any future collaborators, are not permitted to commercialize, market, promote or sell any product candidate in the United States without obtaining marketing approval from the FDA. Foreign regulatory authorities, such as the European Medicines Agency, or the EMA, impose similar requirements. We have not previously submitted a new drug application, or NDA, to the FDA or similar drug approval filings to comparable foreign regulatory authorities for any of our product candidates. We, and any future collaborators, must complete extensive preclinical development and clinical trials to demonstrate the safety and efficacy of our product candidates in humans before we will be able to obtain these approvals.

Clinical testing is expensive, is difficult to design and implement, can take many years to complete and is inherently uncertain as to outcome. We cannot guarantee that any clinical trials will be conducted as planned or completed on schedule, if at all. The clinical development of our product candidates is susceptible to the risk of failure inherent at any stage of product development, including failure to demonstrate efficacy in a clinical trial or across a broad population of patients, the occurrence of adverse events that are severe or medically or commercially unacceptable, failure to comply with protocols or applicable regulatory requirements and determination by the FDA or any comparable foreign regulatory authority that a product candidate may not continue development or is not approvable. It is possible that even if one or more of our product candidates has a beneficial effect, that effect will not be detected during clinical evaluation as a result of one or more of a variety

of factors, including the size, duration, design, measurements, conduct or analysis of our clinical trials. Conversely, as a result of the same factors, our clinical trials may indicate an apparent positive effect of a product candidate that is greater than the actual positive effect, if any. Similarly, in our clinical trials we may fail to detect toxicity of or intolerability caused by our product candidates, or mistakenly believe that our product candidates are toxic or not well tolerated when that is not in fact the case.

Any inability to successfully complete preclinical and clinical development could result in additional costs to us, or any future collaborators, and impair our ability to generate revenues from product sales, regulatory and commercialization milestones and royalties. Moreover, if we, or any future collaborators, are required to conduct additional clinical trials or other testing of our product candidates beyond the trials and testing that we or they contemplate, if we or they are unable to successfully complete clinical trials of our product candidates or other testing or the results of these trials or tests are unfavorable, uncertain or are only modestly favorable, or there are unacceptable safety concerns associated with our product candidates, we, or any future collaborators may:

- incur additional unplanned costs;
- be delayed in obtaining marketing approval for our product candidates;
- not obtain marketing approval at all;
- obtain approval for indications or patient populations that are not as broad as intended or desired;
- obtain approval with labeling that includes significant use or distribution restrictions or significant safety warnings, including boxed warnings;
- be subject to additional post-marketing testing or other requirements; or
- be required to remove the product from the market after obtaining marketing approval.

Our failure to successfully complete clinical trials of our product candidates and to demonstrate the efficacy and safety necessary to obtain regulatory approval to market any of our product candidates would significantly harm our business.

Adverse events or undesirable side effects caused by, or other unexpected properties of, any of our product candidates may be identified during development that could delay or prevent their marketing approval or limit their use.

Adverse events or undesirable side effects caused by, or other unexpected properties of, our product candidates could cause us, any future collaborators, an institutional review board or regulatory authorities to interrupt, delay or halt clinical trials of one or more of our product candidates and could result in a more restrictive label, or the delay or denial of marketing approval by the FDA or comparable foreign regulatory authorities. For example, by design our product candidates have immunosuppressive effects, and in some cases will be administered to patients with underlying significantly compromised health. Administration of our product candidates could make patients more susceptible to infection. We voluntarily halted a Phase 1 clinical trial of APL-1 in healthy volunteers after two subjects developed signs and symptoms consistent with a bacterial infection that were considered to be serious adverse events and possibly related to the pharmacology of APL-1. In addition, in preclinical studies of APL-2, we observed evidence of minimal to mild kidney toxicity when animals were administered higher doses of APL-2 than the doses we intend to use in the treatment of patients. We believe this kidney toxicity is likely associated with the presence of polyethylene glycol, or PEG, which is part of APL-2. If such kidney toxicity, or other adverse effects, were to arise in patients being treated with APL-2 or any other of our product candidates, it could require us to halt, delay or interrupt clinical trials of such product candidate or adversely affect our ability to obtain requisite approvals to advance the development and commercialization of such product candidate.

If any of our product candidates is associated with adverse events or undesirable side effects or has properties that are unexpected, we, or any future collaborators, may need to abandon development or limit

development of that product candidate to certain uses or subpopulations in which the undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective. Many compounds that initially showed promise in clinical or earlier stage testing have later been found to cause undesirable or unexpected side effects that prevented further development of the compound.

If we, or any future collaborators, experience any of a number of possible unforeseen events in connection with clinical trials of our product candidates, potential clinical development, marketing approval or commercialization of our product candidates could be delayed or prevented.

We, or any future collaborators, may experience numerous unforeseen events during, or as a result of, clinical trials that could delay or prevent clinical development, marketing approval or commercialization of our product candidates, including:

- clinical trials of our product candidates may produce unfavorable or inconclusive results;
- we, or any future collaborators, may decide, or regulators may require us or them, to conduct additional clinical trials or abandon product development programs;
- the number of patients required for clinical trials of our product candidates may be larger than we, or any future collaborators, anticipate, patient enrollment in these clinical trials may be slower than we, or any future collaborators, anticipate or participants may drop out of these clinical trials at a higher rate than we, or any future collaborators, anticipate;
- the cost of planned clinical trials of our product candidates may be greater than we anticipate;
- our third-party contractors or those of any future collaborators, including those manufacturing our product candidates or components or ingredients thereof or conducting clinical trials on our behalf or on behalf of any future collaborators, may fail to comply with regulatory requirements or meet their contractual obligations to us or any future collaborators in a timely manner or at all;
- regulators or institutional review boards may not authorize us, any future collaborators or our or their investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- we, or any future collaborators, may have delays in reaching or fail to reach agreement on acceptable clinical trial contracts or clinical trial protocols with prospective trial sites;
- patients that enroll in a clinical trial may misrepresent their eligibility to do so or may otherwise not comply with the clinical trial protocol, resulting in the need to drop the patients from the clinical trial, increase the needed enrollment size for the clinical trial or extend the clinical trial’s duration;
- we, or any future collaborators, may have to delay, suspend or terminate clinical trials of our product candidates for various reasons, including a finding that the participants are being exposed to unacceptable health risks, undesirable side effects or other unexpected characteristics of the product candidate, such as occurred in our Phase 1 clinical trial of APL-1 in healthy volunteers in which two subjects developed signs and symptoms consistent with a bacterial infection that were considered to be serious adverse events and possibly related to the pharmacology of APL-1;
- regulators or institutional review boards may require that we, or any future collaborators, or our or their investigators suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements or their standards of conduct, a finding that the participants are being exposed to unacceptable health risks, undesirable side effects or other unexpected characteristics of the product candidate or findings of undesirable effects caused by a chemically or mechanistically similar product or product candidate;
- the FDA or comparable foreign regulatory authorities may disagree with our, or any future collaborators’, clinical trial designs or our or their interpretation of data from preclinical studies and clinical trials;

- the FDA or comparable foreign regulatory authorities may fail to approve or subsequently find fault with the manufacturing processes or facilities of third-party manufacturers with which we, or any future collaborators, enter into agreements for clinical and commercial supplies;
- the supply or quality of raw materials or manufactured product candidates or other materials necessary to conduct clinical trials of our product candidates may be insufficient, inadequate or not available at an acceptable cost, or we may experience interruptions in supply; and
- the approval policies or regulations of the FDA or comparable foreign regulatory authorities may significantly change in a manner rendering our clinical data insufficient to obtain marketing approval.

Product development costs for us, or any future collaborators, will increase if we, or they, experience delays in testing or pursuing marketing approvals and we, or they, may be required to obtain additional funds to complete clinical trials and prepare for possible commercialization of our product candidates. We do not know whether any preclinical tests or clinical trials will begin as planned, will need to be restructured, or will be completed on schedule or at all. Significant preclinical study or clinical trial delays also could shorten any periods during which we, or any future collaborators, may have the exclusive right to commercialize our product candidates or allow our competitors, or the competitors of any future collaborators, to bring products to market before we, or any future collaborators, do and impair our ability, or the ability of any future collaborators, to successfully commercialize our product candidates and may harm our business and results of operations. In addition, many of the factors that lead to clinical trial delays may ultimately lead to the denial of marketing approval of any of our product candidates.

If we, or any future collaborators, experience delays or difficulties in the enrollment of patients in clinical trials, our or their receipt of necessary regulatory approvals could be delayed or prevented.

We, or any future collaborators, may not be able to initiate or continue clinical trials for any of our product candidates if we, or they, are unable to locate and enroll a sufficient number of eligible patients to participate in clinical trials. Patient enrollment is a significant factor in the timing of clinical trials, and is affected by many factors, including:

- the size and nature of the patient population;
- the severity of the disease under investigation;
- the proximity of patients to clinical sites;
- the eligibility criteria for the trial;
- the design of the clinical trial;
- efforts to facilitate timely enrollment;
- competing clinical trials; and
- clinicians' and patients' perceptions as to the potential advantages and risks of the drug being studied in relation to other available therapies, including any new drugs that may be approved for the indications we are investigating.

In particular, the successful completion of our clinical development program for APL-2 for the treatment of PNH is dependent upon our ability to enroll a sufficient number of patients with PNH. PNH is a rare disease with a small patient population. Further, there are only a limited number of specialist physicians that regularly treat patients with PNH and major clinical centers that support PNH treatment are concentrated in a few geographic regions. In addition, other companies are conducting clinical trials and have announced plans for future clinical trials that are seeking, or are likely to seek, to enroll patients with PNH and patients are generally only able to enroll in a single trial at a time. We plan to commence a Phase 1b clinical trial of APL-2 as a stand-alone therapy in treatment-naïve patients. Given the severe and life threatening nature of PNH and the expectation that many

patients will be on current treatment with eculizumab, we may encounter difficulty in recruiting a sufficient number of treatment-naïve patients. Moreover, future trial designs may require that PNH patients discontinue their existing treatment with eculizumab in order to enroll in our trials, and both patients and their physicians may be reluctant to discontinue existing life-saving therapies for this purpose. The small population of patients, competition for these patients, the nature of the disease and limited trial sites may make it difficult for us to enroll enough patients to complete our clinical trials for APL-2 for PNH in a timely and cost-effective manner.

Our inability, or the inability of any future collaborators, to enroll a sufficient number of patients for our, or their, clinical trials could result in significant delays or may require us or them to abandon one or more clinical trials altogether. Enrollment delays in our, or their, clinical trials may result in increased development costs for our product candidates, delay or halt the development of and approval processes for our product candidates and jeopardize our, or any future collaborators', ability to commence sales of and generate revenues from our product candidates, which could cause the value of our company to decline and limit our ability to obtain additional financing, if needed.

Results of preclinical studies and early clinical trials may not be predictive of results of future clinical trials.

The outcome of preclinical studies and early clinical trials may not be predictive of the success of later clinical trials, and interim results of clinical trials do not necessarily predict success in future clinical trials. Many companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in late-stage clinical trials after achieving positive results in earlier development, and we could face similar setbacks. The design of a clinical trial can determine whether its results will support approval of a product and flaws in the design of a clinical trial may not become apparent until the clinical trial is well advanced. We have limited experience in designing clinical trials and may be unable to design and execute a clinical trial to support marketing approval. In addition, preclinical and clinical data are often susceptible to varying interpretations and analyses. Many companies that believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval for the product candidates. Even if we, or any future collaborators, believe that the results of clinical trials for our product candidates warrant marketing approval, the FDA or comparable foreign regulatory authorities may disagree and may not grant marketing approval of our product candidates.

In some instances, there can be significant variability in safety or efficacy results between different clinical trials of the same product candidate due to numerous factors, including changes in trial procedures set forth in protocols, differences in the size and type of the patient populations, changes in and adherence to the dosing regimen and other clinical trial protocols and the rate of dropout among clinical trial participants. If we fail to receive positive results in clinical trials of our product candidates, the development timeline and regulatory approval and commercialization prospects for our most advanced product candidates, and, correspondingly, our business and financial prospects would be negatively impacted.

We have never obtained marketing approval for a product candidate and we may be unable to obtain, or may be delayed in obtaining, marketing approval for any of our product candidates.

We have never obtained marketing approval for a product candidate. It is possible that the FDA may refuse to accept for substantive review any NDAs that we submit for our product candidates or may conclude after review of our data that our application is insufficient to obtain marketing approval of our product candidates. If the FDA does not accept or approve our NDAs for any of our product candidates, including APL-2 or APL-1, it may require that we conduct additional clinical trials, preclinical studies or manufacturing validation studies and submit that data before it will reconsider our applications. Depending on the extent of these or any other FDA-required trials or studies, approval of any NDA or application that we submit may be delayed by several years, or may require us to expend more resources than we have available. It is also possible that additional trials or studies, if performed and completed, may not be considered sufficient by the FDA to approve our NDAs.

Any delay in obtaining, or an inability to obtain, marketing approvals would prevent us from commercializing our product candidates, generating revenues and achieving and sustaining profitability. If any of these outcomes occur, we may be forced to abandon our development efforts for our product candidates, which could significantly harm our business.

Even if any of our product candidates receives marketing approval, we or others may later discover that the product is less effective than previously believed or causes undesirable side effects that were not previously identified, which could compromise our ability, or that of any future collaborators, to market the product.

Clinical trials of our product candidates are conducted in carefully defined sets of patients who have agreed to enter into clinical trials. Consequently, it is possible that our clinical trials, or those of any future collaborator, may indicate an apparent positive effect of a product candidate that is greater than the actual positive effect, if any, or alternatively fail to identify undesirable side effects. If, following approval of a product candidate, we, or others, discover that the product is less effective than previously believed or causes undesirable side effects that were not previously identified, any of the following adverse events could occur:

- regulatory authorities may withdraw their approval of the product or seize the product;
- we, or any future collaborators, may be required to recall the product, change the way the product is administered or conduct additional clinical trials;
- additional restrictions may be imposed on the marketing of, or the manufacturing processes for, the particular product;
- we may be subject to fines, injunctions or the imposition of civil or criminal penalties;
- regulatory authorities may require the addition of labeling statements, such as a “black box” warning or a contraindication;
- we, or any future collaborators, may be required to create a Medication Guide outlining the risks of the previously unidentified side effects for distribution to patients;
- we, or any future collaborators, could be sued and held liable for harm caused to patients;
- the product may become less competitive; and
- our reputation may suffer.

Any of these events could harm our business and operations, and could negatively impact our stock price.

Even if one of our product candidates receives marketing approval, it may fail to achieve the degree of market acceptance by physicians, patients, third-party payors and others in the medical community necessary for commercial success, in which case we may not generate significant revenues or become profitable.

We have never commercialized a product, and even if one of our product candidates is approved by the appropriate regulatory authorities for marketing and sale, it may nonetheless fail to gain sufficient market acceptance by physicians, patients, third-party payors and others in the medical community. Physicians are often reluctant to switch their patients from existing therapies even when new and potentially more effective or convenient treatments enter the market. Further, patients often acclimate to the therapy that they are currently taking and do not want to switch unless their physicians recommend switching products or they are required to switch therapies due to lack of reimbursement for existing therapies. Eculizumab is the only drug approved for the treatment of PNH, and even if we are able to obtain marketing approval of APL-2 for the treatment of PNH, we may not be able to successfully convince physicians or patients to switch from eculizumab to APL-2. This may be particularly true with respect to eculizumab as the medical community believes that PNH patients on eculizumab may experience sudden and excessive blood cell lysis, or rupture, leading to anemia, blood clots and other medical problems, when they stop receiving eculizumab. In addition, even if we are able to demonstrate our product candidates’ safety and efficacy to the FDA and other regulators, safety concerns in the medical community may hinder market acceptance. For example, some members of the pharmaceutical community have

expressed the view that PEG, which is part of APL-2, may have the potential to contribute to kidney toxicity in certain patients when administered at a high dosage. As a consequence, it may be difficult for us to gain acceptance of any approved products in the market to the extent PEG is a part of such products.

Efforts to educate the medical community and third-party payors on the benefits of our product candidates may require significant resources and may not be successful. If any of our product candidates is approved but does not achieve an adequate level of market acceptance, we may not generate significant revenues and we may not become profitable. The degree of market acceptance of our product candidates, if approved for commercial sale, will depend on a number of factors, including:

- the efficacy and safety of the product;
- the potential advantages of the product compared to competitive therapies;
- the prevalence and severity of any side effects;
- whether the product is designated under physician treatment guidelines as a first-, second- or third-line therapy;
- our ability, or the ability of any future collaborators, to offer the product for sale at competitive prices;
- the product's convenience and ease of administration compared to alternative treatments;
- the willingness of the target patient population to try, and of physicians to prescribe, the product;
- limitations or warnings, including distribution or use restrictions contained in the product's approved labeling;
- the strength of sales, marketing and distribution support;
- changes in the standard of care for the targeted indications for the product; and
- availability and amount of coverage and reimbursement from government payors, managed care plans and other third-party payors.

We may expend our limited resources to pursue a particular product candidate or indication and fail to capitalize on product candidates or indications that may be more profitable or for which there is a greater likelihood of success.

Because we have limited financial and managerial resources, we intend to focus on developing product candidates for specific indications that we identify as most likely to succeed, in terms of both their potential for marketing approval and commercialization. As a result, we may forego or delay pursuit of opportunities with other product candidates or for other indications that may prove to have greater commercial potential.

Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities. Our spending on current and future research and development programs and product candidates for specific indications may not yield any commercially viable product candidates. If we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to the product candidate.

If we are unable to establish sales, marketing and distribution capabilities or enter into sales, marketing and distribution arrangements with third parties, we may not be successful in commercializing any product candidates if approved.

We do not have a sales, marketing or distribution infrastructure and have no experience in the sale, marketing or distribution of pharmaceutical products. To achieve commercial success for any approved product, we must either develop a sales and marketing organization or outsource these functions to third parties.

We plan to build focused capabilities to commercialize development programs for certain indications where we believe that the medical specialists for the indications are sufficiently concentrated to allow us to effectively promote the product with a targeted sales team. The development of sales, marketing and distribution capabilities will require substantial resources, will be time-consuming and could delay any product launch. If the commercial launch of a product candidate for which we recruit a sales force and establish marketing and distribution capabilities is delayed or does not occur for any reason, we could have prematurely or unnecessarily incurred these commercialization costs. This may be costly, and our investment could be lost if we cannot retain or reposition our sales and marketing personnel. In addition, we may not be able to hire or retain a sales force in the United States that is sufficient in size or has adequate expertise in the medical markets that we plan to target. If we are unable to establish or retain a sales force and marketing and distribution capabilities, our operating results may be adversely affected. If a potential partner has development or commercialization expertise that we believe is particularly relevant to one of our products, then we may seek to collaborate with that potential partner even if we believe we could otherwise develop and commercialize the product independently.

In certain indications, we plan to seek to enter into collaborations that we believe may contribute to our ability to advance development and ultimately commercialize our product candidates. We also intend to seek to enter into collaborations where we believe that realizing the full commercial value of our development programs will require access to broader geographic markets or the pursuit of broader patient populations or indications. As a result of entering into arrangements with third parties to perform sales, marketing and distribution services, our product revenues or the profitability of these product revenues may be lower, perhaps substantially lower, than if we were to directly market and sell products in those markets. Furthermore, we may be unsuccessful in entering into the necessary arrangements with third parties or may be unable to do so on terms that are favorable to us. In addition, we may have little or no control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market our products effectively.

If we do not establish sales, marketing and distribution capabilities, either on our own or in collaboration with third parties, we will not be successful in commercializing any of our product candidates that receive marketing approval.

We face substantial competition, which may result in others discovering, developing or commercializing products before or more successfully than we do.

The development and commercialization of new products is highly competitive. We expect that we, and any future collaborators, will face significant competition from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide with respect to any of our product candidates that we, or any future collaborators, may seek to develop or commercialize in the future, including from drugs that act through the complement system and drugs that use different approaches. The principal competitor for our program in PNH is eculizumab, a C5 complement inhibitor, which is marketed as Soliris by Alexion and is the only drug approved for the treatment of PNH. We are aware that there are a number of other companies that are actively developing product candidates for the treatment of PNH, including a product candidate directed at C3 complement inhibition being developed by Amyndas Pharmaceuticals SA, product candidates directed at C5 complement inhibition being developed by Alnylam Pharmaceuticals, Inc., Volution Immuno Pharmaceuticals (VIP) Ltd. and Ra Pharmaceuticals, Inc., and product candidates directed at other mechanisms of complement inhibition being developed by True North Therapeutics, Inc., NovelMed Therapeutics, Inc. and Achillion Pharmaceuticals, Inc. There are no currently available treatments approved for GA or intermediate AMD. We are aware that Roche is currently conducting a Phase 3 trial of lampalizumab, and Novartis AG and Ophthotech Corporation have product candidates in clinical development, for the treatment of GA. Other product candidates that do not target the complement system that are in Phase 2 clinical trials for GA include compounds being developed by Acucela Inc., Allergan PLC, GlaxoSmithKline PLC and Novartis AG. Finally, there is intense competition among many well established large pharmaceutical companies that are currently marketing and selling therapies to treat the symptoms of COPD, including GlaxoSmithKline PLC, Theravance Inc., AstraZeneca Plc, Boehringer Ingelheim GmbH, Pfizer Inc. and Novartis AG, and many product candidates in development for COPD. There are also a number of other

drugs in development that seek to control or modify COPD, including losmapimod and danirixin, both of which are being developed by GlaxoSmithKline PLC.

Our competitors may succeed in developing, acquiring or licensing technologies and products that are more effective, have fewer side effects or more tolerable side effects or are less costly than any product candidates that we are currently developing or that we may develop, which could render our product candidates obsolete and noncompetitive.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than any products that we, or any future collaborators, may develop. Our competitors also may obtain FDA or other marketing approval for their products before we, or any future collaborators, are able to obtain approval for ours, which could result in our competitors establishing a strong market position before we, or any future collaborators, are able to enter the market.

Many of our existing and potential future competitors have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining marketing approvals and marketing approved products than we do. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, the development of our product candidates.

If the FDA or comparable foreign regulatory authorities approve generic versions of any of our products that receive marketing approval, or such authorities do not grant our products appropriate periods of data exclusivity before approving generic versions of our products, the sales of our products could be adversely affected.

Once an NDA is approved, the product covered thereby becomes a “reference-listed drug” in the FDA’s publication, “Approved Drug Products with Therapeutic Equivalence Evaluations,” or the Orange Book. Manufacturers may seek approval of generic versions of reference-listed drugs through submission of abbreviated new drug applications, or ANDAs, in the United States. In support of an ANDA, a generic manufacturer need not conduct clinical trials. Rather, the applicant generally must show that its product has the same active ingredient(s), dosage form, strength, route of administration and conditions of use or labeling as the reference-listed drug and that the generic version is bioequivalent to the reference-listed drug, meaning it is absorbed in the body at the same rate and to the same extent. Generic products may be significantly less costly to bring to market than the reference-listed drug and companies that produce generic products are generally able to offer them at lower prices. Thus, following the introduction of a generic drug, a significant percentage of the sales of any branded product or reference-listed drug may be typically lost to the generic product.

The FDA may not approve an ANDA for a generic product until any applicable period of non-patent exclusivity for the reference-listed drug has expired. The Federal Food, Drug, and Cosmetic Act, or FDCA, provides a period of five years of non-patent exclusivity for a new drug containing a new chemical entity, or NCE. Specifically, in cases where such exclusivity has been granted, an ANDA may not be filed with the FDA until the expiration of five years unless the submission is accompanied by a Paragraph IV certification that a patent covering the reference-listed drug is either invalid or will not be infringed by the generic product, in which case the applicant may submit its application four years following approval of the reference-listed drug. It is unclear whether the FDA will treat the active ingredients in our product candidates as NCEs and, therefore, afford them five years of NCE data exclusivity if they are approved. If any product we develop does not receive five years of NCE exclusivity, the FDA may approve generic versions of such product three years after its date of

approval, subject to the requirement that the ANDA applicant certifies to any patents listed for our products in the Orange Book. Manufacturers may seek to launch these generic products following the expiration of the applicable marketing exclusivity period, even if we still have patent protection for our product.

Competition that our products may face from generic versions of our products could negatively impact our future revenue, profitability and cash flows and substantially limit our ability to obtain a return on our investments in those product candidates.

Even if we, or any future collaborators, are able to commercialize any product candidate that we, or they, develop, the product may become subject to unfavorable pricing regulations, third-party payor reimbursement practices or healthcare reform initiatives, any of which could harm our business.

The commercial success of our product candidates will depend substantially, both domestically and abroad, on the extent to which the costs of our product candidates will be paid by third-party payors, including government health administration authorities and private health coverage insurers. If coverage and reimbursement is not available, or reimbursement is available only to limited levels, we, or any future collaborators, may not be able to successfully commercialize our product candidates. Even if coverage is provided, the approved reimbursement amount may not be high enough to allow us, or any future collaborators, to establish or maintain pricing sufficient to realize a sufficient return on our or their investments. In the United States, no uniform policy of coverage and reimbursement for products exists among third-party payors and coverage and reimbursement for products can differ significantly from payor to payor. As a result, the coverage determination process is often a time-consuming and costly process that will require us to provide scientific and clinical support for the use of our products to each payor separately, with no assurance that coverage and adequate reimbursement will be applied consistently or obtained in the first instance.

There is significant uncertainty related to third-party payor coverage and reimbursement of newly approved drugs. Marketing approvals, pricing and reimbursement for new drug products vary widely from country to country. Some countries require approval of the sale price of a drug before it can be marketed. In many countries, the pricing review period begins after marketing or product licensing approval is granted. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we, or any future collaborators, might obtain marketing approval for a product in a particular country, but then be subject to price regulations that delay commercial launch of the product, possibly for lengthy time periods, which may negatively impact the revenues we are able to generate from the sale of the product in that country. Adverse pricing limitations may hinder our ability or the ability of any future collaborators to recoup our or their investment in one or more product candidates, even if our product candidates obtain marketing approval.

Patients who are provided medical treatment for their conditions generally rely on third-party payors to reimburse all or part of the costs associated with their treatment. Therefore, our ability, and the ability of any future collaborators, to commercialize any of our product candidates will depend in part on the extent to which coverage and reimbursement for these products and related treatments will be available from third-party payors. Third-party payors decide which medications they will cover and establish reimbursement levels. The healthcare industry is acutely focused on cost containment, both in the United States and elsewhere. Government authorities and other third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications, which could affect our ability or that of any future collaborators to sell our product candidates profitably. These payors may not view our products, if any, as cost-effective, and coverage and reimbursement may not be available to our customers, or those of any future collaborators, or may not be sufficient to allow our products, if any, to be marketed on a competitive basis. Cost-control initiatives could cause us, or any future collaborators, to decrease the price we, or they, might establish for products, which could result in lower than anticipated product revenues. If the prices for our products, if any, decrease or if governmental and other third-party payors do not provide coverage or adequate reimbursement, our prospects for revenue and profitability will suffer.

There may also be delays in obtaining coverage and reimbursement for newly approved drugs, and coverage may be more limited than the indications for which the drug is approved by the FDA or comparable foreign regulatory authorities. Moreover, eligibility for reimbursement does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Reimbursement rates may vary, by way of example, according to the use of the product and the clinical setting in which it is used. Reimbursement rates may also be based on reimbursement levels already set for lower cost drugs or may be incorporated into existing payments for other services.

In addition, increasingly, third-party payors are requiring higher levels of evidence of the benefits and clinical outcomes of new technologies and are challenging the prices charged. We cannot be sure that coverage will be available for any product candidate that we, or any future collaborator, commercialize and, if available, that the reimbursement rates will be adequate. Further, the net reimbursement for drug products may be subject to additional reductions if there are changes to laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the United States. An inability to promptly obtain coverage and adequate payment rates from both government-funded and private payors for any of our product candidates for which we, or any future collaborator, obtain marketing approval could significantly harm our operating results, our ability to raise capital needed to commercialize products and our overall financial condition.

Product liability lawsuits against us could divert our resources, cause us to incur substantial liabilities and limit commercialization of any products that we may develop.

We face an inherent risk of product liability claims as a result of the clinical testing of our product candidates despite obtaining appropriate informed consents from our clinical trial participants. We will face an even greater risk if we or any future collaborators commercially sell any product that we may or they may develop. For example, we may be sued if any product we develop allegedly causes injury or is found to be otherwise unsuitable during clinical testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability or a breach of warranties. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our product candidates. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our product candidates or products that we may develop;
- injury to our reputation and significant negative media attention;
- withdrawal of clinical trial participants;
- significant costs to defend resulting litigation;
- substantial monetary awards to trial participants or patients;
- loss of revenue;
- reduced resources of our management to pursue our business strategy; and
- the inability to commercialize any products that we may develop.

Although we maintain product liability insurance coverage in the amount of up to $10.0 million in the aggregate and clinical trial liability insurance of $10.0 million in the aggregate, this insurance may not fully cover potential liabilities that we may incur. The cost of any product liability litigation or other proceeding, even if resolved in our favor, could be substantial. We will need to increase our insurance coverage if we commercialize any product that receives marketing approval. In addition, insurance coverage is becoming increasingly expensive. If we are unable to maintain sufficient insurance coverage at an acceptable cost or to otherwise protect against potential product liability claims, it could prevent or inhibit the development and commercial production and sale of our product candidates, which could harm our business, financial condition, results of operations and prospects.

Risks Related to Our Dependence on Third Parties

We rely on third parties to conduct our clinical trials. If they do not perform satisfactorily, our business could be harmed.

We do not independently conduct clinical trials of any of our product candidates. We rely on third parties, such as contract research organizations, clinical data management organizations, medical institutions and clinical investigators, to conduct these clinical trials and expect to rely on these third parties to conduct clinical trials of any other product candidate that we develop. Any of these third parties may terminate their engagements with us under certain circumstances. We may not be able to enter into alternative arrangements or do so on commercially reasonable terms. In addition, there is a natural transition period when a new contract research organization begins work. As a result, delays would likely occur, which could negatively impact our ability to meet our expected clinical development timelines and harm our business, financial condition and prospects.

Further, although our reliance on these third parties for clinical development activities limits our control over these activities, we remain responsible for ensuring that each of our trials is conducted in accordance with the applicable protocol, legal, regulatory and scientific standards. For example, notwithstanding the obligations of a contract research organization for a trial of one of our product candidates, we remain responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. Moreover, the FDA requires us to comply with standards, commonly referred to as current Good Clinical Practices, or cGCPs, for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected. The FDA enforces these cGCPs through periodic inspections of trial sponsors, principal investigators, clinical trial sites and institutional review boards. If we or our third-party contractors fail to comply with applicable cGCPs, the clinical data generated in our clinical trials may be deemed unreliable and the FDA may require us to perform additional clinical trials before approving our product candidates, which would delay the marketing approval process. We cannot be certain that, upon inspection, the FDA will determine that any of our clinical trials comply with cGCPs. We are also required to register clinical trials and post the results of completed clinical trials on a government-sponsored database, ClinicalTrials.gov, within certain timeframes. Failure to do so can result in fines, adverse publicity and civil and criminal sanctions.

Furthermore, the third parties conducting clinical trials on our behalf are not our employees, and except for remedies available to us under our agreements with such contractors, we cannot control whether or not they devote sufficient time, skill and resources to our ongoing development programs. These contractors may also have relationships with other commercial entities, including our competitors, for whom they may also be conducting clinical trials or other drug development activities, which could impede their ability to devote appropriate time to our clinical programs. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or conduct our clinical trials in accordance with regulatory requirements or our stated protocols, we may not be able to obtain, or may be delayed in obtaining, marketing approvals for our product candidates. If that occurs, we will not be able to, or may be delayed in our efforts to, successfully commercialize our product candidates. In such an event, our financial results and the commercial prospects for any product candidates that we seek to develop could be harmed, our costs could increase and our ability to generate revenues could be delayed, impaired or foreclosed.

We contract with third parties for the manufacture, storage and distribution of our product candidates for clinical trials and expect to continue to do so in connection with our future development and commercialization efforts. This reliance on third parties increases the risk that we will not have sufficient quantities of our product candidates or such quantities at an acceptable cost, which could delay, prevent or impair our development or commercialization efforts.

We currently have no manufacturing facilities and few personnel with manufacturing experience. We rely on contract manufacturers to manufacture, store and distribute both drug substance and drug product required for our clinical trials. We plan to continue to rely upon contract manufacturers, and, potentially collaboration partners, to manufacture commercial quantities of our products, if approved. Reliance on such third-party contractors entails risks, including:

- manufacturing delays if our third-party contractors give greater priority to the supply of other products over our product candidates or otherwise do not satisfactorily perform according to the terms of the agreements between us and them;
- the possible termination or nonrenewal of agreements by our third-party contractors at a time that is costly or inconvenient for us;
- the possible breach by the third-party contractors of our agreements with them;
- the failure of third-party contractors to comply with applicable regulatory requirements;
- the possible mislabeling of clinical supplies, potentially resulting in the wrong dose amounts being supplied or active drug or placebo not being properly identified;
- the possibility of clinical supplies not being delivered to clinical sites on time, leading to clinical trial interruptions, or of drug supplies not being distributed to commercial vendors in a timely manner, resulting in lost sales; and
- the possible misappropriation of our proprietary information, including our trade secrets and know-how.

We currently rely, and expect to continue to rely, on a small number of third-party contract manufacturers to supply the majority of our supply of active pharmaceutical ingredients and required finished product for our preclinical studies and clinical trials. We do not have long-term agreements with any of these third parties. If any of our existing manufacturers should become unavailable to us for any reason, we may incur some delay in identifying or qualifying replacements. We also rely on other third parties to store and distribute drug supplies for our clinical trials.

Any manufacturing problem, the loss of a contract manufacturer or any loss of storage could be disruptive to our operations, delay our clinical trials and, if our products are approved for sale, result in lost sales. Additionally, we rely on third parties to supply the raw materials needed to manufacture our product candidates. For example, a single company currently produces most of the PEG that is used in pharmaceutical and drug development globally. PEG is part of APL-2. If this leading supplier of PEG experiences manufacturing and supply problems with respect to PEG, then the manufacturers with whom we contract may have difficulty in procuring PEG for the supply and manufacture of APL-2. Any reliance on suppliers may involve several risks, including a potential inability to obtain critical materials and reduced control over production costs, delivery schedules, reliability and quality. Any unanticipated disruption to our contract manufacturing caused by problems at suppliers could delay shipment of our product candidates, increase our cost of goods sold and result in lost sales with respect to any approved products.

If any of our product candidates are approved by any regulatory agency, we will need to enter into agreements with third-party contract manufacturers for the commercial production and distribution of those products. It may be difficult for us to reach agreement with a contract manufacturer on satisfactory terms or in a timely manner. In addition, we may face competition for access to manufacturing facilities as there are a limited number of contract manufacturers operating under current good manufacturing practices, or cGMPs that are capable of manufacturing our product candidates. Consequently, we may not be able to reach agreement with third-party manufacturers on satisfactory terms, which could delay our commercialization efforts.

Third-party manufacturers are required to comply with cGMPs and similar regulatory requirements outside the United States. Facilities used by our third-party manufacturers must be approved by the FDA after we submit an NDA and before potential approval of the product candidate. Similar regulations apply to manufacturers of our product candidates for use or sale in foreign countries. We do not control the manufacturing process and are completely dependent on our third-party manufacturers for compliance with the applicable regulatory requirements for the manufacture of our product candidates. If our manufacturers cannot successfully manufacture material that conforms to our specifications or the strict regulatory requirements of the FDA and any applicable foreign regulatory authority, they will not be able to secure the applicable approval for their manufacturing facilities. If these facilities are not approved for commercial manufacture, we may need to find alternative manufacturing facilities, which could result in delays in obtaining approval for the applicable product candidate.

In addition, our manufacturers are subject to ongoing periodic inspections by the FDA and corresponding state and foreign agencies for compliance with cGMPs and similar regulatory requirements both prior to and following the receipt of marketing approval for any of our product candidates. Some of these inspections may be unannounced. Failure by any of our manufacturers to comply with applicable cGMPs or other regulatory requirements could result in sanctions being imposed on us, including fines, injunctions, civil penalties, delays, suspensions or withdrawals of approvals, operating restrictions, interruptions in supply and criminal prosecutions, any of which could significantly impact the available supplies of our product candidates and harm our business, financial condition and results of operations.

Our current and anticipated future dependence upon others for the manufacture of our product candidates may harm our future profit margins and our ability to commercialize any products that receive marketing approval on a timely and competitive basis.

We expect to seek to establish collaborations and, if we are not able to establish them on commercially reasonable terms, we may have to alter our development and commercialization plans.

We expect to seek one or more collaborators for the development and commercialization of one or more of our product candidates. For example, we intend to seek a collaboration partner for late stage development and commercialization of APL-1 to treat COPD, idiopathic pulmonary fibrosis and other respiratory disorders. Likely collaborators may include large and mid-size pharmaceutical companies, regional and national pharmaceutical companies and biotechnology companies. In addition, if we are able to obtain marketing approval for product candidates from foreign regulatory authorities, we intend to enter into strategic relationships with international biotechnology or pharmaceutical companies for the commercialization of such product candidates outside of the United States.

We face significant competition in seeking appropriate collaborators. Whether we reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. Those factors may include the potential differentiation of our product candidate from competing product candidates, design or results of clinical trials, the likelihood of approval by the FDA or comparable foreign regulatory authorities and the regulatory pathway for any such approval, the potential market for the product candidate, the costs and complexities of manufacturing and delivering the product to patients and the potential of competing products. The collaborator may also consider alternative product candidates or technologies for similar indications that may be available for collaboration and whether such a collaboration could be more attractive than the one with us for our product candidate. If we elect to increase our expenditures to fund development or commercialization activities on our own, we may need to obtain additional capital, which may not be available to us on acceptable terms or at all. If we do not have sufficient funds, we may not be able to further develop our product candidates or bring them to market and generate product revenue.

Collaborations are complex and time-consuming to negotiate and document. Further, there have been a significant number of recent business combinations among large pharmaceutical companies that have resulted in a reduced number of potential future collaborators.

Any collaboration agreements that we enter into in the future may contain restrictions on our ability to enter into potential collaborations or to otherwise develop specified product candidates. We may not be able to negotiate collaborations on a timely basis, on acceptable terms, or at all. If we are unable to do so, we may have to curtail the development of the product candidate for which we are seeking to collaborate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense.

If we enter into collaborations with third parties for the development and commercialization of our product candidates, our prospects with respect to those product candidates will depend in significant part on the success of those collaborations.

We expect to enter into collaborations for the development and commercialization of certain of our product candidates. We have not entered into any collaborations to date. If we enter into such collaborations, we will have limited control over the amount and timing of resources that our collaborators will dedicate to the development or commercialization of our product candidates. Our ability to generate revenues from these arrangements will depend on any future collaborators' abilities to successfully perform the functions assigned to them in these arrangements. In addition, any future collaborators may have the right to abandon research or development projects and terminate applicable agreements, including funding obligations, prior to or upon the expiration of the agreed upon terms.

Collaborations involving our product candidates pose a number of risks, including the following:

- collaborators have significant discretion in determining the efforts and resources that they will apply to these collaborations;
- collaborators may not perform their obligations as expected;
- collaborators may not pursue development and commercialization of our product candidates or may elect not to continue or renew development or commercialization programs, based on clinical trial results, changes in the collaborators' strategic focus or available funding or external factors, such as an acquisition, that divert resources or create competing priorities;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our product candidates;
- a collaborator with marketing and distribution rights to one or more products may not commit sufficient resources to the marketing and distribution of such product or products;
- disagreements with collaborators, including disagreements over proprietary rights, contract interpretation or the preferred course of development, might cause delays or termination of the research, development or commercialization of product candidates, might lead to additional responsibilities for us with respect to product candidates, or might result in litigation or arbitration, any of which would be time-consuming and expensive;
- collaborators may not properly maintain or defend our intellectual property rights or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential litigation;

- collaborators may infringe the intellectual property rights of third parties, which may expose us to litigation and potential liability; and
- collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable product candidates.

Collaboration agreements may not lead to development or commercialization of product candidates in the most efficient manner or at all. If any future collaborator of ours is involved in a business combination, it could decide to delay, diminish or terminate the development or commercialization of any product candidate licensed to it by us.

Risks Related to Our Intellectual Property

If we fail to comply with our obligations under our existing and any future intellectual property licenses with third parties, we could lose license rights that are important to our business.

We are a party to a patent license agreement with the Trustees of the University of Pennsylvania, or UPenn, under which we license patent rights relating to a family of compounds for use in all fields except the treatment of ophthalmic indications. The licensed patent rights include issued U.S. and foreign patents with claims that recite a class of compounds generically covering both of our lead product candidates, APL-2 and APL-1, and also specifically recite APL-1. UPenn and Potentia are parties to a license agreement under which UPenn has licensed these same patent rights for use in ophthalmic indications to Potentia. In September 2014, we entered into an asset purchase agreement with Potentia under which Potentia has agreed to assign to us all of its rights under this license agreement. We expect to close the asset purchase transaction with Potentia prior to the consummation of this offering. We may enter into additional license agreements in the future. Our license agreement with UPenn imposes, and we expect that future license agreements, including the license agreement we expect to be assigned by Potentia to us, will impose, various diligence, milestone payment, royalty, insurance and other obligations on us. If we fail to comply with our obligations under these licenses, our licensors may have the right to terminate these license agreements, in which event we might not be able to market any product that is covered by these agreements, or our licensors may convert the license to a non-exclusive license, which could negatively impact the value of the product candidate being developed under the license agreement. Termination of these license agreements or reduction or elimination of our licensed rights may also result in our having to negotiate new or reinstated licenses with less favorable terms.

If we are unable to obtain and maintain sufficient patent protection for our product candidates, or if the scope of the patent protection is not sufficiently broad, our competitors could develop and commercialize products similar or identical to ours, and our ability to successfully commercialize our product candidates may be adversely affected.

Our success depends in large part on our ability to obtain and maintain patent protection in the United States and other countries with respect to our proprietary product candidates. If we do not adequately protect our intellectual property rights, competitors may be able to erode or negate any competitive advantage we may have, which could harm our business and ability to achieve profitability. To protect our proprietary position, we file patent applications in the United States and abroad related to our novel product candidates that are important to our business; we also license or purchase patent applications filed by others. The patent application and approval process is expensive and time-consuming. We may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner.

Agreements through which we license patent rights may not give us control over patent prosecution or maintenance, so that we may not be able to control which claims or arguments are presented and may not be able to secure, maintain, or successfully enforce necessary or desirable patent protection from those patent rights. We have not had and do not have primary control over patent prosecution and maintenance for certain of the patents and patent applications we license, and therefore cannot guarantee that these patents and applications will be

prosecuted in a manner consistent with the best interests of our business. We cannot be certain that patent prosecution and maintenance activities by our licensors have been or will be conducted in compliance with applicable laws and regulations or will result in valid and enforceable patents.

We, or any future partners, collaborators, or licensees, may fail to identify patentable aspects of inventions made in the course of development and commercialization activities before it is too late to obtain patent protection on them. Therefore, we may miss potential opportunities to strengthen our patent position.

It is possible that defects of form in the preparation or filing of our patents or patent applications may exist, or may arise in the future, for example with respect to proper priority claims, inventorship, claim scope, or patent term adjustments. If we or our partners, collaborators, licensees, or licensors, whether current or future, fail to establish, maintain or protect such patents and other intellectual property rights, such rights may be reduced or eliminated. If our partners, collaborators, licensees, or licensors, are not fully cooperative or disagree with us as to the prosecution, maintenance or enforcement of any patent rights, such patent rights could be compromised. If there are material defects in the form, preparation, prosecution, or enforcement of our patents or patent applications, such patents may be invalid and/or unenforceable, and such applications may never result in valid, enforceable patents. Any of these outcomes could impair our ability to prevent competition from third parties, which may have an adverse impact on our business.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain. No consistent policy regarding the breadth of claims allowed in biotechnology and pharmaceutical patents has emerged to date in the United States or in many foreign jurisdictions. In addition, the determination of patent rights with respect to pharmaceutical compounds commonly involves complex legal and factual questions, which has in recent years been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

Pending patent applications cannot be enforced against third parties practicing the technology claimed in such applications unless and until a patent issues from such applications. Assuming the other requirements for patentability are met, currently, the first to file a patent application is generally entitled to the patent. However, prior to March 16, 2013, in the United States, the first to invent was entitled to the patent. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications, or that we were the first to file for patent protection of such inventions. Similarly, we cannot be certain that parties from whom we do or may license or purchase patent rights were the first to make relevant claimed inventions, or were the first to file for patent protection for them. If third parties have filed patent applications on inventions claimed in our patents or applications on or before March 15, 2013, an interference proceeding in the United States can be initiated by such third parties to determine who was the first to invent any of the subject matter covered by the patent claims of our applications. If third parties have filed such applications after March 15, 2013, a derivation proceeding in the United States can be initiated by such third parties to determine whether our invention was derived from theirs.

Moreover, because the issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, our patents or pending patent applications may be challenged in the courts or patent offices in the United States and abroad. There is no assurance that all of the potentially relevant prior art relating to our patents and patent applications has been found. If such prior art exists, it may be used to invalidate a patent, or may prevent a patent from issuing from a pending patent application. For example, such patent filings may be subject to a third-party preissuance submission of prior art to the U.S. Patent and Trademark Office, or USPTO, to other patent offices around the world. Alternately or additionally, we may become involved in post-grant review procedures, oppositions, derivations, proceedings, reexaminations, inter partes review or interference proceedings, in the United States or elsewhere, challenging patents or patent applications in which we have rights, including patents on which we rely to protect our business. An adverse determination in any such challenges may result in loss of exclusivity or in patent claims being narrowed, invalidated or held unenforceable, in whole or in part, which could limit our ability to stop others from using or commercializing

similar or identical technology and products, or limit the duration of the patent protection of our technology and products. In addition, given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized.

Pending and future patent applications may not result in patents being issued which protect our business, in whole or in part, or which effectively prevent others from commercializing competitive products. Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of our patents or narrow the scope of our patent protection. In addition, the laws of foreign countries may not protect our rights to the same extent or in the same manner as the laws of the United States. For example, patent laws in various jurisdictions, including significant commercial markets such as Europe, restrict the patentability of methods of treatment of the human body more than United States law does.

Issued patents that we have or may obtain or license may not provide us with any meaningful protection, prevent competitors from competing with us or otherwise provide us with any competitive advantage. Our competitors may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner. Our competitors may also seek approval to market their own products similar to or otherwise competitive with our products. Alternatively, our competitors may seek to market generic versions of any approved products by submitting ANDAs to the FDA in which they claim that patents owned or licensed by us are invalid, unenforceable or not infringed. In these circumstances, we may need to defend or assert our patents, or both, including by filing lawsuits alleging patent infringement. In any of these types of proceedings, a court or other agency with jurisdiction may find our patents invalid or unenforceable, or that our competitors are competing in a non-infringing manner. Thus, even if we have valid and enforceable patents, these patents still may not provide protection against competing products or processes sufficient to achieve our business objectives.

Pursuant to the terms of some of our license agreements with third parties, some of our third party licensors have the right, but not the obligation in certain circumstances to control enforcement of our licensed patents or defense of any claims asserting the invalidity of these patents. Even if we are permitted to pursue such enforcement or defense, we will require the cooperation of our licensors, and cannot guarantee that we would receive it and on what terms. We cannot be certain that our licensors will allocate sufficient resources or prioritize their or our enforcement of such patents or defense of such claims to protect our interests in the licensed patents. If we cannot obtain patent protection, or enforce existing or future patents against third parties, our competitive position and our financial condition could suffer.

If we are unable to protect the confidentiality of our trade secrets, the value of our technology could be negatively impacted and our business would be harmed.

In addition to the protection afforded by patents, we also rely on trade secret protection for certain aspects of our intellectual property. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, consultants, independent contractors, advisors, contract manufacturers, suppliers and other third parties. We also enter into confidentiality and invention or patent assignment agreements with employees and certain consultants. Any party with whom we have executed such an agreement may breach that agreement and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. Additionally, if the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating the trade secret. Further, if any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent such third party, or those to whom they communicate such technology or information, from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor, our business and competitive position could be harmed.

We may become involved in lawsuits to protect or enforce our patents or other intellectual property, which could be expensive, time consuming and unsuccessful.

Competitors may infringe our patents, trademarks, copyrights or other intellectual property. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time consuming and divert the time and attention of our management and scientific personnel. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us alleging that we infringe their patents, in addition to counterclaims asserting that our patents are invalid or unenforceable, or both. In any patent infringement proceeding, there is a risk that a court will decide that a patent of ours is invalid or unenforceable, in whole or in part, and that we do not have the right to stop the other party from using the invention at issue. There is also a risk that, even if the validity of such patents is upheld, the court will construe the patent's claims narrowly or decide that we do not have the right to stop the other party from using the invention at issue on the grounds that our patent claims do not cover the invention. An adverse outcome in a litigation or proceeding involving one or more of our patents could limit our ability to assert those patents against those parties or other competitors, and may curtail or preclude our ability to exclude third parties from making and selling similar or competitive products. Similarly, if we assert trademark infringement claims, a court may determine that the marks we have asserted are invalid or unenforceable, or that the party against whom we have asserted trademark infringement has superior rights to the marks in question. In this case, we could ultimately be forced to cease use of such trademarks.

Even if we establish infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which may or may not be an adequate remedy. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could adversely affect the price of shares of our common stock. Moreover, there can be no assurance that we will have sufficient financial or other resources to file and pursue such infringement claims, which typically last for years before they are concluded. Even if we ultimately prevail in such claims, the monetary cost of such litigation and the diversion of the attention of our management and scientific personnel could outweigh any benefit we receive as a result of the proceedings.

If we are sued for infringing intellectual property rights of third parties, such litigation could be costly and time consuming and could prevent or delay us from developing or commercializing our product candidates.

Our commercial success depends, in part, on our ability to develop, manufacture, market and sell our product candidates without infringing the intellectual property and other proprietary rights of third parties. Third parties may have U.S. and non-U.S. issued patents and pending patent applications relating to compounds and methods of use for the treatment of the disease indications for which we are developing our product candidates or relating to the use of complement inhibition that may cover our product candidates or approach to complement inhibition. If any third-party patents or patent applications are found to cover our product candidates or their methods of use or our approach to complement inhibition, we may not be free to manufacture or market our product candidates as planned without obtaining a license, which may not be available on commercially reasonable terms, or at all.

There is a substantial amount of intellectual property litigation in the biotechnology and pharmaceutical industries, and we may become party to, or threatened with, litigation or other adversarial proceedings regarding intellectual property rights with respect to our products candidates, including interference proceedings before the USPTO. There may be third-party patents or patent applications with claims to materials, formulations, methods of manufacture or methods for treatment related to the use or manufacture of our product candidates. Because patent applications can take many years to issue, there may be currently pending patent applications which may later result in issued patents that our product candidates may be accused of infringing. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes upon these patents. Accordingly,

third parties may assert infringement claims against us based on existing or future intellectual property rights. The outcome of intellectual property litigation is subject to uncertainties that cannot be adequately quantified in advance. The pharmaceutical and biotechnology industries have produced a significant number of patents, and it may not always be clear to industry participants, including us, which patents cover various types of products or methods of use. The coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform. If we were sued for patent infringement, we would need to demonstrate that our product candidates, products or methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid or unenforceable, and we may not be able to do this. Proving invalidity is difficult. For example, in the United States, proving invalidity requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. Even if we are successful in these proceedings, we may incur substantial costs and the time and attention of our management and scientific personnel could be diverted in pursuing these proceedings, which could significantly harm our business and operating results. In addition, we may not have sufficient resources to bring these actions to a successful conclusion.

If we are found to infringe a third party's intellectual property rights, we could be forced, including by court order, to cease developing, manufacturing or commercializing the infringing product candidate or product. Alternatively, we may be required to obtain a license from such third party in order to use the infringing technology and continue developing, manufacturing or marketing the infringing product candidate or product. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors access to the same technologies licensed to us; alternatively or additionally it could include terms that impede or destroy our ability to compete successfully in the commercial marketplace. In addition, we could be found liable for monetary damages, including treble damages and attorneys' fees if we are found to have willfully infringed a patent. A finding of infringement could prevent us from commercializing our product candidates or force us to cease some of our business operations, which could harm our business. Claims that we have misappropriated the confidential information or trade secrets of third parties could have a similar negative impact on our business.

Changes to the patent law in the United States and other jurisdictions could diminish the value of patents in general, thereby impairing our ability to protect our products.

As is the case with other biopharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry involves both technological and legal complexity and is therefore costly, time consuming and inherently uncertain. Recent patent reform legislation in the United States, including the Leahy-Smith America Invents Act, or the America Invents Act, could increase those uncertainties and costs. The America Invents Act was signed into law on September 16, 2011, and many of the substantive changes became effective on March 16, 2013. The America Invents Act reforms United States patent law in part by changing the U.S. patent system from a "first to invent" system to a "first inventor to file" system , expanding the definition of prior art, and developing a post-grant review system. This legislation changes United States patent law in a way that may weaken our ability to obtain patent protection in the United States for those applications filed after March 16, 2013.

Further, the America Invents Act created new procedures to challenge the validity of issued patents in the United States, including post-grant review and inter partes review proceedings, which some third parties have been using to cause the cancellation of selected or all claims of issued patents of competitors. For a patent with an effective filing date of March 16, 2013 or later, a petition for post-grant review can be filed by a third party in a nine month window from issuance of the patent. A petition for inter partes review can be filed immediately following the issuance of a patent if the patent has an effective filing date prior to March 16, 2013. A petition for inter partes review can be filed after the nine month period for filing a post-grant review petition has expired for a patent with an effective filing date of March 16, 2013 or later. Post-grant review proceedings can be brought on any ground of invalidity, whereas inter partes review proceedings can only raise an invalidity challenge based on published prior art and patents. These adversarial actions at the USPTO review patent claims without the presumption of validity afforded to U.S. patents in lawsuits in U.S. federal courts, and use a lower burden of

proof than used in litigation in U.S. federal courts. Therefore, it is generally considered easier for a competitor or third party to have a U.S. patent invalidated in a USPTO post-grant review or inter partes review proceeding than invalidated in a litigation in a U.S. federal court. If any of our patents are challenged by a third party in such a USPTO proceeding, there is no guarantee that we or our licensors or collaborators will be successful in defending the patent, which would result in a loss of the challenged patent right to us.

In addition, recent court rulings in cases such as Association for Molecular Pathology v. Myriad Genetics, Inc.; BRCA1- & BRCA2-Based Hereditary Cancer Test Patent Litigation; and Promega Corp. v. Life Technologies Corp. have narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents once obtained. Depending on future actions by the U.S. Congress, the U.S. courts, the USPTO and the relevant law-making bodies in other countries, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

We may not be able to enforce our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on our product candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. The requirements for patentability may differ in certain countries, particularly in developing countries; thus, even in countries where we do pursue patent protection, there can be no assurance that any patents will issue with claims that cover our products.

Moreover, our ability to protect and enforce our intellectual property rights may be adversely affected by unforeseen changes in foreign intellectual property laws. Additionally, laws of some countries outside of the United States and Europe do not afford intellectual property protection to the same extent as the laws of the United States and Europe. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of some countries, including India, China and other developing countries, do not favor the enforcement of patents and other intellectual property rights. This could make it difficult for us to stop the infringement of our patents or the misappropriation of our other intellectual property rights. For example, many foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. Consequently, we may not be able to prevent third parties from practicing our inventions in certain countries outside the United States and Europe. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop and market their own products and, further, may export otherwise infringing products to territories where we have patent protection, if our ability to enforce our patents to stop infringing activities is inadequate. These products may compete with our products, and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Agreements through which we license patent rights may not give us sufficient rights to permit us to pursue enforcement of our licensed patents or defense of any claims asserting the invalidity of these patents (or control of enforcement or defense) of such patent rights in all relevant jurisdictions as requirements may vary.

Proceedings to enforce our patent rights in foreign jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and resources from other aspects of our business. Moreover, such proceedings could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Furthermore, while we intend to protect our intellectual property rights in major markets for our products, we cannot ensure that we will be able to initiate or maintain similar efforts in all jurisdictions in which we may wish to market our products. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate.

Patent terms may be inadequate to protect our competitive position on our products for an adequate amount of time.

Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. We expect to seek extensions of patent terms in the United States and, if available, in other countries where we are prosecuting patents. In the United States, the Drug Price Competition and Patent Term Restoration Act of 1984 permits a patent term extension of up to five years beyond the normal expiration of the patent, which is limited to the approved indication (or any additional indications approved during the period of extension). However, the applicable authorities, including the FDA and the USPTO in the United States, and any equivalent regulatory authority in other countries, may not agree with our assessment of whether such extensions are available, and may refuse to grant extensions to our patents, or may grant more limited extensions than we request. If this occurs, our competitors may be able to take advantage of our investment in development and clinical trials by referencing our clinical and preclinical data and launch their product earlier than might otherwise be the case.

We may be subject to claims by third parties asserting that our employees or we have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property.

Many of our employees and our licensors' employees, including our senior management, were previously employed at universities or at other biotechnology or pharmaceutical companies, including some which may be competitors or potential competitors. Some of these employees, including each member of our senior management, executed proprietary rights, non-disclosure and non-competition agreements, or similar agreements, in connection with such previous employment. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such third party. Litigation may be necessary to defend against such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel or sustain damages. Such intellectual property rights could be awarded to a third party, and we could be required to obtain a license from such third party to commercialize our technology or products. Such a license may not be available on commercially reasonable terms or at all. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, while we typically require our employees, consultants and contractors who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own, which may result in claims by or against us related to the ownership of such intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our senior management and scientific personnel.

Obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and applications are required to be paid to the USPTO and various governmental patent agencies outside of the United States in several stages over the lifetime of the patents and applications. The USPTO and various non-U.S. governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process and after a patent has issued. There are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction.

Risks Related to Regulatory Approval and Marketing of Our Product Candidates and Other Legal Compliance Matters

Even if we complete the necessary preclinical studies and clinical trials, the marketing approval process is expensive, time consuming and uncertain and may prevent us or any future collaborators from obtaining approvals for the commercialization of some or all of our product candidates. As a result, we cannot predict when or if, and in which territories, we, or any future collaborators, will obtain marketing approval to commercialize a product candidate.

The research, testing, manufacturing, labeling, approval, selling, marketing, promotion and distribution of products are subject to extensive regulation by the FDA and comparable foreign regulatory authorities. We, and any future collaborators, are not permitted to market our product candidates in the United States or in other countries until we, or they, receive approval of an NDA from the FDA or marketing approval from applicable regulatory authorities outside the United States. Our product candidates are in various stages of development and are subject to the risks of failure inherent in drug development. We have not submitted an application for or received marketing approval for any of our product candidates in the United States or in any other jurisdiction. We have limited experience in conducting and managing the clinical trials necessary to obtain marketing approvals, including FDA approval of an NDA.

The process of obtaining marketing approvals, both in the United States and abroad, is lengthy, expensive and uncertain. It may take many years, if approval is obtained at all, and can vary substantially based upon a variety of factors, including the type, complexity and novelty of the product candidates involved. Securing marketing approval requires the submission of extensive preclinical and clinical data and supporting information to regulatory authorities for each therapeutic indication to establish the product candidate's safety and efficacy. Securing marketing approval also requires the submission of information about the product manufacturing process to, and inspection of manufacturing facilities by, the regulatory authorities. The FDA or other regulatory authorities may determine that our product candidates are not safe and effective, only moderately effective or have undesirable or unintended side effects, toxicities or other characteristics that preclude our obtaining marketing approval or prevent or limit commercial use. Any marketing approval we ultimately obtain may be limited or subject to restrictions or post-approval commitments that render the approved product not commercially viable.

In addition, changes in marketing approval policies during the development period, changes in or the enactment or promulgation of additional statutes, regulations or guidance or changes in regulatory review for each submitted product application, may cause delays in the approval or rejection of an application. Regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that our data are insufficient for approval and require additional preclinical, clinical or other studies. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent marketing approval of a product candidate. Any marketing approval we, or any future collaborators, ultimately obtain may be limited or subject to restrictions or post-approval commitments that render the approved product not commercially viable.

Any delay in obtaining or failure to obtain required approvals could negatively impact our ability or that of any future collaborators to generate revenue from the particular product candidate, which likely would result in significant harm to our financial position and adversely impact our stock price.

Failure to obtain marketing approval in foreign jurisdictions would prevent our product candidates from being marketed abroad. Any approval we are granted for our product candidates in the United States would not assure approval of our product candidates in foreign jurisdictions.

In order to market and sell our products in the European Union and other foreign jurisdictions, we, and any future collaborators, must obtain separate marketing approvals and comply with numerous and varying regulatory requirements. The approval procedure varies among countries and can involve additional testing. The time required to obtain approval may differ substantially from that required to obtain FDA approval. The

marketing approval process outside the United States generally includes all of the risks associated with obtaining FDA approval. In addition, in many countries outside the United States, a product must be approved for reimbursement before the product can be approved for sale in that country. We, and any future collaborators, may not obtain approvals from regulatory authorities outside the United States on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one regulatory authority outside the United States does not ensure approval by regulatory authorities in other countries or jurisdictions or by the FDA. We may file for marketing approvals but not receive necessary approvals to commercialize our products in any market.

We, or any future collaborators, may not be able to obtain orphan drug designation or orphan drug exclusivity for our product candidates and, even if we do, that exclusivity many not prevent the FDA or the EMA from approving other competing products.

Regulatory authorities in some jurisdictions, including the United States and Europe, may designate drugs for relatively small patient populations as orphan drugs. Under the Orphan Drug Act, the FDA may designate a product as an orphan drug if it is a drug intended to treat a rare disease or condition, which is generally defined as a patient population of fewer than 200,000 individuals annually in the United States. The FDA has granted orphan drug designation to APL-2 for the treatment of PNH. We, or any future collaborators, may seek orphan drug designations for other product candidates and may be unable to obtain such designations.

Even if we, or any future collaborators, obtain orphan drug designation for a product candidate, such as was the case for APL-2 for the treatment of PNH, we, or they, may not be able to obtain orphan drug exclusivity for that product candidate. Generally, a product with orphan drug designation only becomes entitled to orphan drug exclusivity if it receives the first marketing approval for the indication for which it has such designation, in which case the FDA or the EMA will be precluded from approving another marketing application for the same drug for that indication for the applicable exclusivity period. The applicable exclusivity period is seven years in the United States and ten years in Europe. The European exclusivity period can be reduced to six years if a drug no longer meets the criteria for orphan drug designation or if the drug is sufficiently profitable so that market exclusivity is no longer justified. Orphan drug exclusivity may be lost if the FDA or the EMA determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantity of the drug to meet the needs of patients with the rare disease or condition.

Even if we, or any future collaborators, obtain orphan drug exclusivity for a product, that exclusivity may not effectively protect the product from competition because different drugs can be approved for the same condition. Even after an orphan drug is approved, the FDA can subsequently approve the same drug for the same condition if the FDA concludes that the later drug is clinically superior in that it is shown to be safer, more effective or makes a major contribution to patient care.

Even if we, or any future collaborators, obtain marketing approvals for our product candidates, the terms of approvals and ongoing regulation of our products may limit how we manufacture and market our products, which could impair our ability to generate revenue.

Once marketing approval has been granted, an approved product and its manufacturer and marketer are subject to ongoing review and extensive regulation. We, and any future collaborators, must therefore comply with requirements concerning advertising and promotion for any of our product candidates for which we or they obtain marketing approval. Promotional communications with respect to prescription drugs are subject to a variety of legal and regulatory restrictions and must be consistent with the information in the product's approved labeling. Thus, we and any future collaborators will not be able to promote any products we develop for indications or uses for which they are not approved.

In addition, manufacturers of approved products and those manufacturers' facilities are required to comply with extensive FDA requirements, including ensuring that quality control and manufacturing procedures conform

to cGMPs, which include requirements relating to quality control and quality assurance as well as the corresponding maintenance of records and documentation and reporting requirements. We, our contract manufacturers, any future collaborators and their contract manufacturers could be subject to periodic unannounced inspections by the FDA to monitor and ensure compliance with cGMPs.

Accordingly, assuming we, or any future collaborators, receive marketing approval for one or more of our product candidates, we, and any future collaborators, and our and their contract manufacturers will continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production, product surveillance and quality control.

If we, and any future collaborators, are not able to comply with post-approval regulatory requirements, we, and any future collaborators, could have the marketing approvals for our products withdrawn by regulatory authorities and our, or any future collaborators', ability to market any future products could be limited, which could adversely affect our ability to achieve or sustain profitability. Further, the cost of compliance with post-approval regulations may have a negative effect on our operating results and financial condition.

Any of our product candidates for which we, or any future collaborators, obtain marketing approval in the future could be subject to post-marketing restrictions or withdrawal from the market and we, or any future collaborators, may be subject to substantial penalties if we, or they, fail to comply with regulatory requirements or if we, or they, experience unanticipated problems with our products following approval.

Any of our product candidates for which we, or any future collaborators, obtain marketing approval, as well as the manufacturing processes, post-approval studies and measures, labeling, advertising and promotional activities for such product, among other things, will be subject to ongoing requirements of and review by the FDA and other regulatory authorities. These requirements include submissions of safety and other post-marketing information and reports, registration and listing requirements, requirements relating to manufacturing, quality control, quality assurance and corresponding maintenance of records and documents, requirements regarding the distribution of samples to physicians and recordkeeping. Even if marketing approval of a product candidate is granted, the approval may be subject to limitations on the indicated uses for which the product may be marketed or to the conditions of approval, including the requirement to implement a Risk Evaluation and Mitigation Strategy.

The FDA may also impose requirements for costly post-marketing studies or clinical trials and surveillance to monitor the safety or efficacy of a product. The FDA and other agencies, including the Department of Justice, closely regulate and monitor the post-approval marketing and promotion of products to ensure that they are manufactured, marketed and distributed only for the approved indications and in accordance with the provisions of the approved labeling. The FDA imposes stringent restrictions on manufacturers' communications regarding off-label use and if we, or any future collaborators, do not market any of our product candidates for which we, or they, receive marketing approval for only their approved indications, we, or they, may be subject to warnings or enforcement action for off-label marketing. Violation of the FDCA and other statutes, including the False Claims Act, relating to the promotion and advertising of prescription drugs may lead to investigations or allegations of violations of federal and state health care fraud and abuse laws and state consumer protection laws.

In addition, later discovery of previously unknown adverse events or other problems with our products or their manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may yield various results, including:

- restrictions on such products, manufacturers or manufacturing processes;
- restrictions on the labeling or marketing of a product;
- restrictions on product distribution or use;
- requirements to conduct post-marketing studies or clinical trials;
- warning letters or untitled letters;

- withdrawal of the products from the market;
- refusal to approve pending applications or supplements to approved applications that we submit;
- recall of products;
- restrictions on coverage by third-party payors;
- fines, restitution or disgorgement of profits or revenues;
- suspension or withdrawal of marketing approvals;
- refusal to permit the import or export of products;
- product seizure; or
- injunctions or the imposition of civil or criminal penalties.

Current and future legislation may increase the difficulty and cost for us and any future collaborators to obtain marketing approval of and commercialize our product candidates and affect the prices we, or they, may obtain.

In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could, among other things, prevent or delay marketing approval of our product candidates, restrict or regulate post-approval activities and affect our ability, or the ability of any future collaborators, to profitably sell any products for which we, or they, obtain marketing approval. We expect that current laws, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we, or any future collaborators, may receive for any approved products.

In March 2010 for example, President Obama signed into law the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, or collectively the PPACA. Among the provisions of the PPACA of potential importance to our business and our product candidates are the following:

- an annual, non-deductible fee on any entity that manufactures or imports specified branded prescription drugs and biologic agents;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program;
- expansion of healthcare fraud and abuse laws, including the civil False Claims Act and the federal Anti-Kickback Statute, new government investigative powers and enhanced penalties for noncompliance;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices;
- extension of manufacturers' Medicaid rebate liability;
- expansion of eligibility criteria for Medicaid programs;
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program;
- new requirements to report certain financial arrangements with physicians and teaching hospitals;
- a new requirement to annually report drug samples that manufacturers and distributors provide to physicians; and
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research.

In addition, other legislative changes have been proposed and adopted since the PPACA was enacted. These changes include the Budget Control Act of 2011, which, among other things, led to aggregate reductions to Medicare payments to providers of up to 2% per fiscal year that started in 2013 and the American Taxpayer Relief Act of 2012, which, among other things, reduced Medicare payments to several providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws may result in additional reductions in Medicare and other healthcare funding.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for pharmaceutical products. We cannot be sure whether additional legislative changes will be enacted, or whether the FDA regulations, guidance or interpretations will be changed, or what the impact of such changes on the marketing approvals of our product candidates, if any, may be. In addition, increased scrutiny by the United States Congress of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject us and any future collaborators to more stringent product labeling and post-marketing testing and other requirements.

Our relationships with customers and third-party payors, among others, will be subject to applicable anti-kickback, fraud and abuse and other healthcare laws and regulations, which could expose us to penalties, including criminal sanctions, civil penalties, contractual damages, reputational harm, fines, disgorgement, exclusion from participation in government healthcare programs, curtailment or restricting of our operations, and diminished profits and future earnings.

Healthcare providers, physicians and third party-payors will play a primary role in the recommendation and prescription of any products for which we obtain marketing approval. Our future arrangements with third-party payors and customers, if any, will subject us to broadly applicable fraud and abuse and other healthcare laws and regulations. The laws and regulations may constrain the business or financial arrangements and relationships through which we market, sell and distribute any products for which we obtain marketing approval. These include the following:

Anti-Kickback Statute. The federal Anti-Kickback Statute prohibits, among other things, persons and entities from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order or recommendation or arranging of, any good or service, for which payment may be made under a federal healthcare program such as Medicare and Medicaid;

False Claims Laws. The federal false claims and civil monetary penalties laws, including the federal civil False Claims Act, impose criminal and civil penalties, including through civil whistleblower or *qui tam* actions against individuals or entities for, among other things, knowingly presenting, or causing to be presented false or fraudulent claims for payment by a federal healthcare program or making a false statement or record material to payment of a false claim or avoiding, decreasing or concealing an obligation to pay money to the federal government, with potential liability including mandatory treble damages and significant per-claim penalties, currently set at $5,500 to $11,000 per false claim;

HIPAA. The federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, imposes criminal and civil liability for, among other things, executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters. Additionally, HIPAA as amended by the Health Information Technology for Economic and Clinical Health Act and its implementing regulations, also imposes obligations on covered entities and their business associates, including mandatory contractual terms and technical safeguards, with respect to maintaining the privacy, security and transmission of individually identifiable health information;

Transparency Requirements. The federal Physician Payments Sunshine Act requires certain manufacturers of drugs, devices, biologics, and medical supplies for which payment is available under Medicare, Medicaid, or the Children's Health Insurance Program, with specific exceptions, to report annually to the Centers for

Medicare & Medicaid Services, or CMS, information related to payments or transfers of value made to physicians and teaching hospitals, as well as information regarding ownership and investment interests held by physicians and their immediate family members; and

Analogous State and Foreign Laws. Analogous state and foreign fraud and abuse laws and regulations, such as state anti-kickback and false claims laws, can apply to sales or marketing arrangements, and claims involving healthcare items or services reimbursed by non-governmental third party payors, and are generally broad and are enforced by many different federal and state agencies as well as through private actions. Some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government and require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures. State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not pre-empted by HIPAA, thus complicating compliance efforts.

Efforts to ensure that our business arrangements with third parties, and our business generally, will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, imprisonment, exclusion of products from government funded healthcare programs, such as Medicare and Medicaid, disgorgement, contractual damages, reputational harm, and the curtailment or restructuring of our operations. Defending against any such actions can be costly, time-consuming and may require significant financial and personnel resources. Therefore, even if we are successful in defending against any such actions that may be brought against us, our business may be impaired. Further, if any of the physicians or other healthcare providers or entities with whom we expect to do business is found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

Laws and regulations governing any international operations we may have in the future may preclude us from developing, manufacturing and selling certain products outside of the United States and require us to develop and implement costly compliance programs.

If we expand our operations outside of the United States, we must dedicate additional resources to comply with numerous laws and regulations in each jurisdiction in which we plan to operate. The Foreign Corrupt Practices Act, or FCPA, prohibits any U.S. individual or business from paying, offering, authorizing payment or offering of anything of value, directly or indirectly, to any foreign official, political party or candidate for the purpose of influencing any act or decision of the foreign entity in order to assist the individual or business in obtaining or retaining business. The FCPA also obligates companies whose securities are listed in the United States to comply with certain accounting provisions requiring the company to maintain books and records that accurately and fairly reflect all transactions of the corporation, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations.

Compliance with the FCPA is expensive and difficult, particularly in countries in which corruption is a recognized problem. In addition, the FCPA presents particular challenges in the pharmaceutical industry, because, in many countries, hospitals are operated by the government, and doctors and other hospital employees are considered foreign officials. Certain payments to hospitals in connection with clinical trials and other work have been deemed to be improper payments to government officials and have led to FCPA enforcement actions.

Various laws, regulations and executive orders also restrict the use and dissemination outside of the United States, or the sharing with certain non-U.S. nationals, of information classified for national security purposes, as well as certain products and technical data relating to those products. If we expand our presence outside of the

United States, it will require us to dedicate additional resources to comply with these laws, and these laws may preclude us from developing, manufacturing, or selling certain products and product candidates outside of the United States, which could limit our growth potential and increase our development costs.

The failure to comply with laws governing international business practices may result in substantial civil and criminal penalties and suspension or debarment from government contracting. The Securities and Exchange Commission, or SEC, also may suspend or bar issuers from trading securities on U.S. exchanges for violations of the FCPA's accounting provisions.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could harm our business.

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. From time to time and in the future, our operations may involve the use of hazardous and flammable materials, including chemicals and biological materials, and may also produce hazardous waste products. Even if we contract with third parties for the disposal of these materials and waste products, we cannot completely eliminate the risk of contamination or injury resulting from these materials. In the event of contamination or injury resulting from the use or disposal of our hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties for failure to comply with such laws and regulations.

We maintain workers' compensation insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials, but this insurance may not provide adequate coverage against potential liabilities. However, we do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us.

In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. Current or future environmental laws and regulations may impair our research, development or production efforts. In addition, failure to comply with these laws and regulations may result in substantial fines, penalties or other sanctions.

Governments outside the United States tend to impose strict price controls, which may adversely affect our revenues, if any.

In some countries, such as the countries of the European Union, the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we, or any future collaborators, may be required to conduct a clinical trial that compares the cost-effectiveness of our product to other available therapies. If reimbursement of our products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business could be harmed.

Risks Related to Employee Matters and Managing Growth

Our future success depends on our ability to retain our Chief Executive Officer and Chief Operating Officer and to attract, retain and motivate qualified personnel.

We are highly dependent on the pharmaceutical research and development and business development expertise of Cedric Francois, M.D., Ph.D., our President and Chief Executive Officer, and Pascal Deschatelets, Ph.D., our Chief Operating Officer. Drs. Francois and Deschatelets do not have employment agreements with us and are employed "at will," meaning either of them may terminate his employment with us at any time with or without notice and for any reason or no reason. In the future, we may be dependent on other members of our management, scientific and development team.

Our ability to compete in the biotechnology and pharmaceuticals industries depends upon our ability to attract and retain highly qualified managerial, scientific and medical personnel. Our industry has experienced a high rate of turnover of management personnel in recent years. If we lose one or more of our executive officers or other key employees, our ability to implement our business strategy successfully could be seriously harmed. Furthermore, replacing executive officers or other key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to develop, gain marketing approval of and commercialize products successfully. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these additional key employees on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions.

We rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our research and development and commercialization strategy. Our consultants and advisors may be employed by other entities and may have commitments under consulting or advisory contracts with those entities that may limit their availability to us. If we are unable to continue to attract and retain highly qualified personnel, our ability to develop and commercialize our product candidates will be limited.

Our employees, independent contractors, consultants, collaborators and contract research organizations may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, which could cause significant liability for us and harm our reputation.

We are exposed to the risk that our employees, independent contractors, consultants, collaborators and contract research organizations may engage in fraud or other misconduct, including intentional failures to comply with FDA regulations or similar regulations of comparable non-U.S. regulatory authorities, to provide accurate information to the FDA or comparable non-U.S. regulatory authorities, to comply with manufacturing standards we have established, to comply with federal and state healthcare fraud and abuse laws and regulations and similar laws and regulations established and enforced by comparable non-U.S. regulatory authorities, to report financial information or data accurately or to disclose unauthorized activities to us. Such misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. It is not always possible to identify and deter misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws, standards or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business and results of operations, including the imposition of significant fines or other sanctions.

We expect to expand our organization, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

As of July 31, 2015, we had 11 employees. We expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of drug manufacturing, regulatory affairs and sales, marketing and distribution. To manage these growth activities, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Our management may need to devote a significant amount of its attention to managing these growth activities. Moreover, our expected growth could require us to relocate to a different geographic area of the country. Due to our limited financial resources and the limited experience of our management team in managing a company with such anticipated growth, we may not be able to effectively manage the expansion or relocation of our operations, retain key employees, or identify, recruit and train additional qualified personnel. Our inability to manage the expansion or relocation of our operations effectively may result in weaknesses in our infrastructure, give rise to operational mistakes, loss of business opportunities, loss of employees and reduced productivity among remaining employees. Our expected growth could also

require significant capital expenditures and may divert financial resources from other projects, such as the development of additional product candidates. If we are unable to effectively manage our expected growth, our expenses may increase more than expected, our ability to generate revenues could be reduced and we may not be able to implement our business strategy, including the successful commercialization of our product candidates.

We may engage in acquisitions that could disrupt our business, cause dilution to our stockholders or reduce our financial resources.

In the future, we may enter into transactions to acquire other businesses, products or technologies. Because we have not made any acquisitions to date, our ability to do so successfully is unproven. If we do identify suitable candidates, we may not be able to make such acquisitions on favorable terms, or at all. Any acquisitions we make may not strengthen our competitive position, and these transactions may be viewed negatively by customers or investors. We may decide to incur debt in connection with an acquisition or issue our common stock or other equity securities to the stockholders of the acquired company, which would reduce the percentage ownership of our existing stockholders. We could incur losses resulting from undiscovered liabilities of the acquired business that are not covered by the indemnification we may obtain from the seller. In addition, we may not be able to successfully integrate the acquired personnel, technologies and operations into our existing business in an effective, timely and non-disruptive manner. Acquisitions may also divert management attention from day-to-day responsibilities, increase our expenses and reduce our cash available for operations and other uses. We cannot predict the number, timing or size of future acquisitions or the effect that any such transactions might have on our operating results.

Risks Related to Our Common Stock and This Offering

An active trading market for our common stock may not develop or be sustainable. If an active trading market does not develop, investors may not be able to resell their shares at or above the initial public offering price and our ability to raise capital in the future may be impaired.

Prior to this offering, there has been no public market for our common stock. The initial public offering price for our common stock will be determined through negotiations with the underwriters. This price may not reflect the price at which investors in the market will be willing to buy and sell our shares following this offering. Although we intend to list our common stock on the NASDAQ Global Market, an active trading market for our shares may never develop or, if developed, be maintained following this offering. If an active market for our common stock does not develop or is not maintained, it may be difficult for you to sell shares you purchase in this offering without depressing the market price for the shares or at all. An inactive trading market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

If you purchase shares of common stock in this offering, you will suffer immediate dilution in the net tangible book value of your investment.

The initial public offering price of our common stock is substantially higher than the net tangible book value per share of our common stock. Therefore, if you purchase shares of our common stock in this offering, you will pay a price per share that substantially exceeds our net tangible book value per share after this offering. Based on the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, you will experience immediate dilution of $ per share, representing the difference between our pro forma net tangible book value per share after giving effect to this offering and the assumed initial public offering price. Purchasers of common stock in this offering will have contributed approximately % of the aggregate price paid by all purchasers of our stock and will own approximately % of our common stock outstanding after this offering, excluding any shares of our common stock that they may have acquired prior to this offering. Furthermore, if the underwriters exercise their over-allotment option or our previously issued options to acquire common stock at prices below the assumed initial public offering price are exercised, you will experience further dilution. For additional information on the dilution that you will experience immediately after this offering, see the section titled “Dilution.”

The trading price of our common stock is likely to be highly volatile, which could result in substantial losses for purchasers of our common stock in this offering.

Our stock price is likely to be highly volatile. The stock market in general and the market for smaller pharmaceutical and biotechnology companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, you may not be able to sell your common stock at or above the initial public offering price and you may lose some or all of your investment. The market price for our common stock may be influenced by many factors, including:

- the success of existing or new competitive products or technologies;
- regulatory actions with respect to our product candidates or our competitors' products and product candidates;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, collaborations or capital commitments;
- the timing and results of clinical trials of APL-2, APL-1 and any other product candidates;
- commencement or termination of collaborations for our development programs;
- failure or discontinuation of any of our development programs;
- results of clinical trials of product candidates of our competitors;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key personnel;
- the level of expenses related to any of our product candidates or clinical development programs;
- the results of our efforts to develop additional product candidates or products;
- actual or anticipated changes in estimates as to financial results or development timelines;
- announcement or expectation of additional financing efforts;
- sales of our common stock by us, our insiders or other stockholders;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in estimates or recommendations by securities analysts, if any, that cover our stock;
- changes in the structure of healthcare payment systems;
- market conditions in the pharmaceutical and biotechnology sectors;
- general economic, industry and market conditions; and
- the other factors described in this "Risk Factors" section.

Additionally, in the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because pharmaceutical companies have experienced significant stock price volatility in recent years. If we face such litigation, it could result in substantial costs and a diversion of management's attention and resources, which could harm our business.

We have broad discretion in the use of the net proceeds from this offering and may invest or spend the proceeds in ways with which you do not agree and in ways that may not yield a return on your investment.

Although we currently intend to use the net proceeds from this offering in the manner described in the section titled "Use of Proceeds" in this prospectus, our management will have broad discretion in the application

of the net proceeds from this offering and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our common stock. You will not have the opportunity to influence our decisions on how to use our net proceeds from this offering. The failure by our management to apply these funds effectively could result in financial losses that could harm our business, cause the price of our common stock to decline and delay the development of our product candidates. Pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value.

We are an "emerging growth company," and the reduced disclosure requirements applicable to emerging growth companies may make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and may remain an emerging growth company for up to five years. For so long as we remain an emerging growth company, we are permitted and plan to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or SOX Section 404, not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, reduced disclosure obligations regarding executive compensation and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. In this prospectus, we have provided only two years of audited financial statements and have not included all of the executive compensation related information that would be required if we were not an emerging growth company. We cannot predict whether investors will find our common stock less attractive if we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

We will incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives and corporate governance practices.

As a public company, and particularly after we are no longer an "emerging growth company," we will incur significant legal, accounting and other expenses that we did not incur as a private company, which we anticipate could amount to between $1.0 million and $2.0 million annually. The Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the NASDAQ Global Market and other applicable securities rules and regulations impose various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. We expect that we will need to hire additional accounting, finance and other personnel in connection with our becoming, and our efforts to comply with the requirements of being, a public company and our management and other personnel will need to devote a substantial amount of time towards maintaining compliance with these requirements. These requirements will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect that the rules and regulations applicable to us as a public company may make it more difficult and more expensive for us to obtain director and officer liability insurance, which could make it more difficult for us to attract and retain qualified members of our board of directors. We are currently evaluating these rules and regulations, and cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. These rules and regulations are often subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their

application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

Pursuant to SOX Section 404 we will be required to furnish a report by our management on our internal control over financial reporting beginning with our second filing of an Annual Report on Form 10-K with the SEC after we become a public company. However, while we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with SOX Section 404 within the prescribed period, we will be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that we will not be able to conclude, within the prescribed timeframe or at all, that our internal control over financial reporting is effective. If we identify one or more material weaknesses, it could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

A significant portion of our total outstanding shares is restricted from immediate resale but may be sold into the market in the near future, which could cause the market price of our common stock to decline significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares of common stock intend to sell shares, could reduce the market price of our common stock. Following this offering, we will have shares of common stock outstanding based on the 45,025,829 shares of our common stock outstanding as of June 30, 2015 after giving effect to the conversion of all outstanding shares of our preferred stock into 35,248,069 shares of our common stock upon the closing of this offering. Of these shares, the shares sold by us in this offering may be resold in the public market immediately, unless purchased by our affiliates. The remaining 45,025,829 shares are currently restricted under securities laws or as a result of lock-up or other agreements, but will be able to be sold after this offering as described in the "Shares Eligible for Future Sale" section of this prospectus. The representatives of the underwriters may release these stockholders from their lock-up agreements with the underwriters at any time and without notice, which would allow for earlier sales of shares in the public market.

Moreover, after this offering, holders of an aggregate of 35,248,069 shares of our common stock will have rights, subject to conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. We also plan to register all shares of common stock that we may issue under our equity compensation plans. Once we register these shares, they can be freely sold in the public market upon issuance and once vested, subject to volume limitations applicable to affiliates and the lock-up agreements. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

We might not be able to utilize a significant portion of our net operating loss carryforwards and research and development tax credit carryforwards.

As of June 30, 2015, we had federal and state net operating loss carryforwards of $27.0 million and $27.0 million, respectively, and federal research and development tax credit carryforwards of $1.1 million, each of which if not utilized will begin to expire in 2030. These net operating loss and tax credit carryforwards could expire unused and be unavailable to offset future income tax liabilities. In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, if a corporation

undergoes an "ownership change," which is generally defined as a greater than 50% change, by value, in its equity ownership over a three-year period, the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income may be limited. We have not determined if we have experienced Section 382 ownership changes in the past and if a portion of our net operating loss and tax credit carryforwards are subject to an annual limitation under Section 382. In addition, we may experience ownership changes in the future as a result of subsequent shifts in our stock ownership, including this offering, some of which may be outside of our control. We have not conducted a detailed study to document whether our historical activities qualify to support the research and development credit carryforwards. A detailed study could result in adjustment to our research and development credit carryforwards. If we determine that an ownership change has occurred and our ability to use our historical net operating loss and tax credit carryforwards is materially limited, or if our research and development carryforwards are adjusted, it would harm our future operating results by effectively increasing our future tax obligations.

We do not anticipate paying any cash dividends on our capital stock in the foreseeable future. Accordingly, stockholders must rely on capital appreciation, if any, for any return on their investment.

We have never declared nor paid cash dividends on our capital stock. We currently plan to retain all of our future earnings, if any, to finance the operation, development and growth of our business. In addition, the terms of any future debt or credit agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

Concentration of ownership of our common stock among our existing executive officers, directors and principal stockholders may prevent new investors from influencing significant corporate decisions.

Based upon shares outstanding as of June 30, 2015, upon the closing of this offering, our executive officers and directors, combined with our stockholders who owned more than 5% of our outstanding common stock before this offering and their affiliates, will, in the aggregate, beneficially own shares representing approximately % of our common stock, and Morningside Venture Investments, Ltd. will beneficially own approximately % of our common stock. As a result, if these stockholders were to choose to act together, they would be able to control all matters submitted to our stockholders for approval, as well as our management and affairs. For example, these persons, if they choose to act together, would control the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of ownership control may:

- delay, defer or prevent a change in control;
- entrench our management or the board of directors; or
- impede a merger, consolidation, takeover or other business combination involving us that other stockholders may desire.

Some of these persons or entities may have interests different than yours. For example, because many of these stockholders purchased their shares at prices substantially below the price at which shares are being sold in this offering and have held their shares for a longer period, they may be more interested in selling our company to an acquirer than other investors or they may want us to pursue strategies that deviate from the interests of other stockholders.

Provisions in our corporate charter documents and under Delaware law may prevent or frustrate attempts by our stockholders to change our management or hinder efforts to acquire a controlling interest in us.

Provisions in our corporate charter and our bylaws that will become effective upon the closing of this offering may discourage, delay or prevent a merger, acquisition or other change in control of us that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of

directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions:

- establish a classified board of directors such that all members of the board are not elected at one time;
- allow the authorized number of our directors to be changed only by resolution of our board of directors;
- limit the manner in which stockholders can remove directors from the board;
- establish advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted on at stockholder meetings;
- require that stockholder actions must be effected at a duly called stockholder meeting and prohibit actions by our stockholders by written consent;
- limit who may call a special meeting of stockholders;
- authorize our board of directors to issue preferred stock without stockholder approval, which could be used to institute a "poison pill" that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board of directors; and
- require the approval of the holders of at least 75% of the votes that all our stockholders would be entitled to cast to amend or repeal certain provisions of our charter or bylaws.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the General Corporation Law of the State of Delaware, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner. This could discourage, delay or prevent someone from acquiring us or merging with us, whether or not it is desired by, or beneficial to, our stockholders. This could also have the effect of discouraging others from making tender offers for our common stock, including transactions that may be in your best interests. These provisions may also prevent changes in our management or limit the price that investors are willing to pay for our stock.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our share price and trading volume could decline.

The trading market for our common stock will likely depend in part on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. We do not currently have research coverage, and there can be no assurance that analysts will cover us, or provide favorable coverage. Securities or industry analysts may elect not to provide research coverage of our common stock after this offering, and such lack of research coverage may negatively impact the market price of our common stock. In the event we do have analyst coverage, if one or more analysts downgrade our stock or change their opinion of our stock, our share price would likely decline. In addition, if one or more analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

Our certificate of incorporation that will become effective upon the closing of this offering designates the state courts in the State of Delaware or, if no state court located within the State of Delaware has jurisdiction, the federal court for the District of Delaware, as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could discourage lawsuits against our company and our directors and officers.

Our certificate of incorporation that will become effective upon the closing of this offering provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of

Delaware) will be the sole and exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or employees to our company or our stockholders, any action asserting a claim against us arising pursuant to any provision of the General Corporation Law of the State of Delaware or our certificate of incorporation or bylaws, or any action asserting a claim against us governed by the internal affairs doctrine. This exclusive forum provision may limit the ability of our stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with us or our directors or officers, which may discourage such lawsuits against us and our directors and officers.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This prospectus contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this prospectus, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans and objectives of management and expected market growth are forward-looking statements. The words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “would” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

These forward-looking statements include, among other things, statements about:

- our plans to initiate clinical trials of APL-2 and APL-1;
- ongoing and planned clinical trials for our product candidates, whether conducted by us or by any future collaborators, including the timing of these trials and of the anticipated results;
- our plans to research, develop and commercialize our current and future product candidates;
- our plans to seek to enter into collaborations for the development and commercialization of certain product candidates;
- the potential benefits of any future collaboration;
- the timing of and our ability to obtain and maintain regulatory approvals for our product candidates;
- the rate and degree of market acceptance and clinical utility of any products for which we receive marketing approval;
- our commercialization, marketing and manufacturing capabilities and strategy;
- our intellectual property position and strategy;
- our ability to identify additional products or product candidates with significant commercial potential;
- our expectations related to the use of proceeds from this offering;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing;
- developments relating to our competitors and our industry; and
- the impact of government laws and regulations.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in this prospectus, particularly in the “Risk Factors” section, that could cause actual results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, collaborations, joint ventures or investments that we may make or enter into.

You should read this prospectus and the documents that we have filed as exhibits to the registration statement of which this prospectus is a part completely and with the understanding that our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

This prospectus includes statistical and other industry and market data that we obtained from industry publications and research, surveys and studies conducted by third parties. All of the market data used in this prospectus involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such data. We believe that the information from these industry publications, surveys and studies is reliable. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of important factors, including those described in the section titled “Risk Factors.” These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

USE OF PROCEEDS

We estimate that the net proceeds from our issuance and sale of shares of our common stock in this offering will be $ million, or $ million if the underwriters exercise their over-allotment option in full, assuming an initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

A $1.00 increase or decrease in the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease our net proceeds from this offering by $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. An increase or decrease of shares in the number of shares offered by us, as set forth on the cover page of this prospectus, would increase or decrease our net proceeds from this offering by $ million, assuming no change in the assumed initial public offering price per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

As of June 30, 2015, we had cash and cash equivalents of $14.9 million. We currently estimate that we will use the net proceeds from this offering, together with our existing cash and cash equivalents, as follows:

- approximately $ million for our planned Phase 1b clinical trial of APL-2 in patients with PNH and our planned Phase 2 clinical trials of APL-2 in patients with GA and intermediate AMD;
- approximately $ million for our planned Phase 2 clinical trial of APL-1 in patients with COPD;
- approximately $ million to fund our planned proof-of-concept trials of APL-2 in patients with myasthenia gravis and neuromyelitis optica and to assess the efficacy of APL-2 in halting the process of chronic rejection in organ transplantation, and to fund proof-of-concept trials of APL-1 in patients with idiopathic pulmonary fibrosis;
- approximately $ million to fund our planned early development of new product candidates to target the complement pathways; and
- the remainder for working capital and other general corporate purposes.

This expected use of the net proceeds from this offering and our existing cash and cash equivalents represents our intentions based upon our current plans and business conditions. The amounts and timing of our actual expenditures may vary significantly depending on numerous factors, including the progress of our development and commercialization efforts, the status of and results from clinical trials, any collaborations that we may enter into with third parties for our product candidates and any unforeseen cash needs. As a result, our management will retain broad discretion over the allocation of the net proceeds from this offering. We have no current agreements, commitments or understandings for any material acquisitions or licenses of any products, businesses or technologies.

Based on our planned use of the net proceeds from this offering and our existing cash and cash equivalents as of June 30, 2015, we estimate that such funds will be sufficient to enable us to complete our planned Phase 1b clinical trial in PNH, our planned Phase 2 clinical trials in GA, intermediate AMD and COPD, our planned proof-of-concept trials and our planned early development of new product candidates to target the complement pathways, and to fund our operating expenses and capital expenditure requirements, at least through . We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. We do not expect that the net proceeds from this offering and our existing cash and cash equivalents will be sufficient to enable us to fund the completion of development of any of our product candidates.

Pending our use of the net proceeds from this offering, we intend to invest the net proceeds in short-term, investment-grade, interest-bearing instruments and U.S. government securities.

DIVIDEND POLICY

We have never declared nor paid cash dividends on our common stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. We do not intend to pay cash dividends in respect of our common stock in the foreseeable future.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of June 30, 2015:

- on an actual basis;
- on a pro forma basis to give effect to (i) the conversion of all outstanding shares of our preferred stock into 35,248,069 shares of our common stock and (ii) the filing and effectiveness of our restated certificate of incorporation, all upon the closing of this offering; and
- on a pro forma as adjusted basis to give further effect to our issuance and sale of shares of our common stock in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Our capitalization following the closing of this offering will depend on the actual initial public offering price and other terms of this offering determined at pricing. You should read this table together with our consolidated financial statements and the related notes appearing at the end of this prospectus and the sections of this prospectus titled “Selected Consolidated Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Description of Capital Stock.”

	As of June 30, 2015		
	Actual	Pro Forma	Pro Forma As Adjusted
Cash and cash equivalents	$ 14,865,008	$ 14,865,008	$
Stockholders’ equity:			
Series A convertible preferred stock, $0.0001 par value per share; 2,670,000 shares authorized, issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	$ 2,654,405	$ —	$
Series B convertible preferred stock, $0.0001 par value per share; 7,280,000 shares authorized, 6,362,658 issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	6,944,148	—	
Series C convertible preferred stock, $0.0001 par value per share; 28,750,000 shares authorized, 26,215,411 issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	35,542,707	—	
Preferred stock, $0.0001 par value per share; no shares authorized, issued or outstanding, actual; shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	—	—	
Common stock, $0.0001 par value per share; 65,000,000 shares authorized, 9,777,760 shares issued and outstanding, actual; shares authorized, 45,025,829 shares issued and outstanding, pro forma; shares authorized, shares issued and outstanding, pro forma as adjusted	980	4,505	
Additional paid-in capital	2,132,338	47,270,073	
Accumulated deficit	(31,727,676)	(31,727,676)	
Total stockholders’ equity	15,546,902	15,546,902	
Total capitalization	$ 15,546,902	$ 15,546,902	$

A $1.00 increase or decrease in the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease the pro forma as adjusted amount of each of cash and cash equivalents, additional paid-in-capital, total stockholders' equity and total capitalization by $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated expenses payable by us. An increase or decrease of shares in the number of shares offered by us, as set forth on the cover page of this prospectus, would increase or decrease the pro forma as adjusted amount of each of cash and cash equivalents, additional paid-in-capital, total stockholders' equity and total capitalization by $ million, assuming no change in the assumed initial public offering price per share and after deducting estimated underwriting discounts and commissions and estimated expenses payable by us.

The table above does not include:

- 5,077,500 shares of our common stock issuable upon the exercise of stock options outstanding as of June 30, 2015, at a weighted-average exercise price of $1.19 per share;
- 2,120,938 shares of our common stock available for future issuance as of June 30, 2015 under our 2010 equity incentive plan;
- additional shares of our common stock that will become available for future issuance in connection with this offering under our 2015 stock incentive plan; and
- 8,200,000 shares of our common stock that we intend to issue to Potentia upon the closing of the asset purchase agreement that we entered into with Potentia on September 24, 2014.

DILUTION

If you invest in our common stock in this offering, your ownership interest will be diluted immediately to the extent of the difference between the public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock after this offering.

Our historical net tangible book value as of June 30, 2015 was $15.5 million, or $1.59 per share of our common stock. Our historical net tangible book value is the amount of our total tangible assets less our total liabilities. Historical net tangible book value per share represents historical net tangible book value divided by the 9,777,760 shares of our common stock outstanding as of June 30, 2015.

Our pro forma net tangible book value as of June 30, 2015 was $15.5 million, or $0.34 per share of our common stock. Pro forma net tangible book value represents the amount of our total tangible assets less our total liabilities. After giving effect to the automatic conversion of all outstanding shares of our preferred stock into an aggregate of 35,248,069 shares of our common stock upon the closing of this offering, pro forma net tangible book value per share represents pro forma net tangible book value divided by the 45,025,829 shares of our common stock outstanding as of June 30, 2015.

After giving effect to our issuance and sale of shares of our common stock in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of June 30, 2015 would have been $ million, or $ per share. This represents an immediate increase in pro forma as adjusted net tangible book value per share of $ to existing stockholders and immediate dilution of $ in pro forma as adjusted net tangible book value per share to new investors purchasing common stock in this offering. Dilution per share to new investors is determined by subtracting pro forma as adjusted net tangible book value per share after this offering from the initial public offering price per share paid by new investors. The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share		$
Historical net tangible book value per share as of June 30, 2015	$ 1.59	
Decrease per share attributable to the conversion of outstanding preferred stock	(1.25)	
Pro forma net tangible book value per share as of June 30, 2015	0.34	
Increase in net tangible book value per share attributable to new investors		
Pro forma as adjusted net tangible book value per share after this offering		
Dilution per share to new investors		$

A $1.00 increase or decrease in the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease our pro forma as adjusted net tangible book value by $ million, our pro forma as adjusted net tangible book value per share after this offering by $ and dilution per share to new investors purchasing shares in this offering by $, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. An increase or decrease of shares in the number of shares offered by us, as set forth on the cover page of this prospectus, would increase or decrease the pro forma as adjusted net tangible book value per share after this offering by $ and $, respectively, and increase or decrease the dilution per share to new investors participating in this offering by $ and $, respectively, assuming no change in the assumed initial public offering price and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise their over-allotment option in full, the pro forma as adjusted net tangible book value will increase to $ per share, representing an immediate increase to existing stockholders of $ per share and an immediate dilution of $ per share to new investors. If any shares are issued upon exercise of outstanding options, you will experience further dilution.

The following table summarizes, on a pro forma as adjusted basis as of June 30, 2015, after giving effect to the conversion of all of our outstanding preferred stock into common stock, the differences between the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid by existing stockholders and by new investors purchasing shares of common stock in this offering. The calculation below is based on an assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number(1)	Percent	Amount	Percent	
Existing stockholders	45,025,829	%	$45,396,279	%	$ 1.01
New investors					
Total		100%	$	100%	

(1) Includes 9,776,198 shares of common stock that we issued at par value upon our business combination with Apellis AG immediately prior to the time we commenced active operations.

A $1.00 increase or decrease in the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease the total consideration paid by new investors by $ million and, in the case of an increase, would increase the percentage of total consideration paid by new investors by percentage points and, in the case of a decrease, would decrease the percentage of total consideration paid by new investors by percentage points, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same. An increase or decrease of shares in the number of shares offered by us, as set forth on the cover page of this prospectus, would increase or decrease the total consideration paid by new investors by $ million and, in the case of an increase, would increase the percentage of total consideration paid by new investors by percentage points and, in the case of a decrease, would decrease the percentage of total consideration paid by new investors by percentage points, assuming no change in the assumed initial public offering price.

The number of shares purchased from us by existing stockholders is based on 45,025,829 shares of our common stock outstanding as of June 30, 2015, after giving effect to the automatic conversion of all of our outstanding shares of preferred stock into 35,248,069 shares of common stock upon the closing of this offering, and excludes:

- 5,077,500 shares of our common stock issuable upon the exercise of stock options outstanding as of June 30, 2015, at a weighted-average exercise price of $1.19 per share;
- 2,120,938 additional shares of our common stock available for future issuance as of June 30, 2015 under our 2010 equity incentive plan;
- additional shares of our common stock that will become available for future issuance in connection with this offering under our 2015 stock incentive plan; and
- 8,200,000 shares of our common stock that we intend to issue to Potentia upon the closing of the asset purchase agreement that we entered into with Potentia on September 24, 2014.

To the extent that stock options are exercised, new stock options are issued under our equity incentive plans, or we issue additional shares of common stock in the future, there will be further dilution to investors participating in

this offering. In addition, we may choose to raise additional capital because of market conditions or strategic considerations, even if we believe that we have sufficient funds for our current or future operating plans. If we raise additional capital through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

If the underwriters exercise their over-allotment option in full, the following will occur:

- the percentage of shares of our common stock held by existing stockholders will decrease to % of the total number of shares of our common stock outstanding after this offering; and
- the number of shares of our common stock held by new investors will increase to , or % of the total number of shares of our common stock outstanding after this offering.

SELECTED CONSOLIDATED FINANCIAL DATA

You should read the following selected consolidated financial data together with our consolidated financial statements and the related notes appearing at the end of this prospectus and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this prospectus. We have derived the statement of operations data for the years ended December 31, 2013 and 2014 and the balance sheet data as of December 31, 2013 and 2014 from our audited consolidated financial statements appearing at the end of this prospectus. The statement of operations data for the six months ended June 30, 2014 and 2015 and the balance sheet data as of June 30, 2015 have been derived from our unaudited consolidated financial statements appearing at the end of this prospectus and have been prepared on the same basis as the audited consolidated financial statements. In the opinion of management, the unaudited consolidated financial data reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial information as of and for the periods presented. Our historical results are not necessarily indicative of results that should be expected in any future period, and our results for any interim period are not necessarily indicative of results that should be expected for any full year.

	Year Ended December 31,		Six Months Ended June 30,	
	2013	2014	2014	2015
Statement of Operations Data:				
Operating expenses:				
Research and development	$ 2,317,275	$ 8,379,522	$ 4,493,265	$ 6,056,537
General and administrative	1,706,032	2,908,166	1,212,929	1,901,314
Depreciation	6,265	6,594	2,863	3,849
Operating loss	(4,029,572)	(11,294,282)	(5,709,057)	(7,961,700)
Other income	68,004	62,459	23,895	24,504
Loss before income taxes	(3,961,568)	(11,231,823)	(5,685,162)	(7,937,196)
Income tax benefit	—	443,340	55,645	826,486
Net loss	$ (3,961,568)	$ (10,788,483)	$ (5,629,517)	$ (7,110,710)
Net loss per common share, basic and diluted(1)	$ (0.41)	$ (1.10)	$ (0.58)	$ (0.73)
Shares used in computing net loss per common share, basic and diluted(1)	9,776,198	9,776,198	9,776,198	9,776,742
Pro forma net loss per share, basic and diluted (unaudited)(1)		$ (0.38)		$ (0.17)
Shares used in computing pro forma net loss per common share, basic and diluted (unaudited)(1)		28,698,023		41,155,934

(1) See Note 11 in the notes to our audited consolidated financial statements and Note 9 in the notes to our unaudited consolidated financial statements appearing at the end of this prospectus for a description of the method used to calculate basic and diluted net loss per common share and pro forma basic and diluted net loss per common share (unaudited).

	As of December 31,		As of June 30,
	2013	2014	2015
Balance Sheet Data:			
Cash and cash equivalents	$ 4,758,361	$ 13,622,995	$ 14,865,008
Working capital	4,513,412	13,165,811	15,440,066
Total assets	5,199,494	14,306,238	16,817,771
Total liabilities	676,955	1,081,531	1,270,869
Convertible preferred stock	16,760,257	35,864,148	45,141,260
Accumulated deficit	(13,828,483)	(24,616,966)	(31,727,676)
Total stockholders' equity	4,522,539	13,224,707	15,546,902

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with the section of this prospectus titled "Selected Consolidated Financial Data" and our consolidated financial statements and related notes included elsewhere in this prospectus. This discussion and other parts of this prospectus contain forward-looking statements that involve risk and uncertainties, such as statements of our plans, objectives, expectations and intentions. As a result of many factors, including those factors set forth in the "Risk Factors" section of this prospectus, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

We are a clinical-stage biopharmaceutical company focused on the discovery and development of novel therapeutic compounds for autoimmune and inflammatory diseases. Our approach is centered on the inhibition of the complement system, which consists of a cascade of interacting proteins and is an integral component of the immune system. We are developing our product candidates to inhibit C3, the central protein in the complement cascade. By inhibiting C3, our product candidates inhibit the principal complement activation pathways and their related effects, which we believe may result in both disease control and disease modification.

Our lead product candidates, APL-2 and APL-1, are currently in Phase 1 clinical development for the treatment of PNH, GA, intermediate AMD and COPD. We aim to control these autoimmune and inflammatory diseases by inhibiting complement-induced inflammation and tissue injury. Additionally, we aim to modify these diseases by correcting the immunological dysfunction that underlies these conditions. We refer to this corrective approach as complement immunotherapy. We are conducting our Phase 1 clinical trials to assess safety, recommended dosing and, in certain cases, preliminary efficacy. We hold worldwide commercialization rights to APL-2 and APL-1.

Since our commencement of operations in May 2010, we have devoted substantially all of our resources to developing our proprietary technology, developing product candidates, undertaking preclinical studies and conducting clinical trials for our two clinical-stage product candidates, building our intellectual property portfolio, organizing and staffing our company, business planning, raising capital, and providing general and administrative support for these operations. To date, we have financed our operations primarily through private placements of our preferred stock. From our inception through December 31, 2014, we have raised an aggregate of $35.9 million from private placements of our preferred stock. In January, March and May 2015, we received an aggregate of $9.3 million in gross proceeds from the sale of an aggregate of 6,183,333 shares of our series C convertible preferred stock at a price per share of $1.50.

We have not generated any revenue from product sales to date. We have incurred significant annual net operating losses in every year since our inception and expect to incur a net operating loss in 2015 and continue to incur net operating losses for the foreseeable future. Our net losses were $4.0 million and $10.8 million for the years ended December 31, 2013 and 2014, respectively, and $7.1 million for the six months ended June 30, 2015. As of June 30, 2015, we had an accumulated deficit of $31.7 million. We expect to continue to incur significant expenses and increasing operating losses for the next several years. Our net losses may fluctuate significantly from quarter to quarter and year to year. We anticipate that our expenses will increase significantly if and as we continue to develop and conduct clinical trials with respect to APL-2 and APL-1; maintain, expand and protect our intellectual property portfolio; establish a commercial infrastructure to support the marketing and sale of certain of our product candidates if they receive regulatory approval; and hire additional personnel, such as clinical, regulatory, quality control and scientific personnel. In addition, upon the closing of this offering, we expect to incur additional costs associated with operating as a public company.

In September 2014, we entered into an asset purchase agreement with Potentia pursuant to which we have agreed to acquire the assets of Potentia. These assets consist primarily of a license agreement with UPenn which

will be assigned to us at closing of the transaction, which we expect will occur prior to the consummation of this offering. This license agreement with UPenn provides Potentia with an exclusive license, under specified patent rights controlled by UPenn, to develop and commercialize products covered by the licensed patent rights for ophthalmic indications. We have agreed that upon the closing of the asset acquisition, we will issue to Potentia 8,200,000 shares of our common stock.

Financial Operations Overview

Revenue

To date, we have not generated any revenue from product sales and do not expect to generate any revenue from the sale of products in the near future. In the future, we will seek to generate revenue primarily from a combination of product sales and collaborations with strategic partners.

Research and Development Expenses

Research and development expenses consist primarily of costs incurred for our research activities, including our drug discovery efforts, and the development of our product candidates, which include:

- expenses incurred under agreements with third parties, including contract research organizations, or CROs, that conduct clinical trials and research and development activities on our behalf, and contract manufacturing organizations that manufacture quantities of drug supplies for both our preclinical studies and clinical trials;
- the cost of consultants, including share-based compensation expense; and
- various other expenses incident to the management of our preclinical studies and clinical trials.

Research and development costs are expensed as incurred. Nonrefundable advance payments for goods or services to be received in the future for use in research and development activities are deferred and capitalized. The capitalized amounts are expensed as the related goods are delivered or the services are performed.

The following summarizes our most advanced research and development programs. We have not provided program costs since inception because historically we have not tracked or recorded our research and development expenses on a program-by-program basis.

- ***PNH.*** We are developing APL-2 for the treatment of PNH by subcutaneous injection. PNH is a life-threatening rare, chronic, debilitating blood disorder characterized by the absence of certain proteins that normally regulate complement activity. We are currently conducting Phase 1 clinical trials of APL-2 in healthy volunteers and a Phase 1b clinical trial in PNH patients being treated with eculizumab. We plan to commence a Phase 1b clinical trial of APL-2 as a stand-alone therapy in treatment-naïve patients with PNH in . We expect to report data from the first of our Phase 1 trials in healthy volunteers in the fourth quarter of 2015 and data from the other trials over the course of 2016.
- ***GA and Intermediate AMD.*** We are developing APL-2 for the treatment of GA and intermediate AMD by intravitreal injection. GA is an advanced form of age-related macular degeneration, which is a disorder of the central portion of the retina characterized by progressive retinal cell death. Intermediate AMD is a stage of AMD in which no or minimal vision loss has occurred but patients are at risk of progressing to advanced forms of AMD such as GA. There are no drugs approved for the treatment of GA or intermediate AMD. We are conducting a Phase 1 clinical trial of APL-2 in patients with AMD, and plan to initiate Phase 2 clinical trials of APL-2 in patients with GA in , and in patients with intermediate AMD in .
- ***COPD.*** We are developing APL-1 for the treatment of COPD by inhaled administration. COPD is a progressive disorder of the lungs characterized by constriction of the airways, destruction of lung tissue and difficulty breathing. We have conducted a Phase 1 clinical trial in healthy volunteers and plan to initiate a Phase 2 clinical trial in patients with COPD in .

The successful development of our product candidates is highly uncertain. Accordingly, at this time, we cannot reasonably estimate the nature, timing and costs of the efforts that will be necessary to complete the remainder of the development of these product candidates. We are also unable to predict when, if ever, material net cash inflows will commence from APL-2, APL-1 or any other potential product candidates. This is due to the numerous risks and uncertainties associated with developing therapeutics, including the uncertainties of:

- establishing an appropriate safety profile in preclinical studies;
- successful enrollment in, and completion of clinical trials;
- receipt of marketing approvals from applicable regulatory authorities;
- establishing commercial manufacturing capabilities or making arrangements with third-party manufacturers;
- obtaining and maintaining patent and trade secret protection and regulatory exclusivity for our product candidates;
- launching commercial sales of the products, if and when approved, whether alone or in collaboration with others; and
- a continued acceptable safety profile of the products following approval.

A change in the outcome of any of these variables with respect to the development of any of our product candidates would significantly change the costs and timing associated with the development of that product candidate.

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect research and development costs to increase significantly for the foreseeable future as our product candidate development programs progress. However, we do not believe that it is possible at this time to accurately project total program-specific expenses through commercialization. There are numerous factors associated with the successful commercialization of any of our product candidates, including future trial design and various regulatory requirements, many of which cannot be determined with accuracy at this time based on our stage of development. Additionally, future commercial and regulatory factors beyond our control will impact our clinical development programs and plans.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and other related costs, including share-based compensation, for all of our employees. Other significant costs include facility costs not otherwise included in research and development expenses, legal fees relating to patent and corporate matters, and fees for accounting and consulting services.

We anticipate that our general and administrative expenses will increase in the future to support continued research and development activities, potential commercialization of our product candidates and increased costs of operating as a public company. These increases will likely include increased costs related to the hiring of additional personnel and fees to outside consultants, lawyers and accountants, among other expenses. Additionally, we anticipate increased costs associated with being a public company including expenses related to services associated with maintaining compliance with exchange listing and SEC requirements, insurance costs and investor relations costs.

Critical Accounting Policies and Estimates

This discussion and analysis of our financial condition and results of operations is based on our financial statements, which we have prepared in accordance with United States generally accepted accounting principles.

The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and judgments, including those described in greater detail below. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in the notes to our financial statements included elsewhere in this prospectus, we believe that the following accounting policies are the most critical to aid you in fully understanding and evaluating our financial condition and results of operations.

Accrued Research and Development Expenses

As part of the process of preparing our financial statements, we are required to estimate our accrued expenses. This process involves reviewing quotations and contracts, identifying services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of the actual cost. The majority of our service providers invoice us monthly in arrears for services performed or when contractual milestones are met. We make estimates of our accrued expenses as of each balance sheet date in our financial statements based on facts and circumstances known to us at that time. We periodically confirm the accuracy of our estimates with the service providers and make adjustments if necessary. The significant estimates in our accrued research and development expenses include the costs incurred for services performed by CROs in connection with research and development activities for which we have not yet been invoiced.

We base our expenses related to CROs on our estimates of the services received and efforts expended pursuant to quotes and contracts with CROs that conduct research and development on our behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. There may be instances in which payments made to our CROs will exceed the level of services provided and result in a prepayment of the research and development expense. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from our estimate, we adjust the accrual or prepaid expense accordingly. Although we do not expect our estimates to be materially different from amounts actually incurred, if our estimates of the status and timing of services performed differ from the actual status and timing of services performed, it could result in us reporting expense amounts that are too high or too low in any particular period. To date, there have been no material differences between our estimates of such expenses and the amounts actually incurred.

Share-Based Compensation

We measure share-based awards granted to employees, consultants and members of the board of directors at fair value on the date of grant and recognize the corresponding share-based compensation expense of those awards, net of estimated forfeitures, over the requisite service period, which is generally the vesting period of the respective award. We have historically granted stock options with exercise prices equivalent to the fair value of our preferred stock, with reference to arms' length transactions effected contemporaneously with the date of grant of the stock options.

We measure other share-based awards granted to non-employees at fair value as of the end of each reporting period and record expense for the awards over the period the related services are rendered.

We estimate the fair value of each stock option grant using the Monte Carlo simulation model. We historically have been a private company and lack company-specific historical and implied volatility information.

Therefore, we estimate our expected volatility based on the historical volatility of a representative group of publicly traded biopharmaceutical companies and expect to continue to do so until we have adequate historical data regarding the volatility of our traded stock price. We determine the expected term of our options utilizing the probability weighted time to liquidity event at each grant date, assuming that holders of our options will exercise at the time of such liquidity event. We determine the risk-free interest rate by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. We assume an expected dividend yield of zero because we have never paid cash dividends and do not expect to pay any cash dividends in the foreseeable future.

We estimated the fair value of stock options granted using the Monte Carlo simulation method based on the assumptions noted in the following table:

	Year Ended December 31,		Six Months Ended June 30,	
	2013	2014	2014	2015
Risk-free interest rate	0.64-1.13%	1.32-1.73%	1.32%	1.84-1.87%
Dividend yield	0%	0%	0%	0%
Volatility	103.0-109.0%	94.0-102.4%	102.4%	89.8-93.5%
Expected terms (years)	4.18-4.36	4.11-6.20	4.11	5.86-6.20

These assumptions represented our best estimates, but the estimates involve inherent uncertainties and the application of our judgment. As a result, if factors change and we use significantly different assumptions or estimates, our share-based compensation expense could be materially different. We recognize share-based compensation expense for only the portion of awards that are expected to vest. In developing a forfeiture rate estimate for pre-vesting forfeitures, we have considered our historical experience of actual forfeitures. If our future actual forfeiture rate is materially different from our estimate, our share-based compensation expense could be significantly different from what we have recorded in the prior periods.

The table below summarizes the classification of our share-based compensation expense recognized in our statements of operations. The research and development expense relates to share-based compensation expense for stock options granted to consultants, and the general and administrative expense relates to share-based compensation for stock options granted to employees. During the six months ended June 30, 2015, there were forfeitures of common stock options of $158,625.

	Year Ended December 31,		Six Months Ended June 30,	
	2013	2014	2014	2015
Research and development	$ 42,500	$ 81,458	$ 22,625	$ (103,541)
General and administrative	229,341	577,696	355,140	259,728
Total share-based compensation expense	$ 271,841	$ 659,154	$ 377,765	$ 156,187

Valuations of Common Stock

On each of January 1, 2014, December 12, 2014, January 1, 2015 and June 3, 2015, our board of directors set the exercise price for stock options granted on such dates at the price at which we most recently sold our preferred stock to third parties, which the board of directors determined to be at least equal to the fair market value of one share of our common stock. For financial reporting purposes, we subsequently performed retrospective common stock valuations as of each such date with the assistance of a third-party specialist. Due to the absence of a public trading market for our common stock, since inception through June 30, 2015, our retrospective determination of the fair value of our common stock was performed using methodologies, approaches and assumptions consistent with the American Institute of Certified Public Accountants Audit and Accounting Practice Aid Series: *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. There are significant judgments and estimates inherent in the determination of the fair value of

our common stock, including the contemporaneous and retrospective valuations. These judgments and estimates include assumptions regarding our future operating performance, the time to completing an IPO or other liquidity event and the determinations of the appropriate valuation methods. If we had made different assumptions, our share-based compensation expense, net loss and net loss per share could have been significantly different.

Retrospective Valuation Methodologies

The retrospective common stock valuations were prepared using a hybrid of the option-pricing method, or OPM, and the probability-weighted expected return method, or PWERM.

OPM. For option grants on or before January 1, 2014, we used the OPM to obtain the fair value of the common stock and options. The OPM treats each class of common stock and preferred stock as call options on the total equity value of a company, with exercise prices based on the value thresholds at which the allocation among the various holders of a company's securities changes. Under this method, the common stock has value only if the funds available for distribution to stockholders exceed the value of the preferred stock liquidation preference at the time of a liquidity event, such as a strategic sale, merger or IPO. The common stock is modeled as a call option on the underlying equity value at a predetermined exercise price. In the model, the exercise price is based on a comparison with the total equity value rather than, as in the case of a regular call option, a comparison with a per share stock price. Thus, common stock is considered to be a call option with a claim on the enterprise at an exercise price equal to the remaining value immediately after the preferred stock liquidation preference is paid.

The OPM uses the Monte Carlo simulation model to price the call options. This model defines the securities' fair values as functions of the current fair value of a company and uses assumptions such as the anticipated timing of a potential liquidity event and the estimated volatility of the equity securities. The aggregate value of the common stock derived from the OPM is then divided by the number of shares of common stock outstanding to arrive at the per share value.

We used the OPM backsolve approach to estimate enterprise value under the OPM. The OPM backsolve approach uses the OPM to calculate the implied equity value based on recent sales of the company's securities. For the OPM, we based our assumed volatility factor on the historical trading volatility of our publicly traded peer companies. For each valuation date, we determined the appropriate volatility to be used, considering such factors as our expected time to a liquidity event and our stage of development.

To derive the fair value of our common stock using the OPM, we calculated the proceeds to the common stockholders based on the preferences and priorities of the preferred and common stock. We then applied a discount for lack of marketability to the common stock to account for the lack of access to an active public market.

PWERM. The PWERM is a scenario-based methodology that estimates the fair value of common stock based upon an analysis of future values for the company, assuming various outcomes. The common stock value is based on the probability-weighted present value of expected future investment returns considering each of the possible outcomes available as well as the rights of each class of stock. The future value of the common stock under each outcome is discounted back to the valuation date at an appropriate risk-adjusted discount rate and probability weighted to arrive at an indication of value for the common stock. A discount for lack of marketability is then applied to the common stock to account for the lack of access to an active public market.

For our retrospective common stock valuations as of December 12, 2014, January 1, 2015 and June 3, 2015, we used a hybrid of the OPM and PWERM and considered two types of future event scenarios: an IPO and a sale transaction. We valued the IPO scenario using the OPM backsolve approach for these valuations. Our third-party valuation consultant determined the relative probability of each type of future event scenario based on an analysis of market conditions at the time, including then-current IPO valuations of similarly situated companies, and expectations as to the timing and likely prospects of the future-event scenarios.

To derive the fair value of the common stock for each scenario using the hybrid PWERM and OPM, we calculated the proceeds to the common stockholders based on the preferences and priorities of the preferred and common stock. We then applied a discount for lack of marketability to the common stock to account for the lack of access to an active public market.

Stock Option Grants

The following table summarizes by grant date the number of shares of common stock subject to options granted between January 1, 2014 and June 30, 2015, the per share exercise price of the options, the retrospective fair value of the common stock underlying the options on the date of grant and the retrospective per share fair value of the options on the date of grant.

Grant Date	Number of Common Shares Underlying Options Granted	Per Share Exercise Price of Options	Retrospective Fair Value of Common Stock on Grant Date	Retrospective Fair Value of Options Per Share on Grant Date
January 1, 2014	150,000	$ 1.25	$ 1.00	$ 0.64
December 12, 2014	400,000	$ 1.50	$ 1.25	$ 0.94
January 1, 2015	50,000	$ 1.50	$ 1.27	$ 0.96
June 3, 2015	200,000	$ 1.50	$ 1.50	$ 1.11

JOBS Act

In April 2012, the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, was enacted. Section 107 of the JOBS Act provides that an “emerging growth company,” or EGC, can take advantage of the extended transition period for complying with new or revised accounting standards. Thus, an EGC can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

We are in the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements under the JOBS Act. Subject to certain conditions, as an EGC, we intend to rely on certain of these exemptions, including exemptions from the requirement to provide an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and from any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an EGC until the earlier of: the last day of the fiscal year in which we have total annual gross revenues of $1.0 billion or more; the last day of the fiscal year following the fifth anniversary of the date of the completion of this offering; the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years; or the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

Results of Operations

Comparison of Six Months Ended June 30, 2014 and 2015

The following table summarizes our results of operations for the six months ended June 30, 2014 and 2015, together with the dollar increase or decrease and percentage change in those items:

	Six Months Ended June 30,		Change	Change
	2014	2015	$	%
Operating expenses:				
Research and development	$ 4,493,265	$ 6,056,537	$ 1,568,273	34.8%
General and administrative	1,212,929	1,901,314	688,385	64.5
Depreciation	2,863	3,849	986	34.4
Operating loss	(5,709,057)	(7,961,700)	(2,175,741)	39.5
Other income	23,895	24,504	609	2.5
Loss before income taxes	(5,685,162)	(7,937,196)	(2,252,034)	39.6
Income tax benefit	55,645	826,486	770,841	1,385.3
Net loss	$(5,629,517)	$(7,110,710)	$(1,481,193)	26.3

Research and Development Expenses

Research and development expenses increased by $1.6 million to $6.0 million for the six months ended June 30, 2015 from $4.5 million for the six months ended June 30, 2014, an increase of 34.8%. The increase in research and development expenses was primarily attributable to an increase of $2.3 million in clinical trial costs and an increase of $0.8 million related to investigational new drug application, or IND, enabling preclinical studies and supporting activities, offset by a decrease of $1.4 million in contracted manufacturing and a decrease of $0.1 million for share-based compensation expense attributable to option forfeitures in the six months ended June 30, 2015.

General and Administrative Expenses

General and administrative expenses increased by $0.7 million to $1.9 million for the six months ended June 30, 2015, from $1.2 million for the six months ended June 30, 2014, an increase of 64.5%. The increase in general and administrative expenses was primarily attributable to increased professional and consulting fees of $0.4 million, increased employee costs of $0.2 million, and insurance, office, travel and related costs of $0.1 million. The increased professional and consulting fees of $0.4 million primarily consisted of an increase of $0.2 million in intellectual property legal fees and an increase of $0.2 million in consulting expense associated with finance and accounting. The increased employee costs of $0.2 million consists primarily of $0.3 million primarily related to an increase in salaries and benefits offset by a decrease of $0.1 million in share-based compensation expense. The increase in employee costs was primarily due to the hiring of additional members of our management team.

Other Income

Other income remained relatively stable for the six months ended June 30, 2015 as compared to the six months ended June 30, 2014. In both periods, other income was primarily attributable to increased interest income and allocations made for rent and other fees charged to two related entities.

Income Tax Benefit

Income tax benefit increased to $0.8 million for the six month period ended June 30, 2015, from $56,000 for the six month period ended June 30, 2014. The increase was attributable to a refundable Australian research and development credit.

Comparison of Years Ended December 31, 2013 and 2014

The following table summarizes our results of operations for the years ended December 31, 2013 and 2014, together with the dollar increase or decrease and percentage change in those items:

	Year Ended December 31,		Change $	Change %
	2013	2014		
Operating expenses:				
Research and development	$ 2,317,275	$ 8,379,522	$ 6,062,247	261.6%
General and administrative	1,706,032	2,908,166	1,202,134	70.5
Depreciation	6,265	6,594	329	5.2
Operating Loss	(4,029,572)	(11,294,282)	(7,194,492)	180.3
Other income	68,004	62,459	(5,545)	8.2
Loss before income taxes	(3,961,568)	(11,231,823)	(7,200,037)	183.5
Income tax benefit	—	443,340	443,340	100.0
Net loss	$(3,961,568)	$(10,788,483)	$(6,756,697)	172.3

Research and Development Expenses

Research and development expenses increased by $6.1 million to $8.4 million for the year ended December 31, 2014 from $2.3 million for the year ended December 31, 2013, an increase of 261.6%. The increase in research and development expenses was primarily attributable to an increase of $2.3 million for contract manufacturing, an increase of $2.2 million for clinical trial costs and an increase of $1.6 million related to IND-enabling preclinical studies and supporting activities.

General and Administrative Expenses

General and administrative expenses increased by $1.2 million to $2.9 million for the year ended December 31, 2014 from $1.7 million for the year ended December 31, 2013, an increase of 70.5%. The increase in general and administrative expenses was primarily attributable to increased employee costs of $0.8 million, increased professional and consulting fees of $0.2 million and other office-related costs of $0.2 million. The $0.8 million increase in employee costs consisted of an increase of $0.4 million in salaries and benefits and an increase of $0.4 million in share-based compensation expense. The increase in employee costs was primarily due to the hiring of additional members of our management team. The $0.2 million increase in professional and consulting fees primarily consisted of an increase of $0.1 million in intellectual property legal fees and an increase of $0.1 million in consulting expense associated with finance and accounting.

Other Income

Other income remained relatively stable for the year ended December 31, 2014 as compared to the year ended December 31, 2013. In both periods, other income was primarily attributable to interest income and rent and other allocations charged to two related entities.

Income Tax Benefit

For the year ended December 31, 2014, we recognized an income tax benefit in the amount of $0.4 million, related to a refundable Australian research and development credit. Our Australian subsidiary was established and commenced operations in May 2014. Accordingly, there was no such benefit recognized for the year ended December 31, 2013.

Liquidity and Capital Resources

Sources of Liquidity

From our inception through December 31, 2014, we have raised an aggregate of $35.9 million from private placements of our preferred stock. In January, March and May 2015, we received an aggregate of $9.3 million in gross proceeds from the sale of an aggregate of 6,183,333 shares of our series C convertible preferred stock at a price per share of $1.50.

Cash Flows

The following table provides information regarding our cash flows for the years ended December 31, 2013 and 2014 and the six months ended June 30, 2014 and 2015:

	Year Ended December 31,		Six Months Ended June 30,	
	2013	2014	2014	2015
Net cash used in operating activities	$ (3,444,652)	$ (9,946,917)	$ (3,683,876)	$ (8,032,937)
Net cash used in investing activities	—	(19,946)	(3,713)	(1,769)
Net cash provided by financing activities	7,161,660	18,831,497	—	9,276,719
Net increase (decrease) in cash and cash equivalents	$ 3,717,008	$ 8,864,634	$ (3,687,589)	$ 1,242,013

Net Cash Used in Operating Activities

Net cash used in operating activities was $3.4 million for the year ended December 31, 2013, and consisted primarily of a net loss of $4.0 million adjusted for non-cash items, including share-based compensation expense of $0.3 million, and a net increase in operating assets of $0.2 million, which resulted primarily from a net increase in accounts payable and accrued expenses of $0.5 million and a decrease in prepaid expenses and other current assets of $0.3 million.

Net cash used in operating activities was $9.9 million for the year ended December 31, 2014 and consisted primarily of a net loss of $10.7 million adjusted for non-cash items, including share-based compensation expense of $0.6 million, and a net increase in operating assets of $0.2 million, which resulted primarily from a net increase in accounts payable and accrued expenses of $0.4 million partially offset by an increase in income tax receivable of $0.4 million and a decrease in prepaid expenses and other current assets of $0.2 million.

Net cash used in operating activities was $3.7 million for the six months ended June 30, 2014, and consisted primarily of a net loss of $5.7 million adjusted for non-cash items, including an increase in accounts payable of $1.7 million, an increase in share-based compensation expense of $0.4 million, an increase in the income tax benefit of $0.1 million related to a research and development tax credit applied for by our Australian subsidiary, and a net decrease in other operating assets of $0.2 million, which resulted primarily from an increase in accounts receivable and a $0.2 million refundable goods and services tax paid by our Australian subsidiary.

Net cash used in operating activities was $8.0 million for the six months ended June 30, 2015, and consisted primarily of a net loss of $7.1 million adjusted for non-cash items, including an income tax benefit of $0.8 million related to a research and development tax credit for our Australian subsidiary, share-based compensation expense of $0.1 million, and a net decrease in operating assets of $0.2 million, which resulted primarily from an increase in accounts receivable of $0.2 million related to a refundable goods and services tax paid by our Australian subsidiary.

Net Cash Used in Investing Activities

There was no cash used in investing activities during the year ended December 31, 2013. Net cash used in investing activities was $20,000 during the year ended December 31, 2014. The cash used in investing activities for the years ended December 31, 2014 was primarily the result of purchases of equipment.

Net cash used in investing activities was $4,000 and $2,000 during the six months ended June 30, 2014 and 2015, respectively. The cash used in investing activities for the six month periods ended June 30, 2014 and 2015 was primarily the result of purchases of equipment.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was $7.2 million during the year ended December 31, 2013 compared to $18.8 million during the year ended December 31, 2014. The cash provided by financing activities for the year ended December 31, 2013 consisted of net proceeds from the issuance of 6,088,307 shares of series C convertible preferred stock in August 2013. The cash provided by financing activities for the year ended December 31, 2014 consisted of net proceeds of $18.8 million from the issuance of 13,943,771 shares of series C convertible preferred stock during the year.

Net cash provided by financing activities was $9.3 million during the six months ended June 30, 2015, and consisted of gross proceeds from the issuance of an aggregate of 6,183,333 shares of series C convertible preferred stock in January, March and May 2015.

Funding Requirements

We expect our expenses to increase in connection with our ongoing activities, particularly as we continue the research and development of, and seek marketing approval for, our product candidates. In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. Furthermore, upon the closing of this offering, we expect to incur additional costs associated with operating as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts.

We expect that the net proceeds from this offering, together with our existing cash and cash equivalents as of June 30, 2015, will enable us to fund our operating expenses and capital expenditure requirements at least through . We have based this estimate on assumptions that may prove to be wrong, and we may use our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with the development of APL-2, APL-1 and other potential product candidates, and because the extent to which we may enter into collaborations with third parties for the development of these product candidates is unknown, we are unable to estimate the amounts of increased capital outlays and operating expenses associated with completing the research and development of our product candidates. Our future capital requirements will depend on many factors, including:

- the scope, progress, timing, costs and results of clinical trials of, and research and preclinical development efforts for, our current and future product candidates, including current and future clinical trials;
- our ability to enter into, and the terms and timing of, any collaborations, licensing or other arrangements;
- the number of future product candidates that we pursue and their development requirements;
- the outcome, timing and costs of seeking regulatory approvals;
- the costs of commercialization activities for any of our product candidates that receive marketing approval to the extent such costs are not the responsibility of any future collaborators, including the costs and timing of establishing product sales, marketing, distribution and manufacturing capabilities;

- subject to receipt of marketing approval, revenue, if any, received from commercial sales of our current and future product candidates;
- our headcount growth and associated costs as we expand our research and development and establish a commercial infrastructure;
- the costs of preparing, filing and prosecuting patent applications, maintaining and protecting our intellectual property rights and defending against intellectual property related claims; and
- the costs of operating as a public company.

Identifying potential product candidates and conducting preclinical testing and clinical trials is a time-consuming, expensive and uncertain process that takes years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve product sales. In addition, our product candidates, if approved, may not achieve commercial success. Our commercial revenues, if any, will be derived from sales of medicines that we do not expect to be commercially available for many years, if at all. Accordingly, we will need to continue to rely on additional financing to achieve our business objectives. Adequate additional financing may not be available to us on acceptable terms, or at all.

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements. We currently do not have any committed external source of funds. To the extent that we raise additional capital through the sale of equity or convertible debt securities, our stockholders' ownership interests will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our stockholders' rights. Debt financing, if available, would result in fixed payment obligations and may involve agreements that include restrictive covenants that limit our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends, that could adversely impact our ability to conduct our business.

If we raise funds through collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Contractual Obligations

The following table summarizes our significant contractual obligations as of payment due date by period at December 31, 2014:

	Payments Due by Period				
	Total	Less than 1 Year	1–3 Years	3-5 Years	More Than 5 Years
Operating lease obligations(1)	$177,967	$64,600	$113,367	$ —	$ —

(1) Represents future minimum lease payments under our non-cancelable operating lease. The minimum lease payments above do not include any related common area maintenance charges or real estate taxes.

We are party to a license agreement with UPenn under which we license specified intellectual property from UPenn. The license agreement requires us to pay ongoing annual maintenance payments of $100,000 per year until the first sale of a licensed product. We have also agreed to make milestone payments to UPenn aggregating up to $1.7 million based on achieving specified development and regulatory approval milestones, and up to $2.5 million based on achieving specified annual sales milestones with respect to each of the first two licensed

products. The license agreement also requires that we pay low single-digit royalties to UPenn based on net sales of each licensed product by us and our affiliates and sublicensees and specified minimum quarterly royalty thresholds. In addition, we are obligated to pay UPenn a specified portion of income we receive from sublicensees. We have not included any of these potential payments in the contractual obligations table above, as we cannot reasonably estimate whether, when and in what amount any of such payments shall be made.

We enter into agreements in the normal course of business with CROs for clinical trials and clinical supply manufacturing and with vendors for preclinical research studies and other services and products for operating purposes. We have not included these payments in the table of contractual obligations above since the contracts are cancelable at any time by us, generally upon 30 days prior written notice to the CRO, and therefore we believe that our non-cancelable obligations under these agreements are not material. Under these agreements, as of June 30, 2015, we are obligated to pay up to $0.9 million to these vendors.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under applicable SEC rules.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk related to changes in interest rates. As of December 31, 2013, we had cash and cash equivalents of $4.8 million and, as of December 31, 2014, we had cash and cash equivalents of $13.6 million, consisting primarily of money market funds. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates. Due to the short-term duration of our investment portfolio and the low risk profile of our investments, an immediate 10% change in interest rates would not have a material effect on the fair market value of our investment portfolio. We have the ability to hold our marketable securities until maturity, and therefore we would not expect our operating results or cash flows to be affected to any significant degree by the effect of a change in market interest rates on our investments.

As of December 31, 2014 and June 30, 2015, we had no liabilities denominated in foreign currencies.

BUSINESS

Overview

We are a clinical-stage biopharmaceutical company focused on the discovery and development of novel therapeutic compounds for autoimmune and inflammatory diseases. Our approach is centered on the inhibition of the complement system, which consists of a cascade of interacting proteins and is an integral component of the immune system. We are developing our product candidates to inhibit complement C3, or C3, the central protein in the complement cascade. By inhibiting C3, our product candidates inhibit the principal complement activation pathways and their related effects, which we believe may result in both disease control and disease modification.

Our lead product candidates, APL-2 and APL-1, are currently in Phase 1 clinical development for the treatment of paroxysmal nocturnal hemoglobinuria, or PNH, geographic atrophy in age-related macular degeneration, or GA, intermediate age-related macular degeneration, or intermediate AMD, and chronic obstructive pulmonary disease, or COPD. We aim to control these autoimmune and inflammatory diseases by inhibiting complement-induced inflammation and tissue injury. Additionally, we aim to modify these diseases by correcting the immunological dysfunction that underlies these conditions. We refer to this corrective approach as complement immunotherapy. We are conducting our Phase 1 clinical trials to assess safety, recommended dosing and, in certain cases, preliminary efficacy. We hold worldwide commercialization rights to APL-2 and APL-1.

We are developing APL-2 for the treatment of PNH by subcutaneous injection. PNH is a life-threatening rare, chronic, debilitating blood disorder characterized by the absence of certain proteins that normally regulate complement activity. The only drug currently approved for the treatment of PNH, eculizumab (Soliris), inhibits the complement system by targeting complement C5, or C5, a protein that is downstream from C3 in the complement cascade. We are currently conducting Phase 1 clinical trials of APL-2 in healthy volunteers and a Phase 1b clinical trial in PNH patients being treated with eculizumab. We plan to commence a Phase 1b clinical trial of APL-2 as a stand-alone therapy in treatment-naïve patients with PNH in . We expect to report data from the first of our Phase 1 trials in healthy volunteers in the fourth quarter of 2015 and data from the other trials over the course of 2016.

We are also developing APL-2 for the treatment of GA and intermediate AMD by intravitreal injection. GA is an advanced form of age-related macular degeneration, which is a disorder of the central portion of the retina characterized by progressive retinal cell death. Intermediate AMD is a stage of AMD in which no or minimal vision loss has occurred but patients are at risk of progressing to advanced forms of AMD such as GA. There are no drugs approved for the treatment of GA or intermediate AMD. We are conducting a Phase 1 clinical trial of APL-2 in patients with AMD, and plan to initiate Phase 2 clinical trials of APL-2 in patients with GA in , and in patients with intermediate AMD in .

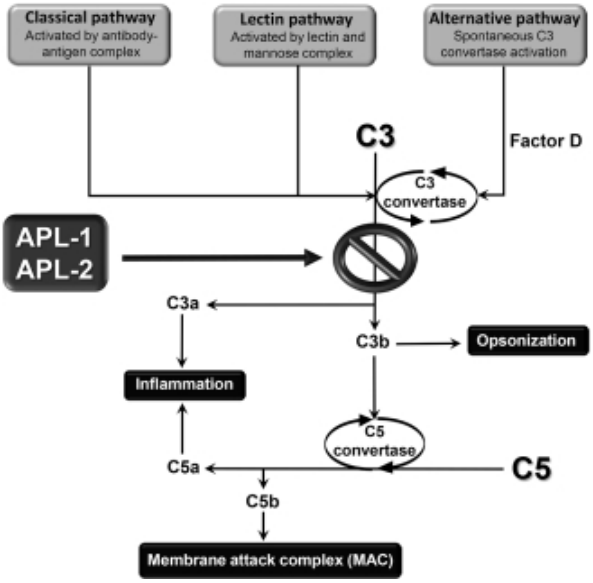
We are developing APL-1 for the treatment of COPD by inhaled administration. COPD is a progressive disorder of the lungs characterized by constriction of the airways, destruction of lung tissue and difficulty breathing. We have conducted a Phase 1 clinical trial in healthy volunteers and plan to initiate a Phase 2 clinical trial in patients with COPD in .

In addition to our lead programs, we intend to combine our core expertise in C3 with our deep understanding of immunology and the role of the complement system in disease to build a pipeline of additional potential treatments with our lead product candidates and new product candidates. We plan to initiate proof-of-concept trials of APL-2 in patients with myasthenia gravis and neuromyelitis optica, and of APL-1 in patients with idiopathic pulmonary fibrosis. Each of these indications are autoimmune diseases characterized by complement-mediated chronic inflammation with important unmet medical needs. In addition, we intend to initiate proof-of-concept trials to assess the efficacy of APL-2 in halting the process of chronic rejection in organ transplantation. Finally, we plan to explore the role of the complement system in immune oncology, and specifically whether manipulating complement pathways can increase a patient's responsiveness to immune oncology products, such as checkpoint inhibitors that target PD-1/PD-L1 and CTLA4.

The Complement System

The complement system is part of the body's immune system. The immune system protects the body by recognizing and eliminating bacteria, viruses and other infectious agents, collectively referred to as pathogens, and abnormal cells such as cancer cells. The activities of the immune system are undertaken by its two components: the innate immune system and the adaptive immune system. The role of the innate immune system is to provide a rapid, nonspecific response to pathogens or abnormal cells in the body and to activate the adaptive immune system. In contrast to the innate immune system, the adaptive immune system provides a specific response to pathogens or abnormal cells, but requires more time to respond. Once a pathogen or abnormal cell has been recognized, the adaptive immune system generates immune cells and antibodies that specifically attack that pathogen or abnormal cell, making future responses against the pathogen or abnormal cell more efficient. The complement system plays a pivotal role in the regulation of both innate and adaptive immunity.

The following figure depicts the complement system, its three principal activation pathways and the role of C3 inhibition:



The complement system consists of approximately 30 interacting proteins that are produced primarily by the liver and circulate in the blood and through the body's tissues. The complement system can be activated by three principal activation pathways: the classical pathway, the lectin pathway and the alternative pathway. As depicted in the figure above, all three activation pathways converge on C3, leading to three principal effects of complement activation: opsonization, inflammation and the membrane attack complex. When C3 is activated, C3 fragments, such as C3b, tag cell surfaces in a process called opsonization, which marks the cells for removal from tissues or the bloodstream. As part of the complement activation process two other fragments, C3a and C5a, are released, contributing to inflammation. Finally, as the last step in complement activation, the membrane attack complex forms on cell surfaces, piercing holes and causing cells to lyse, or rupture.

Under conditions of excessive or uncontrolled activation, the complement system plays a key role in a wide range of autoimmune and inflammatory diseases. In these conditions, the complement system exerts its effects directly through tissue destruction by the membrane attack complex and indirectly by signaling other elements of the immune system to attack otherwise healthy tissues.

The complement system can be inhibited in multiple ways. By targeting factors upstream of C3, individual activation pathways can be inhibited. For example, inhibition of factor D results in inhibition of the alternative

pathway, but not the classical or lectin pathways. The complement system can also be inhibited by targeting factors downstream of C3, which results in selective inhibition of complement effects. For example, inhibition of C5 leads to inhibition of the formation of the membrane attack complex and C5a-mediated inflammation, but does not affect opsonization or C3a-mediated inflammation. We believe that by targeting C3, all three principal activation pathways and their related effects may be inhibited.

Our Approach

We are developing product candidates that act against the complement system at the level of C3 to block all effects of the complement cascade, regardless of the pathway by which complement has been activated. This contrasts with other complement inhibition approaches, which selectively target one of the three principal activation pathways or subsets of the effects of complement activation. By inhibiting C3, we believe our product candidates may effect disease control and disease modification.

Disease Control

Complement-mediated inflammation and tissue damage is believed to play a pivotal role in the incidence and progression of a number of diseases. However, the exact mechanisms by which complement contributes to the incidence and progression of disease are not fully understood. As a result, it has been difficult to develop therapeutics that can selectively target activation pathways or the effects of complement to ameliorate these conditions. We have designed APL-2 and APL-1 to inhibit C3. We believe that this approach can result in broad inhibition of the complement pathways and potentially result in effective control of complement-mediated diseases, including PNH, GA, intermediate AMD and COPD.

Disease Modification

In addition to controlling disease, we believe that C3 inhibition may potentially correct the immunological dysfunction that underlies multiple autoimmune and inflammatory diseases, such as PNH, GA, intermediate AMD and COPD, by enabling the natural regulatory mechanisms of immunity to normalize the immune response. We refer to this corrective approach as complement immunotherapy.

Immunotherapy refers to the clinical regulation of an overly permissive or overly aggressive immune system for therapeutic purposes. Recently, in the field of oncology, innovative approaches to immunotherapy have been used to correct an overly permissive immune system that fails to properly eliminate cancer cells. These approaches have led to unprecedented rates of prolonged disease-free survival in certain cancers. In autoimmune disease, we believe immunotherapy can be used to correct an overly aggressive immune system. As with cancer, we believe that the next breakthrough treatments in autoimmune disease may stem from novel approaches to immunotherapy, such as complement immunotherapy.

Strategy

Our objective is to become a leading biopharmaceutical company focused on the discovery, development and commercialization of therapeutics to treat autoimmune and inflammatory diseases through complement inhibition and complement immunotherapy. To achieve this goal, we are pursuing the following strategies:

- ***Initially target indications where complement inhibition has been shown to have an impact***. We are initially targeting PNH and GA because the effectiveness of complement inhibition has been validated by the approval of eculizumab, a C5 inhibitor, for the treatment of PNH and proof-of-concept of complement inhibition has been observed in a third-party Phase 2 clinical trial of lampalizumab, a factor D inhibitor, for the treatment of GA.
- ***Advance the clinical development of APL-2 for PNH***. We are developing APL-2 as a stand-alone therapy for PNH. Because a majority of PNH patients that we will seek to enroll in our clinical trials will

already be on treatment with eculizumab, we believe that we will need to design our future trials to ensure a safe transition from treatment with eculizumab to treatment with APL-2 alone. This transition requires a period of co-treatment. To support this strategy, we are currently conducting a Phase 1b clinical trial in PNH patients co-treated with eculizumab and APL-2 and in parallel plan to conduct a Phase 1b clinical trial of APL-2 as a stand-alone therapy in treatment-naïve patients to demonstrate safety and preliminary efficacy.

- ***Advance the clinical development of APL-2 for GA and intermediate AMD***. We are developing APL-2 as a stand-alone therapy for GA and intermediate AMD. There are no drugs approved for the treatment of GA or intermediate AMD. Lampalizumab, a selective inhibitor of the alternative pathway of complement, has shown clinical proof-of-concept in its MAHALO Phase 2 clinical trial. We plan to initiate a Phase 2 clinical trial of APL-2 using a design informed by the Phase 2 clinical trial of lampalizumab to assess whether APL-2 can slow retinal cell death in a broad population of patients with GA. We also plan to conduct a Phase 2 clinical trial in intermediate AMD to explore whether APL-2 can forestall the progression from intermediate AMD to GA or wet AMD and thereby reduce the incidence of advanced forms of AMD.
- ***Advance the clinical development of APL-1 for COPD***. We are developing APL-1 as a treatment for COPD. We plan to conduct a Phase 2 proof-of-concept clinical trial of APL-1 for the treatment of COPD to explore whether APL-1 can improve lung function and reduce lung tissue destruction and exacerbations in COPD patients. We plan to seek to enter into a collaboration for late stage development and commercialization of APL-1 to treat COPD and other respiratory disorders.
- ***Use our C3 expertise to build a pipeline of treatments for complement-mediated diseases***. By combining our core expertise in C3 with our deep understanding of both immunology and the role of the complement system in disease, we believe that we are uniquely positioned to continue to discover and develop a pipeline of treatments for a broad range of autoimmune and inflammatory diseases. We plan to conduct proof-of-concept trials in myasthenia gravis, neuromyelitis optica and idiopathic pulmonary fibrosis, diseases for which no treatments or only symptomatic treatments are approved. In addition, we intend to initiate proof-of-concept trials to assess the efficacy of APL-2 in halting the process of chronic rejection in organ transplantation and in increasing a patient's responsiveness to established immune oncology products such as checkpoint inhibitors that target PD-1/PD-L1 and CTLA4. Finally, we are developing new product candidates to target the complement pathways.
- ***Establish complement immunotherapy as a disease-modification approach in complement-mediated diseases***. We plan to assess in our clinical trials whether inhibiting C3 can modify disease by correcting the underlying immunological dysfunction in PNH, GA, intermediate AMD, COPD and other diseases, and potentially reduce or obviate the need for chronic treatments. We plan to measure immunological dysfunction in our patient populations using specialized biological assays, both proprietary and non-proprietary, to evaluate whether corrections in immunological dysfunction correlate with clinical improvements.
- ***Selectively commercialize our product candidates***. We hold worldwide commercialization rights to all of our product candidates. As a result, we have the flexibility to seek to maximize the value of our development programs by selectively retaining full commercialization rights for products that we determine to commercialize on our own. We plan to build focused capabilities to commercialize our product candidates for certain indications where we believe that the medical specialists for the indications are sufficiently concentrated to allow us to effectively promote the product with a targeted sales team. In other indications, we plan to seek to enter into collaborations that we believe may contribute to our ability to advance development and ultimately commercialize our product candidates. We also intend to seek to enter into collaborations where we believe that realizing the full commercial value of our development programs will require access to broader geographic markets or the pursuit of broader patient populations or indications.

Our Programs

In our lead programs in PNH, GA, intermediate AMD and COPD, we are developing our product candidates to control and possibly modify disease. Our lead product candidates, APL-2 and APL-1, are C3 inhibitors. APL-1 is a synthetic cyclic peptide with a short half-life, formulated for inhaled administration. APL-2 is a conjugate of APL-1 with a long half-life, formulated for subcutaneous and intravitreal administration.

The following table summarizes key information about our programs in PNH, AMD and COPD, each of which is discussed in further detail below:

Indication	Clinical Trials	Trial Participants	Estimated Timeline
PNH			
APL-2 (subcutaneous)	Phase 1 single ascending dose	Healthy volunteers	Data expected 4Q 2015
	Phase 1 multiple ascending dose	Healthy volunteers	Data expected 1Q 2016
	Phase 1b	Eculizumab-treated PNH patients	Data expected 2H 2016
	Planned Phase 1b	Treatment-naïve PNH patients	Expected initiation in
AMD			
APL-2 (intravitreal)	Phase 1 single ascending dose	Wet AMD patients	Data expected 1H 2016
	Planned Phase 2	GA patients	Expected initiation in
	Planned Phase 2	Intermediate AMD patients	Expected initiation in
COPD			
APL-1 (inhaled)	Planned Phase 2	COPD patients	Expected initiation in

Paroxysmal Nocturnal Hemoglobinuria

Background

PNH is a rare, chronic, debilitating, acquired blood disorder that is most frequently diagnosed in early adulthood and usually continues throughout the life of the patient. Some of the prominent symptoms of PNH include severe anemia, severe abdominal pain, severe headaches, back pain, excessive weakness, fatigue and recurrent infections. If not treated with complement inhibition, PNH results in the death of approximately 35% of affected individuals within five years of diagnosis, and 50% of affected individuals within 10 years of diagnosis, primarily due to thrombotic complications. We estimate that there are approximately 5,000 PNH patients in the United States.

PNH is caused by the presence of mutant stem cells in the bone marrow that lack important proteins that protect against activation of the complement system. Patients with PNH suffer from autoimmunity that targets and eliminates normal stem cells enabling mutant cells to become dominant in the bone marrow. These mutant stem cells lead to mutant platelets and red blood cells that, unlike normal cells, are overly susceptible to activation or destruction by the complement system. Mutant platelets, activated by the membrane attack complex, increase the risk of blood clot formation, or thrombosis, which is the leading cause of mortality in PNH patients. Mutant red blood cells are susceptible to destruction by intravascular and extravascular hemolysis. Intravascular hemolysis is caused by the formation of the membrane attack complex on the surface of red blood cells causing them to rupture. Intravascular hemolysis causes severe anemia and contributes to the risk of thrombosis. Extravascular hemolysis is caused by C3b opsonization on red blood cells leading to removal of the cells from the blood stream by the liver and the spleen. Extravascular hemolysis further contributes to severe anemia and transfusion dependency in patients with PNH.

Current Therapies and Their Limitations

The only approved drug for the treatment of PNH is eculizumab, marketed as Soliris by Alexion Pharmaceuticals. Eculizumab had reported worldwide sales of more than $2.2 billion in 2014 for its two approved indications. In 2012, a third-party study estimated that the cost per year for treatment with eculizumab was approximately $583,000 in adults. Eculizumab, which is administered intravenously, is designed to treat PNH by inhibiting C5 and preventing the formation of the membrane attack complex, blood clot formation and intravascular hemolysis. Eculizumab is a life-saving drug. However, most patients with PNH on treatment with eculizumab continue to have low hemoglobin levels. According to a third-party study, 35% to 40% of patients on eculizumab continued to be transfusion dependent for 30 months following the beginning of treatment, with approximately 18% of patients still transfusion dependent at the end of the study after 36 months. The inability of eculizumab to control extravascular hemolysis is responsible in part for these continuing complications. In addition, patients on eculizumab require chronic treatment.

Benefits of Our Approach

We believe that, because APL-2 targets C3, it may provide advantages in the control of PNH and possibly modify the disease.

Disease Control

We believe that APL-2 may provide the following benefits:

- *Prevention of blood clot formation*. By inhibiting C3, APL-2 prevents the formation of the membrane attack complex and, we believe, thereby may prevent the activation of platelets and intravascular hemolysis, which are the main causes of thrombosis, the leading cause of mortality in PNH.
- *Reduced anemia and transfusion dependency*. By inhibiting C3, APL-2 prevents the formation of the membrane attack complex and C3b opsonization. We believe that by preventing these effects, APL-2 may impact both intravascular and extravascular hemolysis and thus reduce anemia and transfusion dependency in patients with PNH.
- *Ease of use*. We have formulated APL-2 so that it may be self-administered by PNH patients once per day by subcutaneous injection. We believe that this mode of administration would improve the quality of life of PNH patients.

Disease Modification

We believe that PNH is an autoimmune disease that might be corrected by complement immunotherapy. We believe that correction of the immune dysfunction in PNH could lead to the reconstitution of the bone marrow with normal stem cells and potentially reduce or obviate the need for chronic treatment.

Clinical Development

We are conducting three clinical trials of APL-2, including two Phase 1 clinical trials in healthy volunteers and a Phase 1b clinical trial in PNH patients being treated with eculizumab. We also plan to commence a Phase 1b clinical trial of APL-2 in treatment-naïve PNH patients. In July 2014, we submitted an investigational new drug application, or IND, to the U.S. Food and Drug Administration, or FDA, for the clinical development of APL-2 for the treatment of PNH. In April 2014, we received orphan drug designation from the FDA for this program.

We have designed these trials to assess whether APL-2 has the potential to control PNH by reducing anemia and transfusion dependency through the reduction of intravascular and extravascular hemolysis, and to correct the immunological dysfunction that underlies PNH. In these trials, we are measuring intravascular hemolysis based on lactate dehydrogenase, or LDH, levels, which are ten times higher than normal in PNH patients. We are also measuring C3b deposition on blood cells as an indicator of extravascular hemolysis. Finally, we are using a specialized assay to measure the immune response against the stem cells of the bone marrow in order to evaluate immune dysfunction changes in patients with PNH following C3 inhibition with APL-2.

Ongoing Phase 1 Clinical Trials—Single and Multiple Ascending Dose in Healthy Volunteers

We are conducting two Phase 1 randomized, double-blind, placebo-controlled clinical trials of APL-2 in healthy volunteers. We are conducting the trials at a single site in Australia to assess the safety, tolerability, pharmacokinetics, or PK, and pharmacodynamics, or PD, of APL-2. We plan to enroll a total of 51 subjects in the trials.

In the Phase 1 single ascending dose trial, APL-2 is administered by subcutaneous injection to healthy volunteers on the first day of the trial and followed by either 29 or 43 days of monitoring depending on dosing level. We plan to enroll 31 subjects in this trial. These subjects will participate in one of six cohorts at doses ranging from 45 mg to 1440 mg. In the Phase 1 multiple ascending dose trial, APL-2 is administered by subcutaneous injection to healthy volunteers daily for 28 consecutive days followed by 56 days of monitoring after last dosing. We plan to enroll 20 subjects in this trial. These subjects will participate in one of four cohorts at doses ranging from 30 mg to 270 mg/day.

As of July 31, 2015, a total of 24 subjects have received single doses of APL-2 at doses up to 1440 mg and 12 subjects have received multiple doses of APL-2 for 28 consecutive days at doses up to 180 mg/day. Ten subjects have received either single or multiple administrations of a placebo in these trials.

We have observed the following in the trials:

- APL-2 has been well tolerated in both trials with no serious adverse events reported.
- The pharmacokinetics of APL-2 in humans have been in line with our expectations derived from preclinical data, with little inter-subject variability observed.
- In the multiple ascending dose trial, we have observed that the plasma concentration of APL-2 increased over time, reaching maximum concentration between day 14 and 28.
- In both trials, we have observed a dose-dependent increase in C3 that is indicative of APL-2 binding to C3.
- In the multiple ascending dose trial, at a dose level of 180 mg/day of APL-2, *ex vivo* serum-induced hemolysis was inhibited by more than 80% in two of the four subjects and by more than 60% in the remaining two subjects.

We expect to report data from the single ascending dose trial in the fourth quarter of 2015 and from the multiple ascending dose trial in the first quarter of 2016.

Ongoing Phase 1b Clinical Trial

We are conducting a Phase 1b open-label, single and multiple ascending dose clinical trial of APL-2 in conjunction with eculizumab in patients with PNH at multiple clinical sites in the United States. In this clinical trial, doses of APL-2 are administered by subcutaneous injection to PNH patients who are concurrently being treated with eculizumab. We plan to enroll eight PNH patients who will participate in one of four cohorts. Each cohort is composed of two patients who receive a single dose of APL-2 ranging from 25 mg to 200 mg followed by at least 28 days of monitoring. If the single dose is well tolerated during this 28-day period of monitoring, the patient will then receive daily doses of APL-2 for an additional 28 consecutive days at doses ranging from 5 mg/day to 180 mg/day. Subject to the combined safety and efficacy data from our other trials of APL-2, we may expand this trial by adding additional patients to existing cohorts or by adding cohorts at higher doses. The safety monitoring committee for this trial most recently approved a dose escalation to 50 mg in the single dose portion of the trial and to 30 mg/day in the multiple dose portion of the trial.

We are conducting this trial to assess the safety, tolerability, PK and PD of APL-2. We are also assessing trends of preliminary efficacy and disease modification. As of July 31, 2015, three patients have been enrolled in the trial. APL-2 has been well tolerated in these patients with one serious adverse event reported, which is considered unlikely to be related to administration of APL-2. We expect to report data from this trial in the second half of 2016.

Ongoing Natural History Study

In 2014, we commenced a prospective, natural history study of treatment-naïve PNH patients at multiple sites outside of the United States, and in July 2014, we completed enrollment in the study. We have enrolled 16 treatment-naïve patients in the study. The purpose of this study is to provide general historical data on PNH patients to establish inclusion and exclusion criteria for, and increase the statistical power of, future clinical trials. Patients in this study are not being treated with eculizumab and might become patients in future clinical trials with APL-2.

Planned Phase 1b Clinical Trial

We plan to initiate a Phase 1b open-label clinical trial of APL-2 in treatment-naïve patients with PNH at multiple clinical sites outside of the United States in . Although we continue to finalize the design of this trial, we expect that the trial protocol will provide that doses of APL-2 will be administered by subcutaneous injection for up to 84 consecutive days. We plan to enroll two cohorts of PNH patients in the trial with approximately three patients in each cohort. We expect that the doses to be tested will be 180 mg/day for the first cohort and 270 mg/day for the second cohort.

We plan to assess the safety, PK, PD and preliminary efficacy of repeated doses of APL-2 in this trial. We expect that the primary efficacy endpoint for the clinical trial will be measurements of LDH levels as an indicator of hemolysis. In addition, we expect to assess other relevant exploratory markers during the trial.

Preclinical Studies

We have conducted numerous preclinical studies of APL-2 *in vivo* and *in vitro* to assess the safety of APL-2, including repeat-dose subcutaneous and intravenous toxicity studies of APL-2 in rabbits and monkeys. In these studies, there were no significant macroscopically observable or clinical pathology drug-related changes in either species at any of the doses tested. Similarly, there was no evidence of a potential for adverse effects on myocardial conduction, cardiovascular and respiratory systems in either species and no genotoxicity potential was observed. In addition, no signs of infection were observed in any of the studies that we conducted. The main toxicity observed at the highest doses tested was microscopic kidney damage, likely resulting from accumulation of APL-2 in the kidney, which is one of the organs we believe to be responsible for its clearance from the body.

While there is no animal model of PNH, APL-2 inhibited both hemolysis of red blood cells by the membrane attack complex and C3b deposition on the surface of these cells in preclinical studies that we conducted *ex vivo* on blood samples from PNH patients.

Age-Related Macular Degeneration

Background

AMD is a disorder of the central portion of the retina, known as the macula, which is responsible for central vision and color perception. AMD affects vision in one or both eyes and results in progressive and chronic degeneration of the macula, often resulting in irreversible vision loss. AMD is a disease of aging, typically occurring after the age of 50. In the early stage of the disease, yellow deposits called drusen appear under the retina. Over time, the disease can progress to an intermediate stage where drusen deposits grow larger and other changes reflective of disease progression appear. Patients with intermediate AMD are at risk of progressing to GA or wet AMD. In contrast to intermediate AMD, these advanced forms are associated with progressive and often severe vision loss. GA is characterized by a degenerative process resulting in the progressive loss of retinal cells, which over the course of several years results in blindness. Wet AMD is characterized by the same degenerative process as GA, but is further complicated by the rapid abnormal growth of blood vessels into the retina. If left untreated, wet AMD rapidly progresses to severe vision loss.

According to the American Society of Retina Specialists, approximately 15 million people in the United States have some form of AMD. Based on published studies, we believe that at least one million of these people have GA.

While the pathological mechanism of AMD is not fully understood, uncontrolled and excessive complement activation in AMD has been observed in numerous studies. Markers of complement activation have been found in drusen and multiple tissues of the retina of patients with AMD. In addition, multiple mutations in the genes associated with the complement pathway have been linked with the incidence of all forms of AMD. Related studies looking at the functional impact of these mutations on complement activation confirm the role of uncontrolled and excessive complement activation in the disease process. Furthermore, antibodies against retina-specific phospholipids, which are indicative of immune dysfunction, have been found in patients with AMD and have been correlated with disease severity.

Current Therapies and Their Limitations

While anti-VEGF therapies like Avastin, Lucentis and Eylea are approved for the treatment of patients with wet AMD, there are no therapies approved to treat GA or intermediate AMD. The only drug candidate to have shown efficacy against GA in clinical trials is Roche's complement factor D inhibitor, lampalizumab. In the MAHALO Phase 2 clinical trial of lampalizumab that was completed by Roche in 2013, lampalizumab reduced the rate of retinal death by 44% in patients who carried a specific genetically defined biomarker, but was not effective in patients without the biomarker. Of the patients in the trial, 43% did not carry the biomarker.

Benefits of Our Approach

We believe that, because APL-2 targets C3, it may provide advantages in the control of GA and intermediate AMD and possibly modify these diseases.

Disease Control

We believe that APL-2 may provide the following benefits:

- *Prevention or reduction of the rate of retinal cell death progression*. By inhibiting C3, we believe APL-2 may mitigate or prevent retinal cell death in GA as well as the progression from intermediate AMD to GA or wet AMD.
- *Application to a broad patient population*. APL-2 is designed to inhibit all three principal complement activation pathways. Accordingly, we believe that APL-2 could potentially reduce retinal cell death rates in all patients, regardless of genetic biomarkers. In addition, we believe that if APL-2 is able to prevent progression from intermediate to advanced forms of AMD, APL-2 could reduce the number of newly diagnosed patients with GA and wet AMD in the future.
- *Local administration*. We believe that by administering APL-2 by intravitreal injections and thereby inhibiting C3 locally, we may minimize the likelihood of systemic adverse events.
- *Reduced frequency of injections*. We believe that the long half-life of APL-2 may allow us to administer APL-2 in the eye less frequently than every month, currently the standard frequency of intravitreal treatments in AMD.

Disease Modification

We believe that GA and intermediate AMD are autoimmune diseases that might be corrected by complement immunotherapy. We believe that correction of the immune dysfunction in the back of the eye with C3 inhibition might reduce or obviate the need for chronic treatment in patients with GA, or avoid progression of intermediate AMD to GA and wet AMD.

Clinical Development

We are conducting a Phase 1 clinical trial of APL-2 in patients with wet AMD and plan to initiate Phase 2 clinical trials of APL-2 in patients with GA and intermediate AMD. In November 2014, we submitted an IND to the FDA for the clinical development of APL-2 for the treatment of AMD.

Ongoing Phase 1 Clinical Trial

We are conducting a Phase 1 open label, single ascending dose clinical trial of APL-2 administered by intravitreal injection in patients with wet AMD that are currently receiving anti-VEGF therapy. We are conducting the trial at multiple clinical sites both within and outside the United States to assess safety, tolerability and PK of APL-2. In this trial, patients receive a single dose of APL-2 by intravitreal injection followed by 113 days of monitoring. We originally planned to enroll nine patients in the trial, in three cohorts of three patients each, at doses of 5 mg, 10 mg and 20 mg of APL-2. In August 2015, after completing enrollment of all three cohorts, we expanded the third cohort from three patients to a total of 12 patients. APL-2 has been well tolerated in the initial nine patients, and no serious adverse events have been reported.

We expect to report data from this trial in the first half of 2016.

Planned Phase 2 Clinical Trial in GA

We plan to initiate a Phase 2 multicenter, randomized, single-masked, sham-controlled clinical trial of APL-2 in patients with GA at approximately 40 clinical sites, primarily located in the United States. Our design for this trial is informed by the MAHALO Phase 2 clinical trial of lampalizumab. We plan to enroll approximately 240 patients in the trial. Patients will be randomized in a 2:2:1:1 manner to receive APL-2 monthly, APL-2 every other month, sham injection monthly or sham injection every other month. Patients in the APL-2 arms will receive a dose of 15 mg of APL-2, injected into the vitreous humor in a 0.1 cc volume, monthly or every other month for 12 months followed by six months of monitoring after the end of treatment. In the sham-injection cohorts, patients will receive a simulated injection.

We plan to conduct this trial to assess the safety, tolerability and evidence of activity of multiple intravitreal injections of APL-2 in patients with GA in at least one eye. The primary efficacy endpoint will be change in GA lesion size from baseline to month 12. This trial is designed to detect a reduction of at least 30% in lesion size growth between the APL-2 arms and the sham-controlled arms from baseline to month 12. The primary safety endpoint will be the number and severity of local and systemic treatment emergent adverse events.

We expect to initiate this trial in .

Planned Phase 2 Clinical Trial in Intermediate AMD

We plan to initiate a Phase 2, multicenter, randomized, single-masked, sham-controlled clinical trial of APL-2 in patients with intermediate AMD at approximately 40 to 50 clinical sites, both within and outside the United States. We are currently finalizing the design of this trial and plan to assess safety, tolerability and evidence of activity of multiple intravitreal injections of APL-2 in patients with intermediate AMD in the trial period. We specifically intend to assess whether APL-2 can forestall the progression from intermediate AMD to GA or wet AMD. In addition, we plan to use a specialized assay to measure the immune response against the retina in order to evaluate changes in immune dysfunction following local C3 inhibition with APL-2.

We expect to initiate this trial in .

Preclinical Studies

We have conducted preclinical studies in monkeys to assess the safety of APL-2 when injected intravitreally. The results of the toxicokinetic analyses of vitreal and serum concentrations of APL-2 in the monkeys indicated that there was little intraocular or serum accumulation of the drug over multiple injections. In addition, a full toxicological review, including histopathological examinations of both eyes and of approximately 50 additional tissues from each monkey revealed no evidence of APL-2-mediated changes at any of the doses tested.

Clinical Trials of APL-1

Potentia and its collaborator, Alcon, Inc., previously conducted clinical trials of APL-1 for the treatment of GA. However, in these trials, monthly injections of APL-1 at doses that were deemed therapeutically relevant resulted in the accumulation of drug in the eyes of patients over time. As a result, development of APL-1 for this indication was suspended. APL-2 was designed with improved solubility so as to avoid this accumulation of drug.

Chronic Obstructive Pulmonary Disease

Background

COPD is a progressive disorder of the lungs that develops over many years and is characterized by lung tissue destruction and obstruction of airflow from the lungs. There are two major forms of COPD—chronic bronchitis and emphysema. Chronic bronchitis is associated principally with cough and sputum production accompanied by wheezing that is caused by inflammation and narrowing of the airways. Emphysema is associated principally with breathlessness and wheezing, reflecting the breakdown of lung tissue. The World Health Organization estimates that 65 million people worldwide have moderate to severe COPD. Of these people, 15 million are estimated to reside in the United States according to the U.S. Centers for Disease Control and Prevention.

The advanced stages of COPD are characterized by episodes of sudden and temporary worsening of symptoms, called exacerbations. Patients experience a median of two exacerbations annually, which may be mild, moderate, severe or very severe. Exacerbations frequently require hospitalization and are strongly correlated with hospital re-admissions, costs to the health care system and patient mortality. Exacerbation reduction is therefore an important goal in the treatment of COPD. Another important goal is the control of lung function loss caused by inflammation and tissue injury.

We believe that the chronic inflammation associated with COPD is at least in part driven by the complement system. Increased levels of C3a and C5a and increased inflammatory and immune markers that are influenced by complement activation have been found to be present in the sputum of patients with COPD.

Current Therapies and Their Limitations

Treatment guidelines from the Global Initiative for Chronic Obstructive Lung Disease recommend short-acting bronchodilators on an as-needed basis for the relief of persistent or worsening COPD symptoms at any stage of the disease and the use of one or more long-acting bronchodilators and pulmonary rehabilitation for moderate, severe and very severe disease. In addition, inhaled glucocorticoids are recommended to reduce exacerbations in patients with severe and very severe COPD. Inhalation is the preferred route of administration of all drug therapies for COPD in order to minimize potential systemic side effects.

COPD represents a significant unmet need. Current therapies do not effectively control or modify COPD and are mostly limited to symptomatic treatments to reduce inflammation and improve air flow. Although drugs are being developed for potentially novel therapeutic targets in COPD, these drugs are in the early stages of development.

Benefits of Our Approach

We believe that because APL-1 targets C3, it may provide advantages in the control of COPD, and possibly modify the disease.

Disease Control

We believe that APL-1 may provide the following benefits:

- *Improvement in lung function and reduction of tissue destruction and COPD exacerbations*. Patients with COPD suffer from chronic inflammation in the lungs. By inhibiting C3, we believe that APL-1 may reduce the inflammation associated with lung function decline, tissue destruction and exacerbations in patients with COPD.
- *Local administration to the lungs*. We believe that by administering APL-1 by inhalation and therefore inhibiting C3 locally, we may minimize the likelihood of systemic adverse events.
- *Ease of administration*. APL-1 is administered by nebulization to patients, which is a common route of administration that patients can easily learn. In the future, we may also develop other inhaled formulations of APL-1.
- *Reduction in hospitalizations and hospital readmissions*. By controlling and possibly modifying the disease process, we believe that APL-1 may reduce the high hospitalization rate that characterizes COPD.

Disease Modification

We believe that COPD is an autoimmune disease that might be corrected by complement immunotherapy. We believe that correction of the immune dysfunction in COPD with C3 inhibition might make it possible to treat COPD patients with APL-1 for only short periods of time to mitigate or halt progression of the disease and to establish meaningful symptom-free periods without the need for additional therapeutic interventions.

Clinical Development

We conducted a Phase 1 clinical trial of APL-1 in healthy volunteers and plan to initiate a Phase 2 clinical trial of APL-1 in patients with COPD.

Phase 1 Clinical Trial—Healthy Volunteers

In 2014, we initiated a Phase 1 open-label, randomized, placebo-controlled, single and multiple ascending dose clinical trial of a daily nebulized formulation of APL-1 in healthy volunteers at a single site in the United Kingdom. We designed the trial to assess the safety, tolerability and PK of single and multiple inhaled doses of APL-1 in healthy volunteers.

In the single ascending dose part of the trial, we enrolled 16 subjects in four cohorts of four subjects each. These subjects were administered a single dose of APL-1 at doses ranging from 20 mg to 350 mg and monitored for 14 days after treatment. In this part of the trial, APL-1 was well tolerated and no serious adverse events were reported.

We enrolled four subjects in the first cohort of the multiple ascending dose part of the trial. These subjects were to receive 14 consecutive days of treatment with a 60 mg/day dose of APL-1. However, following nine days of treatment with the 60 mg/day dose of APL-1, one subject developed signs and symptoms consistent with a potential bacterial infection that was considered to be possibly related to the pharmacology of APL-1 and was reported to the health authorities in the United Kingdom as an unexpected serious adverse event. As a result, we paused the trial and subsequently amended the protocol to reduce the dose for the first cohort to 30 mg/day and to include additional safety monitoring. After the trial was resumed, another subject developed signs and symptoms consistent with a potential bacterial infection that was considered to be possibly related to the pharmacology of APL-1 after 10 days of treatment at the 30 mg/day dose. We terminated the trial and reported this second potential infection as a serious adverse event to the health authorities.

Both subjects responded within hours to first-line antibiotic treatment, which is indicative of bacterial pathogenesis. In this trial, subjects were closely monitored for signs of infections and, like patients receiving

eculizumab, were vaccinated against *Neisseria meningitidis*. While the bacterial cultures all returned negative, we believe that *Haemophilus influenzae* or *Streptococcus pneumoniae* might have been implicated in the episodes of fever that were observed because C3 deficient individuals are known to be at increased risk of infection with *Neisseria meningitidis, Haemophilus influenzae* and *Streptococcus pneumoniae.* Consequently, in future trials, we plan to vaccinate subjects against all three pathogens and will consider the use of prophylactic antibiotics.

Next Steps

We intend to file a new clinical trial application in the United Kingdom in for a Phase 2 proof-of-concept trial in patients with COPD under antibiotic and broader vaccine coverage. We are currently finalizing the design of the trial. We plan to use a specialized assay to measure the immune response in the lungs in patients with COPD in order to evaluate immune dysfunction changes in these patients following C3 inhibition with APL-1.

Preclinical Studies

We have conducted numerous preclinical studies to assess the safety of nebulized APL-1 in dogs and monkeys. In these studies, no significant drug-related toxicities were observed at any of the doses tested. In addition to safety studies, we have also conducted a preclinical study investigating the pharmacological effect of APL-1 in an animal model of asthma. In that study, we observed that APL-1 had a pharmacological effect on controlling inflammation in the lungs of animals, both during treatment and four weeks after cessation of treatment.

Intellectual Property

Our success depends in part on our ability to obtain and maintain proprietary protection for our product candidates, technology and know-how, to operate without infringing the proprietary rights of others and to prevent others from infringing our proprietary rights. We seek to protect our proprietary position in a variety of ways, including by pursuing patent protection in certain jurisdictions where it is available. For example, we file U.S. and certain foreign patent applications related to our proprietary technology, inventions and improvements that are important to the development of our business. We also rely on trade secrets, know-how, continuing technological innovation and in-licensing opportunities to develop and maintain our proprietary position.

We have developed our lead product candidates, which are analogs of the cyclic peptide compstatin, based on technology that we have exclusively licensed from the Trustees of the University of Pennsylvania, or UPenn, in all fields other than the treatment of ophthalmic indications, which ophthalmic field rights were licensed by UPenn to Potentia. In September 2014, we entered into an asset purchase agreement with Potentia. Upon the closing of the transaction, Potentia's license will be assigned to us, so that we will have exclusive rights to the technology in all fields. We expect to close the asset purchase transaction with Potentia prior to the consummation of this offering.

The intellectual property in-licensed from UPenn includes U.S. patents and U.S. patent applications, including original filings, continuations and divisional applications, and numerous foreign counterparts, with claims granted or pending in Europe, Japan, and elsewhere. These licensed patent rights include issued patents with claims that recite a class of compounds generically covering both of our lead product candidates, APL-2 and APL-1, and also that specifically recite APL-1. These patents have terms that extend to 2026.

In addition to the intellectual property licensed from UPenn, as of June 30, 2015, we own a total of one U.S. patent and ten U.S. patent applications, including original filings, continuations and divisional applications, as well as numerous foreign counterparts of many of these patents and patent applications. Our patent applications include families of US and foreign applications relating, for example, to certain compstatin analogs with a

prolonged *in vivo* half-life, including APL-2, and/or to methods of treatment and dosing regimens for treating particular complement-mediated disorders. Patents issuing from these applications would expire in 2031 or 2032. The filings also include an issued U.S. patent with claims that recite methods of treating inflammatory conditions of the respiratory system, including COPD, by administration of APL-1 to the respiratory tract and a granted European patent with claims to APL-1 for use in treating inflammatory conditions of the respiratory system, including COPD, by direct administration to the respiratory tract; these patents have terms that extend into 2028.

Pursuant to our asset purchase transaction with Potentia, in addition to Potentia's UPenn license, we will also acquire certain Potentia-owned U.S. and foreign patents and patent applications relating to methods of treating eye disorders associated with complement activation. The Potentia patent rights include issued U.S. patents with claims to methods of treating AMD by administration of compstatin analogs and have terms that extend into 2026.

The term of individual patents depends upon the legal term for patents in the countries in which they are granted. In most countries, including the United States, the patent term is generally 20 years from the earliest claimed filing date of a non-provisional patent application in the applicable country. In the United States, a patent's term may, in certain cases, be lengthened by patent term adjustment, which compensates a patentee for administrative delays by the U.S. Patent and Trademark Office in examining and granting a patent, or may be shortened if a patent is terminally disclaimed over a commonly owned patent or a patent naming a common inventor and having an earlier expiration date. The Drug Price Competition and Patent Term Restoration Act of 1984, or the Hatch-Waxman Act, permits a patent term extension of up to five years beyond the expiration date of a U.S. patent as partial compensation for the length of time the drug is under regulatory review while the patent is in force. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval, only one patent applicable to each regulatory review period may be extended and only those claims covering the approved drug, a method for using it or a method for manufacturing it may be extended.

Similar provisions are available in the European Union and certain other foreign jurisdictions to extend the term of a patent that covers an approved drug. In the future, if and when our product candidates, including APL-2 and APL-1, receive approval by the FDA or foreign regulatory authorities, we expect to apply for patent term extensions on issued patents covering those products, depending upon the length of the clinical trials for each drug and other factors. Expiration dates referred to above are without regard to potential patent term adjustment or extension or other market exclusivity that may be available to us.

We granted rights to use our intellectual property to manage our Phase 1 and 2 clinical trials in Australia and exclusive rights to distribute our product within Australia, South Korea, Singapore, Indonesia, Malaysia, the Philippines, Thailand, Vietnam and New Zealand to our wholly-owned subsidiary, Apellis Australia Pty Ltd.

We may rely, in some circumstances, on trade secrets to protect our technology. However, trade secrets can be difficult to protect. We seek to protect our proprietary technology and processes, in part, by confidentiality agreements with our employees, consultants, scientific advisors and contractors. We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems.

Patent License Agreement with The Trustees of the University of Pennsylvania (Non-ophthalmic Fields of Use)

In March 2008, Apellis AG entered into an agreement with UPenn for an exclusive worldwide license, under specified patent rights controlled by UPenn, to develop and commercialize products covered by the licensed patent rights for all fields except the treatment of ophthalmic indications. This license was assigned to us in 2010 in connection with our acquisition of Apellis AG, and we have the right to grant sublicenses under this license.

The patent rights licensed to us by UPenn include patents with claims that recite a class of compounds generically covering both of our lead compounds, APL-2 and APL-1, the complement inhibitors we are developing for the treatment of PNH and COPD, respectively, and also specifically recite APL-1.

In exchange for the rights licensed from UPenn, Apellis AG transferred to UPenn shares of Potentia common stock that it had purchased from Potentia with a $250,000 promissory note in 2008. In 2010, Apellis AG assigned its UPenn license to us together with the promissory note. We repaid the promissory note in full in 2013.

Under the license agreement, we are obligated to make a $100,000 annual license maintenance payment to UPenn until the first commercial sale of a licensed product, some of which may become creditable against milestone payments under specified circumstances. We may also become obligated to make payments to UPenn aggregating up to $1,650,000 based on achieving specified development and regulatory approval milestones and up to $2,500,000 based on achieving specified annual sales milestones with respect to each of the first two licensed products, and to pay low single-digit royalties to UPenn based on net sales of each licensed product by us and our affiliates and sublicensees and specified minimum quarterly royalty thresholds. In addition, we are obligated to pay UPenn a specified portion of income we receive from sublicensees.

Our royalty obligation with respect to each licensed product in a country extends until the later of the expiration of the last-to-expire patent licensed from UPenn covering the licensed product in the country or the expiration of a specified number of years after the first commercial sale of the licensed product in the country.

The agreement obligates us to use commercially reasonable efforts to develop licensed products in accordance with a development plan, which we update annually, and a development milestone timetable specified in the agreement and to use commercially reasonable efforts to commercialize licensed products.

UPenn has the right to terminate the agreement if we breach the agreement and fail to cure our breach within specified cure periods or in the event of specified bankruptcy, insolvency and liquidation events. We have the right to terminate the agreement for our convenience at any time on 60 days' notice to UPenn.

Amended and Restated Patent License Agreement with The Trustees of the University of Pennsylvania (Ophthalmic Field of Use)

At the same time that it entered into the agreement with Apellis AG, UPenn licensed rights to the same portfolio of cases to Potentia, to develop and commercialize products covered by the licensed patent rights for the treatment of ophthalmic indications. In September 2014, we entered into an asset purchase agreement with Potentia under which Potentia has agreed to assign to us the license agreement between Potentia and UPenn. We expect to close the asset purchase transaction with Potentia prior to the consummation of this offering.

Upon Potentia's assignment of the license to us, we will become the licensee and will be obligated to make a $100,000 annual license maintenance payment to UPenn until the first commercial sale of a licensed product. We may also become obligated to make payments to UPenn aggregating up to $3,200,000 based on achieving specified development and regulatory approval milestones and up to $5,000,000 based on achieving specified annual sales milestones with respect to each licensed product, and to pay low single-digit royalties to UPenn based on net sales of each licensed product by us and our affiliates and sublicensees and specified minimum quarterly royalty thresholds. In addition, we will be obligated to pay UPenn a specified portion of income we receive from sublicensees.

Our royalty obligation with respect to each licensed product in a country will extend until the later of the expiration of the last-to-expire patent licensed from UPenn covering the licensed product in the country or the expiration of a specified number of years after the first commercial sale of the licensed product in the country.

We will have the right to grant sublicenses under the license.

We also will be obligated to use commercially reasonable efforts to develop licensed products in accordance with a development plan, which we will update annually, and a development milestone timetable specified in the agreement and to use commercially reasonable efforts to commercialize licensed products.

UPenn will have the right to terminate the agreement if we breach the agreement and fail to cure our breach within specified cure periods or in the event of specified bankruptcy, insolvency and liquidation events. We will have the right to terminate the agreement for our convenience at any time on 60 days' notice to UPenn.

Competition

The biotechnology and pharmaceutical industries are characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products. While we believe that our technologies, knowledge, experience and scientific resources provide us with competitive advantages, we face potential competition from many different sources, including major pharmaceutical, specialty pharmaceutical and biotechnology companies, academic institutions and governmental agencies and public and private research institutions. Any product candidates that we successfully develop and commercialize will compete with existing therapies and new therapies that may become available in the future.

There are a number of currently marketed products and product candidates in preclinical research and clinical development by third parties to treat the various diseases that we are targeting. In general, these products and product candidates can be categorized based on their proposed mechanisms of action. The mechanisms of action for these product candidates include inflammation suppression by agents such as complement inhibitors and corticosteroids, as well as immune modulators, visual cycle modulators, anti-amyloid agents, antioxidants, neuroprotectants, cell and gene therapies and vascular and interstitial tissue remodeling agents.

If our lead product candidates are approved for the indications for which we are currently undertaking clinical trials, they will compete with the products and product candidates discussed below.

PNH. The principal competitor for our program in PNH is eculizumab, a C5 complement inhibitor, which is marketed as Soliris by Alexion and is the only drug approved for the treatment of PNH. In addition, we are aware that there are a number of other companies that are actively developing product candidates for the treatment of PNH, including the following:

- a product candidate directed at C3 complement inhibition being developed by Amyndas Pharmaceuticals SA;
- product candidates directed at C5 complement inhibition such as ALN-CC5, an RNAi therapeutic targeting C5 being developed by Alnylam Pharmaceuticals, Inc. that is in early clinical trials, Coversin, a small protein inhibitor of C5 being developed by Volution Immuno Pharmaceuticals (VIP) Ltd. that is in early clinical trials, and Ra101348, a cyclic peptide inhibitor of C5 that is currently in preclinical development by Ra Pharmaceuticals, Inc.; and
- other product candidates directed at other mechanisms of complement inhibition such as TNT009, an antibody against C1s, being developed by True North Therapeutics, Inc. in early clinical trials, NM-9405, an anti-properdin antibody in preclinical development by NovelMed Therapeutics, Inc., and ACH-4471 (previously ACH-CFDIS), an orally available small molecule inhibitor of complement factor D, that is currently in preclinical development by Achillion Pharmaceuticals, Inc.

AMD. There are currently no approved treatments for GA or intermediate AMD. We are aware that there are a number of companies that are actively developing product candidates for the treatment of GA, including the following product candidates that are in clinical development: lampalizumab, a factor D complement inhibitor for the treatment of GA being developed by Roche that is in Phase 3 clinical trials; LFG316, an anti-C5

monoclonal antibody being developed by Novartis AG that is in Phase 2 clinical trials; Zimura, a C5 inhibitor being developed by Ophthotech Corporation that is entering Phase 2/3 clinical trials; and other product candidates that do not target the complement system that are in Phase 2 clinical trials, including compounds being developed by Acucela Inc., Allergan PLC, GlaxoSmithKline PLC and Novartis AG. There are no currently available treatments for intermediate AMD.

COPD. We believe that current therapies do not effectively control or modify COPD and are limited to symptomatic treatments to reduce inflammation and improve air flow. However, there is intense competition among many major pharmaceutical companies that are currently marketing and selling therapies to treat the symptoms of COPD, including short- and long-acting bronchodilators, anti-inflammatories and combination therapies. These include GlaxoSmithKline PLC and Theravance Inc., which are marketing Breo, an inhaled treatment that includes a corticosteroid, fluticasone furoate, and a long-acting beta-agonist, vilanterol; GlaxoSmithKline PLC, which is also marketing both Advair, a drug that contains the steroid fluticasone propionate and the long-acting beta-agonist salmeterol, and Anoro Ellipta, a once daily, combination long-acting bronchodilator; AstraZeneca Plc, which is marketing Symbicort, an inhaled combination of the corticosteroid budesonide, and the long-acting beta-agonist formoterol; Boehringer Ingelheim GmbH and Pfizer Inc., which are marketing Spiriva, an inhaled anticholinergic bronchodilator; and Novartis AG which is marketing Ultibro Breezhaler, a once-daily dual bronchodilator approved in the European Union. There are also a number of other drugs in development that seek to control or modify COPD, including losmapimod and danirixin, both of which are being developed by GlaxoSmithKline PLC and are currently in Phase 2 clinical trials.

Sales and Marketing

We hold worldwide commercialization rights to all of our product candidates. We plan to build focused capabilities to commercialize development programs for certain indications where we believe that the medical specialists for the indications are sufficiently concentrated to allow us to effectively promote the product with a targeted sales team. In other indications, we plan to seek to enter into collaborations that we believe may contribute to our ability to advance development and ultimately commercialize our product candidates. We also intend to seek to enter into collaborations where we believe that realizing the full commercial value of our development programs will require access to broader geographic markets or the pursuit of broader patient populations or indications.

Manufacturing

We do not currently own or operate manufacturing facilities for the production of clinical or commercial quantities of our product candidates. Although we intend to rely on third-party contract manufacturers to produce our products, we have recruited personnel with experience to manage the third-party contract manufacturers producing our product candidates and other product candidates or products that we may develop in the future.

The process for manufacturing our product candidates consists of chemical synthesis, purification using liquid chromatography, and freeze drying into solid form. Each of these steps involves a relatively routine chemical engineering process. The chemical synthesis process is similar to small molecule manufacturing.

We currently engage two third-party manufacturers to provide clinical supplies of APL-2 and APL-1 and a different, single third-party manufacturer to provide fill-finish services for APL-2.

Government Regulation and Product Approvals

Government authorities in the United States, at the federal, state and local level, and in other countries and jurisdictions, including the European Union, extensively regulate, among other things, the research, development, testing, manufacture, quality control, approval, packaging, storage, recordkeeping, labeling, advertising, promotion, distribution, marketing, post-approval monitoring and reporting, and import and export of

pharmaceutical products. The processes for obtaining regulatory approvals in the United States and in foreign countries and jurisdictions, along with subsequent compliance with applicable statutes and regulations and other regulatory authorities, require the expenditure of substantial time and financial resources.

Review and Approval of Drugs in the United States

In the United States, the FDA regulates drugs under the Federal Food, Drug, and Cosmetic Act, or FDCA, and implementing regulations. The failure to comply with applicable U.S. requirements at any time during the product development process, approval process or after approval may subject an applicant and/or sponsor to a variety of administrative or judicial sanctions, including refusal by the FDA to approve pending applications, withdrawal of an approval, imposition of a clinical hold, issuance of warning letters and other types of letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement of profits, or civil or criminal investigations and penalties brought by the FDA and the Department of Justice or other governmental entities.

An applicant seeking approval to market and distribute a new drug product in the United States must typically undertake the following:

- completion of preclinical laboratory tests, animal studies and formulation studies in compliance with the FDA's good laboratory practice, or GLP, regulations;
- submission to the FDA of an IND, which must take effect before human clinical trials may begin;
- approval by an independent institutional review board, or IRB, representing each clinical site before each clinical trial may be initiated;
- performance of adequate and well-controlled human clinical trials in accordance with good clinical practices, or GCP, to establish the safety and efficacy of the proposed drug product for each indication;
- preparation and submission to the FDA of a new drug application, or NDA;
- review of the product by an FDA advisory committee, where appropriate or if applicable;
- satisfactory completion of one or more FDA inspections of the manufacturing facility or facilities at which the product, or components thereof, are produced to assess compliance with current Good Manufacturing Practices, or cGMP, requirements and to assure that the facilities, methods and controls are adequate to preserve the product's identity, strength, quality and purity;
- satisfactory completion of FDA audits of clinical trial sites to assure compliance with GCPs and the integrity of the clinical data;
- payment of user fees and securing FDA approval of the NDA; and
- compliance with any post-approval requirements, including Risk Evaluation and Mitigation Strategies, or REMS, and post-approval studies required by the FDA.

Preclinical Studies

Preclinical studies include laboratory evaluation of the purity and stability of the manufactured drug substance or active pharmaceutical ingredient and the formulated drug or drug product, as well as *in vitro* and animal studies to assess the safety and activity of the drug for initial testing in humans and to establish a rationale for therapeutic use. The conduct of preclinical studies is subject to federal regulations and requirements, including GLP regulations. The results of the preclinical tests, together with manufacturing information, analytical data, any available clinical data or literature and plans for clinical trials, among other things, are submitted to the FDA as part of an IND. Some long-term preclinical testing, such as animal tests of reproductive adverse events and carcinogenicity, may continue after the IND is submitted.

Human Clinical Trials in Support of an NDA

Clinical trials involve the administration of the investigational product to human subjects under the supervision of qualified investigators in accordance with GCP requirements, which include, among other things, the requirement that all research subjects provide their informed consent in writing before their participation in any clinical trial. Clinical trials are conducted under written study protocols detailing, among other things, the inclusion and exclusion criteria, the objectives of the study, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated. A protocol for each clinical trial and any subsequent protocol amendments must be submitted to the FDA as part of the IND. An IND automatically becomes effective 30 days after receipt by the FDA, unless before that time the FDA raises concerns or questions related to a proposed clinical trial and places the trial on clinical hold. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. The FDA can place an IND on clinical hold at any point in development, and depending upon the scope of the hold, clinical trial(s) may not restart until resolution of the outstanding concerns to the FDA's satisfaction.

In addition, an IRB representing each institution participating in the clinical trial must review and approve the plan for any clinical trial before it commences at that institution, and the IRB must conduct a continuing review and reapprove the study at least annually. The IRB must review and approve, among other things, the study protocol and informed consent information to be provided to study subjects. An IRB must operate in compliance with FDA regulations. Information about certain clinical trials must be submitted within specific timeframes to the National Institutes of Health for public dissemination on their ClinicalTrials.gov website.

Human clinical trials are typically conducted in three sequential phases, which may overlap or be combined:

- ***Phase 1.*** The drug is initially introduced into healthy human subjects or, in certain indications such as cancer, patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion and, if possible, to gain an early indication of its effectiveness and to determine optimal dosage. Phase 1b trials are conducted in patients with the target disease and have endpoints that permit an initial determination of proof of concept for activity of the drug.
- ***Phase 2.*** The drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases and to determine dosage tolerance and optimal dosage. Phase 2b trials are dose range finding trials with efficacy endpoints that may, under certain circumstances, qualify as pivotal trials supportive of NDA approval.
- ***Phase 3.*** The drug is administered to an expanded patient population, generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to establish the overall risk-benefit profile of the product and to provide adequate information for the labeling of the product.

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA and more frequently if serious adverse events occur. In addition, IND safety reports must be submitted to the FDA for any of the following: serious and unexpected suspected adverse reactions; findings from other studies or animal or *in vitro* testing that suggest a significant risk in humans exposed to the drug; and any clinically important increase in the case of a serious suspected adverse reaction over that listed in the protocol or investigator brochure. Phase 1, Phase 2 and Phase 3 clinical trials may not be completed successfully within any specified period, or at all. Furthermore, the FDA or the sponsor may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research subjects are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution, or an institution it represents, if the clinical trial is not being conducted in accordance with the IRB's requirements or if the drug has been associated with unexpected serious harm to patients. The FDA will typically inspect one or more clinical sites to assure compliance with GCP and the integrity of the clinical data submitted.

Submission of an NDA to the FDA

Assuming successful completion of required clinical testing and other requirements, the results of the preclinical studies and clinical trials, together with detailed information relating to the product's chemistry, manufacture, controls and proposed labeling, among other things, are submitted to the FDA as part of an NDA requesting approval to market the drug product for one or more indications. Under federal law, the submission of most NDAs is additionally subject to an application user fee, currently exceeding $2.1 million, and the sponsor of an approved NDA is also subject to annual product and establishment user fees, currently exceeding $104,000 per product and $554,000 per establishment. These fees are typically increased annually.

The FDA conducts a preliminary review of an NDA within 60 days of its receipt and informs the sponsor by the 74th day after the FDA's receipt of the submission to determine whether the application is sufficiently complete to permit substantive review. The FDA may request additional information rather than accept an NDA for filing. In this event, the application must be resubmitted with the additional information. The resubmitted application is also subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review. The FDA has agreed to specified performance goals in the review process of NDAs. Most such applications are meant to be reviewed within ten months from the date of filing, and most applications for "priority review" products are meant to be reviewed within six months of filing. The review process may be extended by the FDA for three additional months to consider new information or clarification provided by the applicant to address an outstanding deficiency identified by the FDA following the original submission.

Before approving an NDA, the FDA typically will inspect the facility or facilities where the product is or will be manufactured. These pre-approval inspections may cover all facilities associated with an NDA submission, including drug component manufacturing (such as active pharmaceutical ingredients), finished drug product manufacturing, and control testing laboratories. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving an NDA, the FDA will typically inspect one or more clinical sites to assure compliance with GCP.

In addition, as a condition of approval, the FDA may require an applicant to develop a REMS. REMS use risk minimization strategies beyond the professional labeling to ensure that the benefits of the product outweigh the potential risks. To determine whether a REMS is needed, the FDA will consider the size of the population likely to use the product, seriousness of the disease, expected benefit of the product, expected duration of treatment, seriousness of known or potential adverse events, and whether the product is a new molecular entity. REMS can include medication guides, physician communication plans for healthcare professionals, and elements to assure safe use, or ETASU. ETASU may include, but are not limited to, special training or certification for prescribing or dispensing, dispensing only under certain circumstances, special monitoring, and the use of patient registries. The FDA may require a REMS before approval or post-approval if it becomes aware of a serious risk associated with use of the product. The requirement for a REMS can materially affect the potential market and profitability of a product.

The FDA is required to refer an application for a novel drug to an advisory committee or explain why such referral was not made. Typically, an advisory committee is a panel of independent experts, including clinicians and other scientific experts, that reviews, evaluates and provides a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions.

The FDA's Decision on an NDA

On the basis of the FDA's evaluation of the NDA and accompanying information, including the results of the inspection of the manufacturing facilities, the FDA may issue an approval letter or a complete response letter. An approval letter authorizes commercial marketing of the product with specific prescribing information for

specific indications. A complete response letter generally outlines the deficiencies in the submission and may require substantial additional testing or information in order for the FDA to reconsider the application. If and when those deficiencies have been addressed to the FDA's satisfaction in a resubmission of the NDA, the FDA will issue an approval letter. The FDA has committed to reviewing such resubmissions in two or six months depending on the type of information included. Even with submission of this additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval.

If the FDA approves a product, it may limit the approved indications for use for the product, require that contraindications, warnings or precautions be included in the product labeling, require that post-approval studies, including Phase 4 clinical trials, be conducted to further assess the drug's safety after approval, require testing and surveillance programs to monitor the product after commercialization, or impose other conditions, including distribution restrictions or other risk management mechanisms, including REMS, which can materially affect the potential market and profitability of the product. The FDA may prevent or limit further marketing of a product based on the results of post-market studies or surveillance programs. After approval, many types of changes to the approved product, such as adding new indications, manufacturing changes and additional labeling claims, are subject to further testing requirements and FDA review and approval.

Post-Approval Requirements

Drugs manufactured or distributed pursuant to FDA approvals are subject to pervasive and continuing regulation by the FDA, including, among other things, requirements relating to recordkeeping, periodic reporting, product sampling and distribution, advertising and promotion and reporting of adverse experiences with the product. After approval, most changes to the approved product, such as adding new indications or other labeling claims, are subject to prior FDA review and approval. There also are continuing, annual user fee requirements for any marketed products and the establishments at which such products are manufactured, as well as new application fees for supplemental applications with clinical data.

In addition, drug manufacturers and other entities involved in the manufacture and distribution of approved drugs are required to register their establishments with the FDA and state agencies, and are subject to periodic unannounced inspections by the FDA and these state agencies for compliance with cGMP requirements. Changes to the manufacturing process are strictly regulated and often require prior FDA approval before being implemented. FDA regulations also require investigation and correction of any deviations from cGMP and impose reporting and documentation requirements upon the sponsor and any third-party manufacturers that the sponsor may decide to use. Accordingly, manufacturers must continue to expend time, money, and effort in the area of production and quality control to maintain cGMP compliance.

Once an approval is granted, the FDA may withdraw the approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical trials to assess new safety risks; or imposition of distribution or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of the product, complete withdrawal of the product from the market or product recalls;
- fines, warning letters or holds on post-approval clinical trials;
- refusal of the FDA to approve pending NDAs or supplements to approved NDAs, or suspension or revocation of product license approvals;
- product seizure or detention, or refusal to permit the import or export of products; or
- injunctions or the imposition of civil or criminal penalties.

The FDA strictly regulates marketing, labeling, advertising and promotion of products that are placed on the market. Drugs may be promoted only for the approved indications and in accordance with the provisions of the approved label. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability.

In addition, the distribution of prescription pharmaceutical products is subject to the Prescription Drug Marketing Act, or PDMA, which regulates the distribution of drugs and drug samples at the federal level, and sets minimum standards for the registration and regulation of drug distributors by the states. Both the PDMA and state laws limit the distribution of prescription pharmaceutical product samples and impose requirements to ensure accountability in distribution.

Abbreviated New Drug Applications for Generic Drugs

In 1984, with passage of the Hatch-Waxman Amendments to the FDCA, Congress authorized the FDA to approve generic drugs that are the same as drugs previously approved by the FDA under the NDA provisions of the statute. To obtain approval of a generic drug, an applicant must submit an abbreviated new drug application, or ANDA, to the agency. In support of such applications, a generic manufacturer may rely on the preclinical and clinical testing previously conducted for a drug product previously approved under an NDA, known as the reference-listed drug, or RLD.

Specifically, in order for an ANDA to be approved, the FDA must find that the generic version is identical to the RLD with respect to the active ingredients, the route of administration, the dosage form, and the strength of the drug. At the same time, the FDA must also determine that the generic drug is "bioequivalent" to the innovator drug. Under the statute, a generic drug is bioequivalent to a RLD if "the rate and extent of absorption of the drug do not show a significant difference from the rate and extent of absorption of the listed drug..."

Upon approval of an ANDA, the FDA indicates whether the generic product is "therapeutically equivalent" to the RLD in its publication "Approved Drug Products with Therapeutic Equivalence Evaluations," also referred to as the "Orange Book." Physicians and pharmacists consider a therapeutic equivalent generic drug to be fully substitutable for the RLD. In addition, by operation of certain state laws and numerous health insurance programs, the FDA's designation of therapeutic equivalence often results in substitution of the generic drug without the knowledge or consent of either the prescribing physician or patient.

Under the Hatch-Waxman Amendments, the FDA may not approve an ANDA until any applicable period of non-patent exclusivity for the RLD has expired. The FDCA provides a period of five years of non-patent data exclusivity for a new drug containing a new chemical entity. For the purposes of this provision, a new chemical entity, or NCE, is a drug that contains no active moiety that has previously been approved by the FDA in any other NDA. An active moiety is the molecule or ion responsible for the physiological or pharmacological action of the drug substance. In cases where such NCE exclusivity has been granted, an ANDA may not be filed with the FDA until the expiration of five years unless the submission is accompanied by a Paragraph IV certification, in which case the applicant may submit its application four years following the original product approval.

The FDCA also provides for a period of three years of exclusivity if the NDA includes reports of one or more new clinical investigations, other than bioavailability or bioequivalence studies, that were conducted by or for the applicant and are essential to the approval of the application. This three-year exclusivity period often protects changes to a previously approved drug product, such as a new dosage form, route of administration, combination or indication. Three-year exclusivity would be available for a drug product that contains a previously approved active moiety, provided the statutory requirement for a new clinical investigation is satisfied. Unlike five-year NCE exclusivity, an award of three-year exclusivity does not block the FDA from accepting ANDAs seeking approval for generic versions of the drug as of the date of approval of the original drug product. The FDA typically makes decisions about awards of data exclusivity shortly before a product is approved.

Hatch-Waxman Patent Certification and the 30-Month Stay

Upon approval of an NDA or a supplement thereto, NDA sponsors are required to list with the FDA each patent with claims that cover the applicant's product or an approved method of using the product. Each of the patents listed by the NDA sponsor is published in the Orange Book. When an ANDA applicant files its application with the FDA, the applicant is required to certify to the FDA concerning any patents listed for the reference product in the Orange Book, except for patents covering methods of use for which the ANDA applicant is not seeking approval. To the extent that the Section 505(b)(2) applicant is relying on studies conducted for an already approved product, the applicant is required to certify to the FDA concerning any patents listed for the approved product in the Orange Book to the same extent that an ANDA applicant would.

Specifically, the applicant must certify with respect to each patent that:

- the required patent information has not been filed;
- the listed patent has expired;
- the listed patent has not expired, but will expire on a particular date and approval is sought after patent expiration; or
- the listed patent is invalid, unenforceable or will not be infringed by the new product.

A certification that the new product will not infringe the already approved product's listed patents or that such patents are invalid or unenforceable is called a Paragraph IV certification. If the applicant does not challenge the listed patents or indicates that it is not seeking approval of a patented method of use, the ANDA application will not be approved until all the listed patents claiming the referenced product have expired (other than method of use patents involving indications for which the ANDA applicant is not seeking approval).

If the ANDA applicant has provided a Paragraph IV certification to the FDA, the applicant must also send notice of the Paragraph IV certification to the NDA and patent holders once the ANDA has been accepted for filing by the FDA. The NDA and patent holders may then initiate a patent infringement lawsuit in response to the notice of the Paragraph IV certification. The filing of a patent infringement lawsuit within 45 days after the receipt of a Paragraph IV certification automatically prevents the FDA from approving the ANDA until the earlier of 30 months after the receipt of the Paragraph IV notice, expiration of the patent, or a decision in the infringement case that is favorable to the ANDA applicant.

Pediatric Studies and Exclusivity

Under the Pediatric Research Equity Act of 2003, an NDA or supplement thereto must contain data that are adequate to assess the safety and effectiveness of the drug product for the claimed indications in all relevant pediatric subpopulations, and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. With enactment of the Food and Drug Safety and Innovation Act, or the FDASIA, in 2012, sponsors must also submit pediatric study plans prior to the assessment data. Those plans must contain an outline of the proposed pediatric study or studies the applicant plans to conduct, including study objectives and design, any deferral or waiver requests, and other information required by regulation. The applicant, the FDA, and the FDA's internal review committee must then review the information submitted, consult with each other, and agree upon a final plan. The FDA or the applicant may request an amendment to the plan at any time.

The FDA may, on its own initiative or at the request of the applicant, grant deferrals for submission of some or all pediatric data until after approval of the product for use in adults, or full or partial waivers from the pediatric data requirements. Additional requirements and procedures relating to deferral requests and requests for extension of deferrals are contained in FDASIA. Unless otherwise required by regulation, the pediatric data requirements do not apply to products with orphan designation.

Pediatric exclusivity is another type of non-patent marketing exclusivity in the United States and, if granted, provides for the attachment of an additional six months of marketing protection to the term of any existing regulatory exclusivity, including the non-patent and orphan exclusivity. This six-month exclusivity may be granted if an NDA sponsor submits pediatric data that fairly respond to a written request from the FDA for such data. The data do not need to show the product to be effective in the pediatric population studied; rather, if the clinical trial is deemed to fairly respond to the FDA's request, the additional protection is granted. If reports of requested pediatric studies are submitted to and accepted by the FDA within the statutory time limits, whatever statutory or regulatory periods of exclusivity or patent protection cover the product are extended by six months. This is not a patent term extension, but it effectively extends the regulatory period during which the FDA cannot approve another application.

Orphan Drug Designation and Exclusivity

Under the Orphan Drug Act, the FDA may designate a drug product as an "orphan drug" if it is intended to treat a rare disease or condition (generally meaning that it affects fewer than 200,000 individuals in the United States, or more in cases in which there is no reasonable expectation that the cost of developing and making a drug product available in the United States for treatment of the disease or condition will be recovered from sales of the product). A company must request orphan product designation before submitting an NDA. If the request is granted, the FDA will disclose the identity of the therapeutic agent and its potential use. Orphan product designation does not convey any advantage in or shorten the duration of the regulatory review and approval process.

If a product with orphan status receives the first FDA approval for the disease or condition for which it has such designation or for a select indication or use within the rare disease or condition for which it was designated, the product generally will be receiving orphan product exclusivity. Orphan product exclusivity means that the FDA may not approve any other applications for the same product for the same indication for seven years, except in certain limited circumstances. Competitors may receive approval of different products for the indication for which the orphan product has exclusivity and may obtain approval for the same product but for a different indication. If a drug or drug product designated as an orphan product ultimately receives marketing approval for an indication broader than what was designated in its orphan product application, it may not be entitled to exclusivity.

Patent Term Restoration and Extension

A patent claiming a new drug product may be eligible for a limited patent term extension under the Hatch-Waxman Act, which permits a patent restoration of up to five years for patent term lost during product development and the FDA regulatory review. The restoration period granted is typically one-half the time between the effective date of an IND and the submission date of an NDA, plus the time between the submission date of an NDA and the ultimate approval date. Patent term restoration cannot be used to extend the remaining term of a patent past a total of 14 years from the product's approval date. Only one patent applicable to an approved drug product is eligible for the extension, and the application for the extension must be submitted prior to the expiration of the patent in question. A patent that covers multiple drugs for which approval is sought can only be extended in connection with one of the approvals. The U.S. Patent and Trademark Office reviews and approves the application for any patent term extension or restoration in consultation with the FDA.

Europe / Rest of World Regulation

In addition to regulations in the United States, a manufacturer is subject to a variety of regulations in other jurisdictions governing, among other things, clinical trials and any commercial sales and distribution of our products, if approved. Even if a manufacturer obtains FDA approval of a product, it must still obtain the requisite approvals from regulatory authorities in foreign countries prior to the commencement of clinical trials or marketing of the product in those countries. Certain countries outside of the United States have a similar process

that requires the submission of a clinical trial application much like the IND prior to the commencement of human clinical trials. In the European Union, for example, a clinical trial application must be submitted to each country's national health authority and an independent ethics committee, much like the FDA and IRB, respectively. Once the clinical trial application is approved in accordance with a country's requirements, clinical trial development may proceed. The requirements and process governing the conduct of clinical trials, product licensing, pricing and reimbursement vary from country to country. In all cases, the clinical trials must be conducted in accordance with GCP and the applicable regulatory requirements and the ethical principles that have their origin in the Declaration of Helsinki.

To obtain regulatory approval of an investigational drug or biological product under EU regulatory systems, a manufacturer must submit a marketing authorization application. For other countries outside of the European Union, such as countries in Eastern Europe, Latin America or Asia, the requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary from country to country. In all cases, again, the clinical trials are to be conducted in accordance with GCP and the applicable regulatory requirements and the ethical principles that have their origin in the Declaration of Helsinki.

Pharmaceutical Coverage, Pricing and Reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of products approved by the FDA and other government authorities. Sales of products will depend, in part, on the extent to which third-party payors, including government health programs in the United States such as Medicare and Medicaid, commercial health insurers and managed care organizations, provide coverage, and establish adequate reimbursement levels for, such products. The process for determining whether a payor will provide coverage for a product may be separate from the process for setting the price or reimbursement rate that the payor will pay for the product once coverage is approved. Third-party payors are increasingly challenging the prices charged, examining the medical necessity, and reviewing the cost-effectiveness of medical products and services and imposing controls to manage costs. Third-party payors may limit coverage to specific products on an approved list, or formulary, which might not include all of the approved products for a particular indication.

In order to secure coverage and reimbursement for any product that might be approved for sale, a company may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of the product, in addition to the costs required to obtain FDA or other comparable regulatory approvals. Nonetheless, product candidates may not be considered medically necessary or cost effective. Additionally, a payor's decision to provide coverage for a drug product does not imply that an adequate reimbursement rate will be approved. Further, one payor's determination to provide coverage for a drug product does not assure that other payors will also provide coverage for the drug product. Third-party reimbursement may not be sufficient to maintain price levels high enough to realize an appropriate return on investment in product development.

The containment of healthcare costs also has become a priority of federal, state and foreign governments and the prices of drugs have been a focus in this effort. Governments have shown significant interest in implementing cost-containment programs, including price controls, restrictions on reimbursement and requirements for substitution of generic products. Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit our net revenue and results. Coverage policies and third-party reimbursement rates may change at any time. Even if favorable coverage and reimbursement status is attained for one or more products for which a company or its collaborators receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

Outside the United States, ensuring adequate coverage and payment for our product candidates will face challenges. Pricing of prescription pharmaceuticals is subject to governmental control in many countries. Pricing negotiations with governmental authorities can extend well beyond the receipt of regulatory marketing approval

for a product and may require us to conduct a clinical trial that compares the cost effectiveness of our product candidates or products to other available therapies. The conduct of such a clinical trial could be expensive and result in delays in our commercialization efforts.

In the European Union, pricing and reimbursement schemes vary widely from country to country. Some countries provide that drug products may be marketed only after a reimbursement price has been agreed. Some countries may require the completion of additional studies that compare the cost-effectiveness of a particular drug candidate to currently available therapies. For example, the European Union provides options for its member states to restrict the range of drug products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. European Union member states may approve a specific price for a drug product or it may instead adopt a system of direct or indirect controls on the profitability of the company placing the drug product on the market. Other member states allow companies to fix their own prices for drug products, but monitor and control company profits. The downward pressure on health care costs in general, particularly prescription drugs, has become intense. As a result, increasingly high barriers are being erected to the entry of new products. In addition, in some countries, cross-border imports from low-priced markets exert competitive pressure that may reduce pricing within a country. Any country that has price controls or reimbursement limitations for drug products may not allow favorable reimbursement and pricing arrangements.

Healthcare Law and Regulation

Healthcare providers and third-party payors play a primary role in the recommendation and prescription of drug products that are granted regulatory approval. Arrangements with providers, consultants, third-party payors and customers are subject to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain our business and/or financial arrangements. Such restrictions under applicable federal and state healthcare laws and regulations, include the following:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons and entities from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made, in whole or in part, under a federal healthcare program such as Medicare and Medicaid;
- the federal civil and criminal false claims laws, including the civil False Claims Act, and civil monetary penalties laws, which prohibit individuals or entities from, among other things, knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created additional federal criminal laws that prohibit, among other things, knowingly and willingly executing, or attempting to execute, a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act and its implementing regulations, which also imposes obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;
- the federal transparency requirements known as the federal Physician Payments Sunshine Act, under the Patient Protection and Affordable Care Act, as amended by the Health Care Education Reconciliation Act, or collectively the PPACA, which requires certain manufacturers of drugs, devices, biologics and medical supplies to report annually to the Centers for Medicare & Medicaid Services, or CMS, within the U.S. Department of Health and Human Services, information related to payments and other transfers of value to physicians and teaching hospitals and physician ownership and investment interests; and

- analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws, which may apply to healthcare items or services that are reimbursed by non-governmental third-party payors, including private insurers.

Some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government in addition to requiring drug manufacturers to report information related to payments to physicians and other health care providers or marketing expenditures. State and foreign laws also govern the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Healthcare Reform

There have been a number of federal and state proposals during the last few years regarding the pricing of pharmaceutical and biopharmaceutical products, government control and other changes to the healthcare system in the United States.

By way of example, the United States and state governments continue to propose and pass legislation designed to reduce the cost of healthcare. In March 2010, the United States Congress enacted the PPACA, which, among other things, includes changes to the coverage and payment for drug products under government health care programs. Among the provisions of the PPACA of importance to our potential drug candidates are:

- an annual, nondeductible fee on any entity that manufactures or imports specified branded prescription drugs and biologic agents, apportioned among these entities according to their market share in certain government healthcare programs;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to certain individuals with income at or below 133% of the federal poverty level, thereby potentially increasing a manufacturer's Medicaid rebate liability;
- expanded manufacturers' rebate liability under the Medicaid Drug Rebate Program by increasing the minimum rebate for both branded and generic drugs and revising the definition of "average manufacturer price," or AMP, for calculating and reporting Medicaid drug rebates on outpatient prescription drug prices;
- addressed a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted or injected;
- expanded the types of entities eligible for the 340B drug discount program;
- established the Medicare Part D coverage gap discount program by requiring manufacturers to provide a 50% point-of-sale-discount off the negotiated price of applicable brand drugs to eligible beneficiaries during their coverage gap period as a condition for the manufacturers' outpatient drugs to be covered under Medicare Part D; and
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research.

Other legislative changes have been proposed and adopted in the United States since the PPACA was enacted. For example, in August 2011, the Budget Control Act of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least $1.2 trillion for the years 2012 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions of Medicare payments to providers up to 2% per fiscal year, which went into effect in April 2013 and will remain in effect through 2024 unless additional Congressional action is taken. In January 2013,

President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, further reduced Medicare payments to several providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

There have been, and likely will continue to be, legislative and regulatory proposals at the foreign, federal and state levels directed at broadening the availability of healthcare and containing or lowering the cost of healthcare. Such reforms could have an adverse effect on anticipated revenues from product candidates that we may successfully develop and for which we may obtain regulatory approval and may affect our overall financial condition and ability to develop product candidates.

Legal Proceedings

We are not currently subject to any material legal proceedings.

Facilities

Our facilities consist of office space of approximately 7,125 square feet in Crestwood, Kentucky under a lease that expires in 2018.

Employees

As of July 31, 2015, we had 11 full-time or part-time employees, including three employees with M.D./Ph.D. degrees and two employees with Ph.D. degrees. None of our employees are represented by labor unions or covered by collective bargaining agreements. We consider the relationship with our employees to be good.

MANAGEMENT

The following table sets forth the name, age as of July 31, 2015 and position of each of our executive officers and directors.

Name	Age	Position
Cedric Francois, M.D., Ph.D.	43	President, Chief Executive Officer and Director
Pascal Deschatelets, Ph.D.	45	Chief Operating Officer
Federico Grossi, M.D., Ph.D.	41	Vice President of Clinical Development
Nicole Perry	51	Vice President of Finance
David Watson	42	General Counsel, Vice President of Corporate Development
Gerald Chan	64	Chairman of the Board of Directors
Sinclair Dunlop	43	Director
Alec Machiels	42	Director
Stephanie Monaghan O'Brien	56	Director

(1) Member of the audit committee
(2) Member of the compensation committee
(3) Member of the nominating and corporate governance committee

Executive Officers

Cedric Francois, M.D., Ph.D., is a co-founder of our company and has served as a member of our board of directors and as our President and Chief Executive Officer since September 2009. Prior to co-founding our company, Dr. Francois co-founded Potentia Pharmaceuticals, Inc., or Potentia, a private biotechnology company. Dr. Francois has served as President and Chief Executive Officer at Potentia since 2001. Dr. Francois received his M.D. from the University of Leuven in Belgium and his Ph.D. in physiology from the University of Louisville. Following postgraduate training in pediatric and transplant surgery, Dr. Francois was a member of the research team that performed the first successful hand transplantation and of the Louisville Face Transplant Team, whose work supported hand transplantation in Lyon, France in 2005. We believe that Dr. Francois is qualified to serve on our board of directors because of his expertise and extensive leadership experience in immunology and immune system-mediated disease and his extensive knowledge of our company based on his role as co-founder and Chief Executive Officer.

Pascal Deschatelets, Ph.D., is a co-founder of our company and has served as our Chief Operating Officer since September 2009. Dr. Deschatelets also co-founded Potentia and has served as its Chief Operating Officer since 2001. Dr. Deschatelets received his Ph.D. in organic chemistry from the University of Montreal and his post-doctoral training in the laboratory of Dr. George Whitesides at Harvard University.

Federico Grossi M.D., Ph.D., has served as our Vice President of Clinical Development since October 2014, having previously served as our Clinical Research Director from April 2010 to June 2012. Dr. Grossi served as Executive Vice President of Potentia from October 2013 to September 2014, and as Clinical Research Director of Potentia from 2006 to April 2010. From June 2012 to October 2012, Dr. Grossi worked as an independent early stage clinical research consultant. Dr. Grossi received his M.D. from the University of Córdoba in Argentina and his Ph.D. in physiology from the University of Louisville. Following his post-graduate training in surgery, where he developed his expertise in microsurgery and composite tissue transplantation, Dr. Grossi joined the Plastic Surgery Research Laboratory at the University of Louisville.

Nicole Perry has served as our Vice President of Finance since April 2015. From April 2015 to June 2015, Ms. Perry also served as Vice President of Finance at Revon Systems, LLC, or Revon, a private health care technology platform company. From August 2000 to April 2015, Ms. Perry worked as an independent consultant providing services to clients primarily in the areas of financial reporting, internal control compliance and as a liaison with external accountants, bankers and legal counsel. Prior to having her consulting practice, Ms. Perry spent nine years in public accounting, six years with PriceWaterhouseCoopers and three years with

Deloitte. Ms. Perry was a part of the audit practice at both firms working on a variety of public and non-public clients. Ms. Perry is a Certified Public Accountant and received her a B.B.A. in accounting, with distinction, from the University of Oklahoma.

David Watson has served as our General Counsel and Vice President of Corporate Development since January 2014. From January 2014 to June 2015, Mr. Watson also served as General Counsel and Executive Vice President of Revon. From 2006 to December 2013, Mr. Watson was a member at the law firm Frost Brown Todd LLC, where his practice included equity finance, mergers and acquisitions and securities transactions. Mr. Watson received his B.A. from Harvard College, his J.D. from Vanderbilt Law School and his M.A. in mathematics from the University of Kentucky.

Non-Management Directors

Gerald Chan has served as a member of our board of directors and as Chairman since July 2013. Dr. Chan co-founded Morningside, a private investment group with venture, private equity and property investments, in 1986. He has served as a member of the Global Advisory Council of the International Society for Stem Cell Research since 2008, the Global Advisory Council of Harvard University since 2012, the Dean's Board of Advisors of the Harvard School of Public Health since 2011, the advisory boards of the Cold Spring Harbor Conferences Asia since 2008, the Johns Hopkins Nanjing Center since 2004 and the Columbia University Center for Radiological Research since 2010. Dr. Chan also has been a member of the board of directors of Hang Lung Group Limited since 1986, and Aduro Biotech Inc. since 2014. Dr. Chan received his B.S. and M.S. degrees in engineering from the University of California, Los Angeles, and his Master's degree in medical radiological physics and Doctor of Science degree in radiation biology from Harvard University. He did his post-doctoral training at the Dana-Farber Cancer Institute as a fellow of the Leukemia Society of America. We believe that Dr. Chan is qualified to serve on our board of directors because of his extensive experience in life science investments and serving on boards of directors.

Sinclair Dunlop has served as a member of our board of directors since March 2010. Mr. Dunlop is a co-founder of venture capital fund Epidarex Capital, and has served as the Managing Partner since July 2010. Since 2005, Mr. Dunlop has served as the Managing Partner of venture capital fund Masa Life Science Ventures, LP. Mr. Dunlop currently serves on the board of directors of several private companies. Mr. Dunlop received his M.B.A. from Columbia Business School where he was the R.C. Kopf British-American Fellow in international business. He also received an M.A. with Honors in political economy from the University of Glasgow and an M.A. in international relations from the Maxwell School of Citizenship and Public Affairs at Syracuse University. We believe that Mr. Dunlop is qualified to serve on our board of directors because of his extensive investment and business experience.

Alec Machiels is a co-founder of our company and has served as a member of our board of directors since September 2009. Since 2006, Mr. Machiels has served as a Partner at Pegasus Capital Advisors, L.P., a private equity firm that he joined in 2002. Mr. Machiels is currently a director of Potentia which he co-founded; Molycorp Inc., a public mining corporation; Slipstream Communications LLC, a private marketing and branding company; Creative Realities Inc., a public marketing firm; Olympus Financial, a private insurance company; and Pure Biofuels del Peru SA, a refined fuels import and distribution company in Peru. He started his career as a financial analyst in the Financial Services Group at Goldman Sachs International in London and in the Private Equity Group at Goldman, Sachs & Co. in New York from July 1996 until June 1999. Mr. Machiels received an M.B.A. from Harvard Business School in 2001. Mr. Machiels also received a license in law from KU Leuven Law School in Belgium and a masters in international economics from Konstanz University in Germany. We believe that Mr. Machiels is qualified to serve on our board of directors because of his strong background in financial management and investment in businesses and his experience serving on the boards of both public and private companies.

Stephanie Monaghan O'Brien has served as a member of our board of directors since July 2013. Ms. O'Brien has been a member of the investment team at Morningside since 1997. She has served as a director of Aduro Biotech Inc. since 2011, and a director of numerous private nonclinical and clinical-stage companies developing drugs across a broad spectrum of therapeutic focus, including oncology and immunotherapy, and has

extensive experience providing operational and management oversight to venture-backed technology companies. She has also facilitated multiple financings for public and private companies such as Dendreon Corporation, BioVex Group, Inc., Stealth Biotherapeutics Inc. and Sohu.com. Prior to joining Morningside, Ms. O'Brien spent nine years as a corporate lawyer with Hale and Dorr in the Boston and Washington, D.C. offices, working primarily on public offerings, venture capital finances and start-up companies. She previously worked at Chase Manhattan Bank, working in international portfolio analysis. She received her A.B., cum laude, from Harvard College and her J.D. from New York University School of Law. We believe that Ms. O'Brien is qualified to serve on our board of directors because of her extensive experience serving on boards of directors and governing biotechnology companies.

Board Composition and Election of Directors

Board Composition

Our board of directors currently consists of five members. Our directors hold office until their successors have been elected and qualified or until the earlier of their resignation or removal.

Our directors were elected to and currently serve on the board of directors pursuant to a voting agreement among us and our stockholders. This agreement will terminate upon the closing of this offering, after which there will be no further contractual obligations regarding the election of our directors.

In accordance with the terms of our certificate of incorporation and bylaws that will become effective upon the closing of this offering, our board of directors will be divided into three classes, class I, class II and class III, with members of each class serving staggered three-year terms. Upon the closing of this offering, the members of the classes will be divided as follows:

- the class I directors will be and , and their term will expire at the annual meeting of stockholders to be held in 2016;
- the class II directors will be and , and their term will expire at the annual meeting of stockholders to be held in 2017; and
- the class III directors will be and , and their term will expire at the annual meeting of stockholders to be held in 2018.

Our certificate of incorporation and bylaws that will become effective upon the closing of this offering provide that the authorized number of directors may be changed only by resolution of our board of directors. Our certificate of incorporation and bylaws will also provide that our directors may be removed only for cause by the affirmative vote of the holders of 75% of our shares of capital stock present in person or by proxy and entitled to vote, and that any vacancy on our board of directors, including a vacancy resulting from an enlargement of our board of directors, may be filled only by vote of a majority of our directors then in office.

Director Independence

Applicable NASDAQ Stock Market, or NASDAQ, rules require a majority of a listed company's board of directors to be comprised of independent directors within one year of listing. In addition, the NASDAQ rules require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and corporate governance committees be independent under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act, and compensation committee members must also satisfy the independence criteria set forth in Rule 10C-1 under the Exchange Act. Under applicable NASDAQ rules, a director will only qualify as an "independent director" if, in the opinion of the listed company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In order to be considered independent for purposes of Rule 10A-3, a member of an

audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee, accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the listed company or any of its subsidiaries or otherwise be an affiliated person of the listed company or any of its subsidiaries. In order to be considered independent for purposes of Rule 10C-1, the board must consider, for each member of a compensation committee of a listed company, all factors specifically relevant to determining whether a director has a relationship to such company which is material to that director's ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to: the source of compensation of the director, including any consulting advisory or other compensatory fee paid by such company to the director, and whether the director is affiliated with the company or any of its subsidiaries or affiliates.

In 2015, our board of directors undertook a review of the composition of our board of directors and its committees and the independence of each director. Based upon information requested from and provided by each director concerning his or her background, employment and affiliations, including family relationships, our board of directors has determined that each of , and is an "independent director" as defined under applicable NASDAQ rules, including, in the case of all the members of our audit committee, the independence criteria set forth in Rule 10A-3 under the Exchange Act, and in the case of all the members of our compensation committee, the independence criteria set forth in Rule 10C-1 under the Exchange Act. In making such determination, our board of directors considered the relationships that each such non-employee director has with our company and all other facts and circumstances that our board of directors deemed relevant in determining his or her independence, including the beneficial ownership of our capital stock by each non-employee director. Dr. Francois is not deemed to be an independent director under these rules because he is our President and Chief Executive Officer.

There are no family relationships among any of our directors or executive officers, other than Drs. Francois and Grossi, who are brothers-in-law.

Board Committees

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. Each of these committees will operate under a charter that has been approved by our board of directors. The composition of each committee will be effective as of the date of this prospectus.

Audit Committee

The members of our audit committee are , and , and is the chair of the audit committee. Effective at the time of this offering, our audit committee's responsibilities will include:

- appointing, approving the compensation of, and assessing the independence of our registered public accounting firm;
- overseeing the work of our independent registered public accounting firm, including through the receipt and consideration of reports from that firm;
- reviewing and discussing with management and our independent registered public accounting firm our annual and quarterly financial statements and related disclosures;
- monitoring our internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;
- overseeing our internal audit function, if any;
- overseeing our risk assessment and risk management policies;
- establishing policies regarding hiring employees from our independent registered public accounting firm and procedures for the receipt and retention of accounting related complaints and concerns;

- meeting independently with our internal auditing staff, if any, our independent registered public accounting firm and management;
- reviewing and approving or ratifying any related person transactions; and
- preparing the audit committee report required by Securities and Exchange Commission, or SEC, rules.

All audit and non-audit services, other than *de minimis* non-audit services, to be provided to us by our independent registered public accounting firm must be approved in advance by our audit committee.

Our board of directors has determined that is an "audit committee financial expert" as defined in applicable SEC rules and that each of the members of our audit committee possesses the financial sophistication required for audit committee members under NASDAQ rules. We believe that the composition of our audit committee will meet the requirements for independence under current NASDAQ and SEC rules and regulations.

Compensation Committee

The members of our compensation committee are and , and is the chair of the compensation committee. Effective at the time of this offering, our compensation committee's responsibilities will include:

- reviewing and approving, or making recommendations to our board of directors with respect to, the compensation of our Chief Executive Officer and our other executive officers;
- overseeing an evaluation of our senior executives;
- overseeing and administering our cash and equity incentive plans;
- reviewing and making recommendations to our board of directors with respect to director compensation and management succession planning;
- reviewing and discussing annually with management our "Compensation Discussion and Analysis" disclosure if and to the extent then required by SEC rules; and
- preparing the compensation committee report if and to the extent then required by SEC rules.

We believe that the composition of our compensation committee will meet the requirements for independence under current NASDAQ and SEC rules and regulations.

Nominating and Corporate Governance Committee

The members of our nominating and corporate governance committee are , and , and is the chair of the nominating and corporate governance committee. Effective at the time of this offering, our nominating and corporate governance committee's responsibilities will include:

- identifying individuals qualified to become members of our board of directors;
- recommending to our board of directors the persons to be nominated for election as directors and to each of our board's committees;
- reviewing and making recommendations to our board of directors with respect to our board leadership structure and board committee structure;
- making recommendations to our board of directors with respect to accepting director resignations;
- reviewing and making recommendations to our board of directors with respect to management succession planning;
- developing and recommending to our board of directors corporate governance principles; and

- overseeing an annual evaluation of our board of directors and an annual review of succession planning for senior executives.

We believe that the composition of our nominating and corporate governance committee will meet the requirements for independence under current NASDAQ and SEC rules and regulations.

Compensation Committee Interlocks and Insider Participation

None of our executive officers serves, or in the past year has served, as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any other entity that has one or more of its executive officers serving as a member of our board of directors or our compensation committee. None of the members of our compensation committee is, or has ever been, an officer or employee of our company.

Code of Business Conduct and Ethics

Prior to the completion of this offering, we will adopt a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer principal accounting officer or controller, or persons performing similar functions. Following this offering, we will post a copy of the code on the Corporate Governance section of our website, which is located at www.apellis.com. If we make any substantive amendments to, or grant any waivers from, the code of business conduct and ethics for any officer or director, we will disclose the nature of such amendment or waiver on our website or in a current report on Form 8-K.

EXECUTIVE COMPENSATION

This section describes the material elements of compensation awarded to, earned by or paid to each of our named executive officers in 2014. Our named executive officers for 2014 were Cedric Francois and Pascal Deschatelets. This section also provides qualitative information regarding the manner and context in which compensation is awarded to and earned by our executive officers and is intended to place in perspective the data presented in the tables and narrative that follow.

Summary Compensation Table

The following table sets forth information regarding compensation awarded to, earned by or paid to our named executive officers during 2014.

Name and principal position	Year	Salary ($)	Bonus ($)(1)	Total ($)
Cedric Francois, M.D., Ph.D.(2) *President and Chief Executive Officer*	2014	275,000	137,000	412,000
Pascal Deschatelets, Ph.D. *Chief Operating Officer*	2014	225,000	75,000	300,000

(1) The amounts reported in the “Bonus” column represent discretionary annual cash bonuses awarded to our named executive officers.
(2) Dr. Francois also serves as a member of our board of directors but does not receive any additional compensation for his service as a director.

Narrative to Summary Compensation Table

In 2014, we paid annual base salaries of $275,000 to Dr. Francois and $225,000 to Dr. Deschatelets. We use base salaries to recognize the experience, skills, knowledge and responsibilities required of all our employees, including our named executive officers. None of our named executive officers is currently party to an employment agreement or other agreement or arrangement that provides for automatic or scheduled increases in base salary.

We do not have a formal performance-based bonus plan. From time to time, our board of directors has approved discretionary annual cash bonuses to our named executive officers with respect to their prior year performance. In 2014, Dr. Francois and Dr. Deschatelets received cash bonuses of $137,000 and $75,000, respectively, for services performed during 2014.

Although we do not have a formal policy with respect to the grant of equity incentive awards to our executive officers, or any formal equity ownership guidelines applicable to them, we believe that equity grants provide our executives with a strong link to our long-term performance, create an ownership culture and help to align the interests of our executives and our stockholders. In addition, we believe that equity grants with a time-based vesting feature promote executive retention because this feature incents our executive officers to remain in our employment during the vesting period. Accordingly, our board of directors periodically reviews the equity incentive compensation of our named executive officers and from time to time may grant equity incentive awards to them in the form of stock options.

Except for the benefits described above, we do not provide perquisites or personal benefits to our named executive officers. We do, however, pay the premiums for life and medical insurance for all of our employees, including our named executive officers.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information regarding outstanding equity awards held by our named executive officers as of December 31, 2014, which consisted entirely of stock options:

	Option Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($/share)	Option Expiration Date
Cedric Francois, M.D., Ph.D.	275,000(1)	825,000	$ 1.25	12/4/23
	1,000,000	—	$ 1.00	5/12/20
Pascal Deschatelets, Ph.D.	212,500(1)	637,500	$ 1.25	12/4/23
	500,000	—	$ 1.00	5/12/20

(1) This option was granted on December 5, 2013 and vested as to 25% of the shares underlying the option on December 5, 2014. The remaining 75% of the shares underlying the option will vest in equal monthly installments thereafter through December 5, 2017, subject to continued service. All shares subject to vesting under this option grant will vest in full and become immediately exercisable upon the closing of a change in control of our company.

Employment and Change in Control Arrangements

We do not currently have employment agreements with our named executive officers, although we may enter into such agreements in the future.

Under our 2010 equity incentive plan, as amended to date, or the 2010 plan, upon a change in control (as defined in the 2010 plan) any outstanding awards then held by a named executive officer which are unexercisable or otherwise unvested or subject to lapse restrictions will automatically be deemed exercisable or vested or no longer subject to lapse restrictions (as the case may be). We do not have any other agreements with our named executive officers that provide for payments upon termination, retirement or in connection with a change in control of the company.

Stock Option and Other Compensation Plans

The two equity incentive plans described in this section are the 2010 plan and our 2015 stock incentive plan, or the 2015 plan. Prior to this offering, we granted awards to eligible participants under the 2010 plan. Following the closing of this offering, we expect to grant awards to eligible participants only under the 2015 plan.

2015 Stock Incentive Plan

We expect our board of directors to adopt and our stockholders to approve the 2015 plan, to become effective in connection with this offering. The 2015 plan will provide for the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, awards of restricted stock, restricted stock units and other stock-based awards. Upon the closing of this offering, the number of shares of our common stock that will be reserved for issuance under the 2015 plan will be the sum of shares plus the number of shares reserved for issuance under the 2010 plan that remain available for future issuance immediately prior to the closing of this offering. Following the closing of this offering, the number of shares reserved for issuance under the 2015 plan will increase by (1) the number of shares of our common stock subject to outstanding awards under our 2010 plan upon the closing of this offering that expire, terminate or are otherwise surrendered, cancelled, forfeited or repurchased by us at their original issuance price pursuant to a contractual repurchase right and (2) an annual increase, to be added the first day of each fiscal year, beginning with the fiscal year ending December 31, 2016 and continuing until, and including, the fiscal year ending December 31, 2025, equal to the lowest of shares of our common stock, % of the number of shares of our common stock outstanding on the first day of

the fiscal year and an amount determined by our board of directors. Our employees, officers, directors, consultants and advisors will be eligible to receive awards under the 2015 plan; however, incentive stock options may only be granted to our employees.

Pursuant to the terms of the 2015 plan, our board of directors (or a committee delegated by our board of directors) administers the 2015 plan and, subject to any limitations set forth in the 2015 plan, will select the recipients of awards and determine:

- the number of shares of common stock covered by options and the dates upon which those options become exercisable;
- the type of options to be granted;
- the exercise price of options, which price must be at least equal to the fair market value of our common stock on the date of grant;
- the duration of options, which may not be in excess of ten years;
- the methods of payment of the exercise price of options; and
- the number of shares of our common stock subject to, and the terms of, any stock appreciation rights, awards of restricted stock, restricted stock units or other stock-based awards, including the issue price, conditions for repurchase, repurchase price and performance conditions (though the measurement price of stock appreciation rights must be at least equal to the fair market value of our common stock on the date of grant and the duration of such awards may not be in excess of ten years), if any.

If our board of directors delegates authority to an executive officer to grant awards under the 2015 plan, the executive officer will have the power to make awards to all of our employees, except executive officers. Our board of directors will fix the terms of the awards to be granted by such executive officer, including the exercise price of such awards (or a formula for establishing such price), and the maximum number of shares subject to awards that such executive officer may make.

In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any dividend or distribution to holders of our common stock other than an ordinary cash dividend, we are required by the 2015 plan to make equitable adjustments (or make substitute awards, if applicable), in a manner determined by our board, to:

- the number and class of securities available under the 2015 plan;
- the share counting rules under the 2015 plan;
- the number and class of securities and exercise price per share of each outstanding option;
- the share and per-share provisions and measurement price of each outstanding stock appreciation right;
- the number of shares and the repurchase price per share subject to each outstanding restricted stock award or restricted stock unit award; and
- the share and per-share related provisions and purchase price, if any, of any outstanding other stock-based award.

Upon a merger or other reorganization event (as defined in our 2015 plan), our board of directors, may, on such terms as our board determines (except to the extent specifically provided otherwise in an applicable award agreement or other agreement between the participant and us), take any one or more of the following actions pursuant to the 2015 plan, as to some or all outstanding awards, other than restricted stock awards:

- provide that all outstanding awards will be assumed or substantially equivalent awards will be substituted by the successor corporation (or an affiliate thereof);

- upon written notice to a participant, provide that the participant's unvested and/or unexercised options or other awards will terminate immediately prior to the consummation of such transaction unless exercised by the participant;
- provide that outstanding awards will become exercisable, realizable or deliverable, or restrictions applicable to an award will lapse, in whole or in part, prior to or upon the reorganization event;
- in the event of a reorganization event pursuant to which holders of our common stock will receive a cash payment for each share surrendered in the reorganization event, make or provide for a cash payment to the participants with respect to each award held by a participant equal to (1) the number of shares of our common stock subject to the vested portion of the award (after giving effect to any acceleration of vesting that occurs upon or immediately prior to such reorganization event) multiplied by (2) the excess, if any, of the cash payment for each share surrendered in the reorganization event over the exercise, measurement or purchase price of such award and any applicable tax withholdings, in exchange for the termination of such award;
- provide that, in connection with a liquidation or dissolution, awards convert into the right to receive liquidation proceeds (if applicable, net of exercise, measurement or purchase price thereof and any applicable tax withholdings); or
- any combination of the foregoing.

Our board of directors is not obligated by the 2015 plan to treat all awards, all awards held by a participant, or all awards of the same type, identically.

In the case of certain restricted stock units, no assumption or substitution is permitted, and the restricted stock units will instead be settled in accordance with the terms of the applicable restricted stock unit agreement.

Upon the occurrence of a reorganization event other than a liquidation or dissolution, the repurchase and other rights under each outstanding restricted stock award will continue for the benefit of the successor company and will, unless our board of directors may otherwise determine, apply to the cash, securities or other property which our common stock is converted into or exchanged for pursuant to the reorganization event, unless our board provided for the termination or deemed satisfaction of such repurchase or other rights under the restricted stock award agreement or any other agreement between the participant and us. Upon the occurrence of a reorganization event involving a liquidation or dissolution, all restrictions and conditions on each outstanding restricted stock award will automatically be deemed terminated or satisfied, unless otherwise provided in the agreement evidencing the restricted stock award or in any other agreement between the participant and us.

Our board of directors may at any time provide that any award under the 2015 plan shall become immediately exercisable in whole or in part, free of some or all restrictions or conditions, or otherwise realizable in whole or in part, as the case may be.

Except with respect to certain actions requiring stockholder approval under the Internal Revenue Code or NASDAQ rules, our board of directors may amend, modify or terminate any outstanding award under the 2015 plan, including but not limited to, substituting therefor another award of the same or a different type, changing the date of exercise or realization, and converting an incentive stock option into a nonstatutory stock option, subject to certain participant consent requirements. Unless our stockholders approve such action, the 2015 plan provides that we may not (except as otherwise permitted in connection with a change in capitalization or reorganization event):

- amend any outstanding stock option or stock appreciation right granted under the 2015 plan to provide an exercise or measurement price per share that is lower than the then-current exercise or measurement price per share of such outstanding award;
- cancel any outstanding option or stock appreciation right (whether or not granted under the 2015 plan) and grant in substitution therefor new awards under the 2015 plan (other than substitute awards permitted in connection with a merger or consolidation of an entity with us or our acquisition of property or stock of

another entity) covering the same or a different number of shares of our common stock and having an exercise or measurement price per share lower than the then-current exercise or measurement price per share of the cancelled award;

- cancel in exchange for a cash payment any outstanding option or stock appreciation right with an exercise or measurement price per share above the then-current fair market value of our common stock; or
- take any other action that constitutes a "repricing" within the meaning of the NASDAQ rules.

No award may be granted under the 2015 plan after 10 years from the effective date of this offering. Our board of directors may amend, suspend or terminate the 2015 plan at any time, except that stockholder approval will be required to comply with applicable law or stock market requirements.

2010 Equity Incentive Plan

Our 2010 plan was adopted by our board of directors in May 2010 and approved by our stockholders in December 2010. An amendment to the 2010 plan to increase the number of shares underlying the 2010 plan from 2,500,000 shares to 5,200,000 shares was adopted by our board of directors on July 19, 2013, and approved by our stockholders on July 22, 2013. A second amendment to the 2010 plan to increase the number of shares underlying the 2010 plan from 5,200,000 shares to 7,200,000 shares was adopted by our board of directors, and approved by our stockholders, on November 24, 2014. Our 2010 plan provides for the grant of incentive stock options, nonqualified stock options, restricted stock awards, stock appreciation rights, performance share awards, performance stock units, dividend equivalents, stock payments, deferred stock, restricted stock units, other stock-based awards and performance bonus awards. Our employees, directors, and consultants are eligible to receive awards under our 2010 plan; however, incentive stock options may only be granted to our employees. Our board of directors (or a committee delegated by our board of directors) administers the 2010 plan.

The 2010 plan provides that a maximum of 7,200,000 shares of our common stock are authorized for issuance under the plan. The 2010 plan expires on May 12, 2020, and no incentive stock options or other awards may be granted under the 2010 plan after such date. Our board of directors may terminate, amend or modify the 2010 plan at any time, except that stockholder approval may be required to comply with applicable law or stock market requirements.

In the event of any change in the outstanding shares of our stock by reason of any stock dividend or split, reorganization, recapitalization, merger, consolidation, spin-off, combination or transaction or exchange of shares of stock or other corporate exchange, or any distribution to our stockholders of shares of stock or cash other than regular cash dividends or any transaction similar to the foregoing, we shall make such substitution or adjustment, if any, as our board of directors deems to be equitable, as to:

- the number and kind of shares of stock or other securities issued or reserved for issuance pursuant to the 2010 plan or pursuant to outstanding awards;
- the maximum number of shares of stock for which options or stock appreciation rights may be granted during a calendar year to any participant in the 2010 plan;
- the maximum amount of a performance-based award that may be granted during a calendar year to any participant;
- the exercise price of any option or stock appreciation right; and
- any other affected terms of such awards under the 2010 plan.

Immediately prior to any change of control, as defined in the 2010 plan, or at such earlier date as provided thereunder, any outstanding awards then held by participants which are unexercisable or otherwise unvested or subject to lapse restrictions shall automatically be deemed exercisable or vested or no longer subject to lapse

restrictions (as the case may be). In addition, prior to such change of control, the board of directors shall take one of the following actions with respect to each award issued under the 2010 Plan:

- provide for the termination of such award in exchange for a cash payment equal to the fair value thereof (as determined in the sole discretion of the board of directors and pursuant to the terms of the 2010 plan);
- provide that such award shall be canceled and the participant shall receive in substitution therefor similar fully vested options, rights or awards covering the stock of the successor or surviving or acquiring entity, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;
- provide, with respect to any award that must be exercised to obtain the benefits thereunder, that for a period of at least fifteen days prior to the change of control, such award shall be exercisable as to all shares of stock subject thereto and that upon the occurrence of the change of control, such award shall terminate and be of no further force and effect; or
- if the change of control occurs and our company is the surviving entity in a reorganization, merger or consolidation, to specify that the award, now fully vested and exercisable, shall remain outstanding upon the other terms stated in the applicable award agreement.

Our board of directors is not obligated by the 2010 plan to treat all awards, all awards held by a participant, or all awards of the same type, identically. In addition, the board may, in its sole discretion, accelerate the exercisability of any award or waive the forfeiture thereof, except in the case of performance-based awards.

As of June 30, 2015, there were options to purchase 5,077,500 shares of our common stock outstanding under the 2010 plan, at a weighted-average exercise price of $1.19 per share, and options to purchase 1,562 shares of our common stock had been exercised. Effective as of immediately prior to the closing of this offering, we will no longer grant stock options or other awards under the 2010 plan. However, any shares of common stock subject to awards under our 2010 plan that expire, terminate, or are otherwise surrendered, canceled, forfeited or repurchased without having been fully exercised or resulting in any common stock being issued will become available for issuance under our 2015 plan, up to a specified number of shares.

401(k) Retirement Plan

We maintain a 401(k) retirement plan that is intended to be a tax-qualified defined contribution plan under Section 401(k) of the Code. In general, all of our employees are eligible to participate, beginning on the first day of the month following commencement of their employment. The 401(k) plan includes a salary deferral arrangement pursuant to which participants may elect to reduce their current compensation by up to the statutorily prescribed limit, equal to $18,000 in 2015, and have the amount of the reduction contributed to the 401(k) plan.

Limitations on Liability and Indemnification

Our certificate of incorporation, which will become effective upon the closing of this offering, limits the personal liability of directors for breach of fiduciary duty to the maximum extent permitted by the General Corporation Law of the State of Delaware and provides that no director will have personal liability to us or to our stockholders for monetary damages for breach of fiduciary duty or other duty as a director. However, these provisions do not eliminate or limit the liability of any of our directors:

- for any breach of the director’s duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- for voting for or assenting to unlawful payments of dividends, stock repurchases or other distributions; or
- for any transaction from which the director derived an improper personal benefit.

Any amendment to or repeal of these provisions will not eliminate or reduce the effect of these provisions in respect of any act, omission or claim that occurred or arose prior to such amendment or repeal. If the General Corporation Law of the State of Delaware is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the General Corporation Law of the State of Delaware.

In addition, our certificate of incorporation, which will become effective upon the closing of this offering, provides that we must indemnify our directors and officers and we must advance expenses, including attorneys' fees, to our directors and officers in connection with legal proceedings, subject to very limited exceptions.

We maintain a general liability insurance policy that covers specified liabilities of our directors and officers arising out of claims based on acts or omissions in their capacities as directors or officers. In addition, we intend to enter into indemnification agreements with all of our directors and executive officers prior to the completion of this offering. These indemnification agreements may require us, among other things, to indemnify each such director or officer for some expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by him or her in any action or proceeding arising out of his or her service as one of our directors or officers.

Some of our non-employee directors may, through their relationships with their employers, be insured or indemnified against specified liabilities incurred in their capacities as members of our board of directors.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, or the Securities Act, may be permitted to directors, executive officers or persons controlling us, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Rule 10b5-1 Trading Plans

Our directors and executive officers may adopt written plans, known as Rule 10b5-1 plans, in which they will contract with a broker to buy or sell shares of our common stock on a periodic basis. Under a Rule 10b5-1 plan, a broker executes trades pursuant to parameters established by the director or officer when entering into the plan, without subsequent direction from the director or officer. The director or officer may amend or terminate the plan in some circumstances. Our directors and executive officers may also buy or sell additional shares outside of a Rule 10b5-1 plan when they are not in possession of material, nonpublic information.

Director Compensation

We currently do not have a formal non-employee director compensation policy. During and prior to 2014, we did not pay cash compensation to any non-employee director for his or her service as a director. We reimburse our non-employee directors for reasonable travel and out-of-pocket expenses incurred in connection with attending board of director and committee meetings.

On December 5, 2013, we granted Alec Machiels an option to purchase 400,000 shares of our common stock, at an exercise price of $1.25 per share, for his service as a director, which vests over four years, with 25% of the shares underlying the option having vested on December 5, 2014 and the remainder vesting in equal monthly installments thereafter. This stock option had a grant date fair value of $272,000, computed in accordance with ASC Topic 718. See Note 10 to our audited consolidated financial statements appearing at the end of this prospectus regarding assumptions underlying the valuation of equity awards. With the exception of this stock option grant, we have made no other equity awards to Mr. Machiels or to our other non-employee directors.

We do not pay any compensation to our President and Chief Executive Officer in connection with his service on our board of directors. The compensation that we pay to our President and Chief Executive Officer is discussed earlier in this "Executive Compensation" section.

Our board of directors intends to adopt a director compensation program to be effective at the time of this offering. Under this director compensation program, we will pay our non-employee directors a cash retainer for service on the board of directors and for service on each committee on which the director is a member. The chairman of each committee will receive higher retainers for such service. These fees will be payable in arrears in four equal quarterly installments on the last day of each quarter, provided that the amount of such payment will be prorated for any portion of such quarter that the director is not serving on our board of directors and no fee shall be payable in respect of any period prior to the closing of this offering. The fees paid to non-employee directors for service on the board of directors and for service on each committee of the board of directors on which the director is a member will be as follows:

	Member Annual Fee	Chairman Additional Annual Fee
Board of Directors	$	$
Audit Committee		
Compensation Committee		
Nominating and Corporate Governance Committee		

We also will continue to reimburse our non-employee directors for reasonable travel and out-of-pocket expenses incurred in connection with attending our board of director and committee meetings.

TRANSACTIONS WITH RELATED PERSONS

Since January 1, 2012, we have engaged in the following transactions in which the amount involved exceeded $120,000 and any of our directors or executive officers or beneficial holders of more than 5% of any class of our voting securities, or any immediate family member of the foregoing persons, had a material interest. We believe that all of these transactions were on terms comparable to terms that could have been obtained from unrelated third parties.

Series B Convertible Preferred Stock Financing

In closings that occurred from July 2012 through December 2012 and in June 2013, we issued and sold an aggregate of 1,817,215 shares of our series B convertible preferred stock at a price per share of $1.10, for an aggregate purchase price of $2.0 million. The following table sets forth the number of shares of our series B convertible preferred stock purchased in these closings by our 5% stockholders and their affiliates and the aggregate purchase price paid for such shares.

Name	Shares of Series B Convertible Preferred Stock Purchased	Aggregate Purchase Price
Morningside Venture Investments, Ltd.(1)(2)	145,454	$ 159,999

(1) See “Principal Stockholders” for more information about shares held by this entity.
(2) Dr. Gerald Chan and Ms. Stephanie Monaghan O’Brien are members of our board of directors who have been designated by MVIL.

Series C Convertible Preferred Stock Financings

In closings that occurred in August 2013, July 2014 and September 2014, we issued and sold an aggregate of 14,393,979 shares of our series C convertible preferred stock at a price per share of $1.25, for an aggregate purchase price of $18.0 million. The following table sets forth the number of shares of our series C convertible preferred stock purchased in these closings by our 5% stockholders and their affiliates and the aggregate purchase price paid for such shares.

Name	Shares of Series C Convertible Preferred Stock Purchased	Aggregate Purchase Price
Morningside Venture Investments, Ltd.(1)(2)	11,200,000	$14,000,000

(1) See “Principal Stockholders” for more information about shares held by this entity.
(2) Dr. Chan and Ms. O’Brien are members of our board of directors who have been designated by MVIL.

In closings that occurred in December 2014, January 2015, March 2015 and May 2015, we issued and sold an aggregate of 11,821,432 shares of our series C convertible preferred stock at a price per share of $1.50, for an aggregate purchase price of $17.7 million. The following table sets forth the number of shares of our series C convertible preferred stock purchased in these closings by our 5% stockholders and their affiliates and the aggregate purchase price paid for such shares.

Name	Shares of Series C Convertible Preferred Stock Purchased	Aggregate Purchase Price
Morningside Venture Investments, Ltd.(1)(2)	6,000,000	$ 9,000,000
AJU Life Science Overseas Expansion Platform Fund(1)	4,000,000	6,000,000
Total	10,000,000	$15,000,000

(1) See “Principal Stockholders” for more information about shares held by this entity.
(2) Dr. Chan and Ms. O’Brien are members of our board of directors who have been designated by MVIL.

Potentia Transactions

Dr. Francois and Messrs. Machiels and Dunlop, members of our board of directors, are members of the board of directors of Potentia. Dr. Francois, our Chief Executive Officer, is also the Chief Executive Officer of Potentia. Dr. Deschatelets, our Chief Operating Officer, is also the Chief Operating Officer of Potentia.

We have engaged in the following transactions with Potentia:

Asset Purchase Agreement

In September 2014, we entered into an asset purchase agreement with Potentia pursuant to which we have agreed to acquire the assets of Potentia, primarily consisting of its license agreement with UPenn, providing us with an exclusive license, under specified patent rights controlled by UPenn, to develop and commercialize products covered by the licensed patent rights for ophthalmic indications. We have agreed that upon the closing we will issue to Potentia 8,200,000 shares of our common stock, of which 80,000 shares will be placed into escrow for six months pending the expiration of certain representations and warranties. We expect to close the asset purchase transaction with Potentia prior to the consummation of this offering.

Under the asset purchase agreement, we have assumed the payment obligations of Potentia under contracts with third-party vendors providing legal, research or clinical development services with respect to ongoing development activities. These contracts were terminable by Potentia for convenience at any time. However, the contracts have been neither assigned to us nor terminated by Potentia, and the third-party vendors continued to perform the services. Although we have not assumed these agreements pursuant to the asset purchase agreement, we have agreed to make certain payments under such agreements on Potentia’s behalf pending the closing of the transaction.

Term Note

In April 2008, Apellis AG purchased shares of common stock from Potentia in consideration for a term note in the principal amount of $250,000 made in favor of Potentia by Apellis AG. In March 2008, Apellis AG entered into an agreement with UPenn for an exclusive license, under specified patent rights controlled by UPenn, to develop and commercialize products covered by the licensed patent rights for all fields except the treatment of ophthalmic indications, which license was assigned to us in 2010, together with the term note, in connection with our acquisition of Apellis AG. In exchange for the rights licensed from UPenn, Apellis AG transferred to UPenn the shares of Potentia common stock that it had purchased from Potentia with the term note. In December 2013, we paid Potentia $250,000 together with all accrued and unpaid interest thereon in full satisfaction of the term note.

Investors’ Rights Agreement

We are a party to an investors’ rights agreement, dated as of July 30, 2013, with holders of our preferred stock, including some of our directors and 5% stockholders and their affiliates and entities affiliated with our officers and directors. The investors’ rights agreement provides these holders the right, following the completion of this offering, to demand that we file a registration statement or request that their shares be covered by a registration statement that we are otherwise filing. See “Description of Capital Stock—Registration Rights” for additional information regarding these registration rights.

Indemnification Agreements

Our certificate of incorporation that will become effective upon the closing of this offering provides that we will indemnify our directors and officers to the fullest extent permitted by Delaware law. In addition, we intend to enter into indemnification agreements with each of our directors prior to the completion of this offering. See “Executive Compensation—Limitation of Liability and Indemnification” for additional information regarding these agreements.

Policies and Procedures for Related Person Transactions

Our board of directors has adopted written policies and procedures, which will become effective at the time of this offering, for the review of any transaction, arrangement or relationship in which our company is a participant, the amount involved exceeds $120,000 and one of our executive officers, directors, director nominees or 5% stockholders, or their immediate family members, each of whom we refer to as a "related person," has a direct or indirect material interest.

If a related person proposes to enter into such a transaction, arrangement or relationship, which we refer to as a "related person transaction," the related person must report the proposed related person transaction to our principal financial officer. The policy calls for the proposed related person transaction to be reviewed and approved by our audit committee. Whenever practicable, the reporting, review and approval will occur prior to entry into the transaction. If advance review and approval is not practicable, the committee will review, and, in its discretion, may ratify the related person transaction. The policy also permits the chairman of the audit committee to review and, if deemed appropriate, approve proposed related person transactions that arise between committee meetings, subject to ratification by the committee at its next meeting. Any related person transactions that are ongoing in nature will be reviewed annually.

A related person transaction reviewed under the policy will be considered approved or ratified if it is authorized by the audit committee after full disclosure of the related person's interest in the transaction. As appropriate for the circumstances, the committee will review and consider:

- the related person's interest in the related person transaction;
- the approximate dollar value of the amount involved in the related person transaction;
- the approximate dollar value of the amount of the related person's interest in the transaction without regard to the amount of any profit or loss;
- whether the transaction was undertaken in the ordinary course of our business;
- whether the terms of the transaction are no less favorable to us than terms that could have been reached with an unrelated third party;
- the purpose of, and the potential benefits to us of, the transaction; and
- any other information regarding the related person transaction or the related person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

The audit committee may approve or ratify the transaction only if the committee determines that, under all of the circumstances, the transaction is in our best interests. The committee may impose any conditions on the related person transaction that it deems appropriate.

The policy provides that transactions involving compensation of executive officers shall be reviewed and approved by the compensation committee in the manner specified in its charter.

PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our common stock as of June 30, 2015 by:

- each of our directors;
- each of our named executive officers;
- all of our directors and executive officers as a group; and
- each person, or group of affiliated persons, who is known by us to beneficially own more than 5% of our common stock.

The column entitled "Percentage of Shares Beneficially Owned—Before Offering" is based on a total of 45,025,829 shares of our common stock outstanding as of June 30, 2015, assuming the automatic conversion of all outstanding shares of our preferred stock into an aggregate of 35,248,069 shares of our common stock upon the closing of this offering. The column entitled "Percentage of Shares Beneficially Owned—After Offering" is based on shares of our common stock to be outstanding after this offering, including the shares of our common stock that we are selling in this offering, but not including any additional shares issuable upon exercise of outstanding options or any exercise by the underwriters of their over-allotment option.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC and includes voting or investment power with respect to our common stock. Shares of our common stock subject to options that are currently exercisable or exercisable within 60 days after June 30, 2015 are considered outstanding and beneficially owned by the person holding the options for the purpose of calculating the percentage ownership of that person but not for the purpose of calculating the percentage ownership of any other person. Except as otherwise noted, the persons and entities in this table have sole voting and investing power with respect to all of the shares of our common stock beneficially owned by them, subject to community property laws, where applicable. Except as otherwise set forth below, the address of the beneficial owner is c/o Apellis Pharmaceuticals, Inc., 6400 Westwind Way, Suite A, Crestwood, Kentucky 40014.

Name of Beneficial Owner	Shares Beneficially Owned	Percentage of Shares Beneficially Owned	
		Before Offering	After Offering
5% Stockholders			
Morningside Venture Investments, Ltd.(1)	18,254,544	40.5%	%
AJU Life Science Overseas Expansion Platform Fund(2)	4,000,000	8.9	
Named Executive Officers and Directors			
Cedric Francois, M.D., Ph.D.(3)	2,655,912	5.7	
Pascal Deschatelets, Ph.D.(4)	2,051,745	4.5	
Gerald Chan	—	*	
Sinclair Dunlop(5)	1,172,074	2.6	
Alec Machiels(6)	973,729	2.2	
Stephanie Monaghan O'Brien	—	*	
All Executive Officers and Directors as a Group (9 persons)(7)	9,451,376	19.9	

* Represents beneficial ownership of less than 1% of our outstanding stock.

(1) Louise Mary Garbarino, Jill Marie Franklin, Peter Stuart Allenby Edwards and Raymond Long Sing Tang, the directors of MVIL, share voting and dispositive control over the shares held by MVIL. The address for MVIL is 2nd Floor, Le Prince de Galles, 3-5 Avenue des Citronniers, MC 98000, Monaco.

(2) Ji-won Kim, Kwang-sun Yang and Yong-jin Choi, the directors of AJU Life Science Overseas Expansion Platform Fund, or AJU, share voting and dispositive control over the shares held by AJU. The address for AJU is 4F, 201 Teheran-ro, AJU Bldg., Gangnam-gu, Seoul, Korea 135-978.

(3) Consists of (i) 1,197,579 shares of common stock and (ii) 1,458,333 shares of common stock issuable upon the exercise of options exercisable within 60 days after June 30, 2015.

(4) Consists of (i) 1,197,579 shares of common stock and (ii) 854,166 shares of common stock issuable upon the exercise of options exercisable within 60 days after June 30, 2015.

(5) Consists of (i) 397,530 shares of common stock held by MASA Life Science Ventures, LP, or MASA, and (ii) 774,544 shares of common stock held by Epidarex Capital I, LP, or Epidarex. Sinclair Dunlop, a member of our board of directors, does not own shares in his individual capacity. He is managing partner of MASA and general partner of Epidarex, and may be deemed to have voting and investment power over the shares held by each of MASA and Epidarex. The address for MASA is 7910 Woodmont Avenue, Suite 1210, Bethesda, MD 20814. The address for Epidarex is 7910 Woodmont Avenue, Suite 1210, Bethesda, MD 20814.

(6) Consists of (i) 807,063 shares of common stock and (ii) 166,666 shares of common stock issuable upon the exercise of options exercisable within 60 days after June 30, 2015.

(7) Consists of (i) 6,912,835 shares of common stock and (ii) 2,538,541 shares of common stock issuable upon the exercise of options exercisable within 60 days after June 30, 2015.

DESCRIPTION OF CAPITAL STOCK

General

Following the closing of this offering, our authorized capital stock will consist of shares of common stock, par value $ per share, and shares of preferred stock, par value $ per share, all of which preferred stock will be undesignated. The following description of our capital stock and provisions of our restated certificate of incorporation and amended and restated bylaws are summaries and are qualified by reference to the certificate of incorporation and the bylaws that will be in effect upon the closing of this offering. We have filed copies of these documents as exhibits to our registration statement of which this prospectus forms a part. The descriptions of the common stock and preferred stock reflect changes to our capital structure that will occur upon the closing of this offering.

Common Stock

As of June 30, 2015, we had outstanding 9,777,760 shares of common stock, held by 49 stockholders of record. As of June 30, 2015, there would have been outstanding 45,025,829 shares of common stock, assuming the automatic conversion of all outstanding shares of our preferred stock into common stock upon the closing of this offering, held of record by 79 stockholders.

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. An election of directors by our stockholders will be determined by a plurality of the votes cast by the stockholders entitled to vote on the election. Other matters shall be decided by the affirmative vote of our stockholders having a majority in voting power of the votes cast by the stockholders present or represented and voting on such matter, except as otherwise disclosed below. Holders of common stock are entitled to receive proportionately any dividends as may be declared by our board of directors, subject to any preferential dividend rights of outstanding preferred stock.

In the event of our liquidation or dissolution, the holders of common stock are entitled to receive proportionately all assets available for distribution to stockholders after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of common stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of common stock are subject to and may be adversely affected by the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Preferred Stock

As of June 30, 2015, there were outstanding 35,248,069 shares of convertible preferred stock, consisting of 2,670,000 shares of series A convertible preferred stock, 6,362,658 shares of series B convertible preferred stock and 26,215,411 shares of series C convertible preferred stock. All currently outstanding shares of convertible preferred stock will be converted into an aggregate of 35,248,069 shares of common stock upon the closing of this offering.

Under the terms of our certificate of incorporation that will become effective upon the closing of this offering, our board of directors is authorized to issue shares of preferred stock in one or more series without stockholder approval. Our board of directors has the discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock.

The purpose of authorizing our board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions, future financings and other

corporate purposes, could have the effect of making it more difficult for a third party to acquire, or could discourage a third party from seeking to acquire, a majority of our outstanding voting stock. Upon the closing of this offering, there will be no shares of preferred stock outstanding, and we have no present plans to issue any shares of preferred stock.

Stock Options

As of June 30, 2015, options to purchase 5,077,500 shares of our common stock at a weighted-average exercise price of $1.19 per share were outstanding, of which options to purchase 2,766,563 shares of our common stock were exercisable, at a weighted-average exercise price of $1.09 per share, and options to purchase 2,120,938 shares of common stock were available for future issuance.

Registration Rights

Our investors' rights agreement, or the investors' rights agreement, provides specified holders of our preferred stock, including some of our directors and 5% stockholders and their respective affiliates and entities affiliated with our officers and directors, the right, following the completion of this offering, to require us to register these shares under the Securities Act under specified circumstances as described below. After registration pursuant to these rights, these shares will become freely tradable without restriction under the Securities Act.

Demand Registration Rights

Beginning six months after the closing of this offering, subject to specified limitations set forth in the investors' rights agreement, at any time the holders of a majority of then outstanding registrable securities, as defined in the investors' rights agreement, acting together, may demand in writing that we register their registrable securities under the Securities Act so long as the total amount of registrable shares requested to be registered has an anticipated aggregate offering price to the public, net of selling expenses, of least $5.0 million. We are not obligated to file a registration statement pursuant to this demand provision on more than two occasions, subject to specified exceptions.

In addition, at any time after we become eligible to file a registration statement on Form S-3 under the Securities Act, subject to specified limitations, the holders of at least 30% of the registrable securities then outstanding may demand in writing that we register on Form S-3 registrable shares held by them so long as the total amount of registrable shares requested to be registered has an anticipated aggregate offering price to the public, net of selling expenses, of least $1.0 million.

Incidental Registration Rights

If, at any time after the closing of this offering, we propose to file a registration statement to register any of our securities under the Securities Act, either for our own account or for the account of any of our stockholders that are not holders of registrable shares, solely for cash and on a form that would also permit the registration of registrable shares, the holders of our registrable shares are entitled to notice of registration and, subject to specified exceptions, we will be required to register the registrable shares then held by them that they request that we register.

Expenses

Pursuant to the investors' rights agreement, we are required to pay all registration expenses, including registration fees, printing expenses, fees and disbursements of our counsel and accountants and reasonable fees and disbursements of one counsel representing the selling stockholders, other than any underwriting discounts and commissions, related to any demand or incidental registration. The investors' rights agreement contains

customary cross-indemnification provisions, pursuant to which we are obligated to indemnify the selling stockholders in the event of material misstatements or omissions in the registration statement attributable to us, and they are obligated to indemnify us for material misstatements or omissions in the registration statement attributable to them.

Anti-Takeover Effects of Delaware Law and Our Charter and Bylaws

Delaware law contains, and upon the completion of this offering our certificate of incorporation and our bylaws will contain, provisions that could have the effect of delaying, deferring or discouraging another party from acquiring control of us. These provisions, which are summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors.

Staggered Board; Removal of Directors

Upon the completion of this offering, our certificate of incorporation and bylaws will divide our board of directors into three classes with staggered three-year terms. In addition, a director will only be able to be removed for cause and only by the affirmative vote of the holders of at least 75% of the votes that all of our stockholders would be entitled to cast in an annual election of directors. Any vacancy on our board of directors, including a vacancy resulting from an enlargement of our board of directors, will only be able to be filled by vote of a majority of our directors then in office. The classification of our board of directors and the limitations on the removal of directors and filling of vacancies could make it more difficult for a third party to acquire, or discourage a third party from seeking to acquire, control of our company.

Stockholder Action by Written Consent; Special Meetings

Upon the completion of this offering, our certificate of incorporation will provide that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders. Upon the completion of this offering, our certificate of incorporation and bylaws will also provide that, except as otherwise required by law, special meetings of our stockholders can only be called by our chairman of the board, our Chief Executive Officer or our board of directors.

Advance Notice Requirements for Stockholder Proposals

Upon the completion of this offering, our bylaws will establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of stockholders, including proposed nominations of persons for election to our board of directors. Stockholders at an annual meeting will only be able to consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of our board of directors or by a stockholder of record on the record date for the meeting who is entitled to vote at the meeting and who has delivered timely written notice in proper form to our secretary of the stockholder's intention to bring such business before the meeting. These provisions could have the effect of delaying until the next stockholder meeting stockholder actions that are favored by the holders of a majority of our outstanding voting securities.

Delaware Business Combination Statute

Upon the completion of this offering, we will be subject to Section 203 of the General Corporation Law of the State of Delaware. Subject to certain exceptions, Section 203 prevents a publicly held Delaware corporation from engaging in a "business combination" with any "interested stockholder" for three years following the date that the person became an interested stockholder, unless the interested stockholder attained such status with the approval of our board of directors or unless the business combination is approved in a prescribed manner. A "business combination" includes, among other things, a merger or consolidation involving us and the "interested

stockholder" and the sale of more than 10% of our assets. In general, an "interested stockholder" is any entity or person beneficially owning 15% or more of our outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person.

Amendment of Certificate of Incorporation and Bylaws

The General Corporation Law of the State of Delaware provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage. Effective upon the completion of this offering, our bylaws may be amended or repealed by a majority vote of our board of directors or by the affirmative vote of the holders of at least 75% of the votes that all of our stockholders would be entitled to cast in any annual election of directors. In addition, the affirmative vote of the holders of at least 75% of the votes that all of our stockholders would be entitled to cast in any annual election of directors is required to amend or repeal or to adopt any provisions inconsistent with any of the provisions of our certificate of incorporation described above under "—Staggered Board; Removal of Directors" and "—Stockholder Action by Written Consent; Special Meetings."

Exclusive Forum Selection

Effective upon completion of this offering, our certificate of incorporation will provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware) shall be the sole and exclusive forum for (1) any derivative action or proceeding brought on behalf of our company, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or employees to our company or our stockholders, (3) any action asserting a claim against our company arising pursuant to any provision of the General Corporation Law of the State of Delaware or our certificate of incorporation or bylaws, or (4) any action asserting a claim against our company governed by the internal affairs doctrine. Although our certificate of incorporation contains the choice of forum provision described above, it is possible that a court could rule that such a provision is inapplicable for a particular claim or action or that such provision is unenforceable.

Listing on the NASDAQ Global Market

We have applied to have our common stock listed on the NASDAQ Global Market under the symbol "APLS."

Authorized but Unissued Shares

The authorized but unissued shares of common stock and preferred stock are available for future issuance without stockholder approval, subject to any limitations imposed by the listing requirements of the NASDAQ Global Market. These additional shares may be used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could make it more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock will be .

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and a liquid trading market for our common stock may not develop or be sustained after this offering. Future sales of substantial amounts of our common stock in the public market, including shares issued upon exercise of outstanding options, or the anticipation of these sales, could adversely affect market prices prevailing from time to time and could impair our ability to raise capital through sales of equity securities.

Based upon the 45,025,829 shares of our common stock that were outstanding on June 30, 2015, upon the closing of this offering, we will have outstanding shares of our common stock, after giving effect to the issuance of shares of our common stock in this offering and the conversion of all outstanding shares of our preferred stock into 35,248,069 shares of common stock upon the closing of this offering, and assuming no exercise by the underwriters of their over-allotment option and no exercise of options outstanding as of June 30, 2015.

Of the shares to be outstanding immediately after the closing of this offering, we expect that the shares to be sold in this offering will be freely tradable without restriction under the Securities Act unless purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act. The remaining shares of our common stock outstanding after this offering will be "restricted securities" under Rule 144, and we expect that substantially all of these restricted securities will be subject to the 180-day lock-up period under the lock-up agreements as described below. These restricted securities may be sold in the public market only if registered or pursuant to an exemption from registration, such as Rule 144 or Rule 701 under the Securities Act.

Rule 144

In general, under Rule 144, beginning 90 days after the date of this prospectus, any person who is not our affiliate and has held their shares for at least six months, including the holding period of any prior owner other than one of our affiliates, may sell shares without restriction, subject to the availability of current public information about us. In addition, under Rule 144, any person who is not our affiliate and has not been our affiliate at any time during the preceding three months and has held their shares for at least one year, including the holding period of any prior owner other than one of our affiliates, would be entitled to sell an unlimited number of shares immediately upon the closing of this offering without regard to whether current public information about us is available.

Beginning 90 days after the date of this prospectus, a person who is our affiliate or who was our affiliate at any time during the preceding three months may sell any unrestricted securities, as well as restricted securities that the person has beneficially owned for at least six months, including the holding period of any prior owner other than one of our affiliates, under Rule 144. Affiliates selling restricted or unrestricted securities may sell a number of shares within any three-month period that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering; and
- the average weekly trading volume of our common stock on the NASDAQ Global Market during the four calendar weeks preceding the filing of a Notice of Proposed Sale of Securities Pursuant to Rule 144 with respect to the sale.

Sales under Rule 144 by our affiliates are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

Upon expiration of the 180-day lock-up period described below, approximately shares of our common stock will be eligible for sale under Rule 144, including shares eligible for resale immediately upon the closing of this offering as described above. We cannot estimate the number of shares of our common stock that our existing stockholders will elect to sell under Rule 144.

Rule 701

In general, under Rule 701 of the Securities Act, any of our employees, consultants or advisors, other than our affiliates, who purchased shares from us in connection with a qualified compensatory stock plan or other written agreement is eligible to resell these shares 90 days after the date of this prospectus in reliance on Rule 144, but without compliance with the holding period requirements of Rule 144 and without regard to the volume of such sales or the availability of public information about us. Subject to the 180-day lock-up period described below, approximately shares of our common stock will be eligible for sale in accordance with Rule 701.

Lock-Up Agreements

We, and each of our executive officers and directors and the holders of substantially all of our outstanding stock have agreed that, without the prior written consent of Citigroup Global Markets Inc., Barclays and Leerink Partners, on behalf of the underwriters, we and they will not, subject to limited exceptions, during the period ending 180 days after the date of this prospectus:

- offer, sell, contract to sell, pledge or otherwise dispose of, or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition of (whether by actual disposition or effective economic disposition due to cash settlement or otherwise), directly or indirectly, including the filing (or participation in the filing) of a registration statement (other than a registration statement on Form S-8) with the SEC with respect to, any shares of our capital stock or any securities convertible into, or exercisable or exchangeable for, such capital stock;
- establish or increase a put equivalent position or liquidate or decrease a call equivalent position with respect to any shares of our capital stock or any securities convertible into or exercisable or exchangeable for such capital stock, or publicly announce an intention to effect any such transaction; or
- publicly announce an intention to effect any of the foregoing.

Registration Rights

Subject to the lock-up agreements described above, upon the closing of this offering, the holders of an aggregate of 35,248,069 shares of our common stock will be entitled to various rights with respect to the registration of these shares under the Securities Act. Registration of these shares under the Securities Act would result in these shares becoming fully tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. See “Description of Capital Stock—Registration Rights” for additional information. Shares covered by a registration statement will be eligible for sale in the public market upon the expiration or release from the terms of lock-up agreements applicable to such shares.

Stock Options

As of June 30, 2015, we had outstanding options to purchase 5,077,500 shares of our common stock, of which options to purchase 2,766,563 shares were vested. Following this offering, we intend to file one or more registration statements on Form S-8 under the Securities Act to register all of the shares of our common stock subject to outstanding options and options and other awards issuable pursuant to the 2015 stock incentive plan and our 2010 equity incentive plan. Shares covered by these registration statements will then be eligible for sale in the public markets, subject to vesting restrictions, any applicable lock-up agreements described above and Rule 144 limitations applicable to affiliates.

MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF COMMON STOCK

The following is a general discussion of material U.S. federal income and estate tax considerations relating to ownership and disposition of our common stock by a non-U.S. holder. For purposes of this discussion, the term "non-U.S. holder" means a beneficial owner (other than a partnership or other pass-through entity) of our common stock that is not, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or of any political subdivision of the United States;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (1) a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust or (2) the trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

This discussion does not address the tax treatment of partnerships or other entities that are pass-through entities for U.S. federal income tax purposes or persons who hold their common stock through partnerships or such other pass-through entities. A partner in a partnership or other pass-through entity that will hold our common stock should consult his, her or its own tax advisor regarding the tax consequences of the ownership and disposition of our common stock through a partnership or other pass-through entity, as applicable.

This discussion is based on current provisions of the U.S. Internal Revenue Code of 1986, as amended, which we refer to as the Code, existing and proposed U.S. Treasury Regulations promulgated thereunder, current administrative rulings and judicial decisions, all as in effect as of the date of this prospectus and all of which are subject to change or to differing interpretation, possibly with retroactive effect. Any change could alter the tax consequences to non-U.S. holders described in this prospectus. There can be no assurance that the Internal Revenue Service, or the IRS, will not challenge one or more of the tax consequences described in this prospectus.

We assume in this discussion that each non-U.S. holder holds shares of our common stock as a capital asset (generally, property held for investment) for U.S. federal income tax purposes. This discussion does not address all aspects of U.S. federal income and estate taxation that may be relevant to a particular non-U.S. holder in light of that non-U.S. holder's individual circumstances nor does it address any aspects of U.S. state, local or non-U.S. taxes, the alternative minimum tax, or the Medicare tax on net investment income. This discussion also does not consider any specific facts or circumstances that may apply to a non-U.S. holder and does not address the special tax rules applicable to particular non-U.S. holders, such as:

- financial institutions;
- brokers or dealers in securities;
- tax-exempt organizations;
- pension plans;
- owners that hold our common stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment or who have elected to mark securities to market;
- insurance companies;
- controlled foreign corporations;
- passive foreign investment companies;
- non-U.S. governments; and
- certain U.S. expatriates.

THIS DISCUSSION IS FOR GENERAL INFORMATION ONLY AND IS NOT, AND IS NOT INTENDED TO BE, LEGAL OR TAX ADVICE. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE U.S. FEDERAL, STATE, LOCAL, ESTATE AND NON-U.S. INCOME AND OTHER TAX CONSIDERATIONS OF ACQUIRING, HOLDING AND DISPOSING OF OUR COMMON STOCK.

Distributions

As discussed under "Dividend Policy" above, we do not expect to make cash dividends to holders of our common stock in the foreseeable future. If we make distributions in respect of our common stock, those distributions generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, subject to the tax treatment described in this section. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated as a tax-free return of the non-U.S. holder's investment, up to the holder's tax basis in the common stock. Any remaining excess will be treated as capital gain, subject to the tax treatment described below under the heading "Gain on Sale, Exchange or Other Taxable Disposition of Our Common Stock." Any such distributions will also be subject to the discussion below under the headings "Information Reporting and Backup Withholding" and "FATCA."

Dividends paid to a non-U.S. holder generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty between the United States and such holder's country of residence.

Dividends that are treated as effectively connected with a trade or business conducted by a non-U.S. holder within the United States, and, if an applicable income tax treaty so provides, that are attributable to a permanent establishment or a fixed base maintained by the non-U.S. holder within the United States, are generally exempt from the 30% withholding tax if the non-U.S. holder satisfies applicable certification and disclosure requirements (generally including provision of a valid IRS Form W-8ECI (or applicable successor form) certifying that the dividends are effectively connected with the non-U.S. holder's conduct of a trade or business within the United States). However, such U.S. effectively connected income, net of specified deductions and credits, is taxed in the hands of the non-U.S. holder at the same graduated U.S. federal income tax rates as would apply if such holder were a U.S. person (as defined in the Code). Any U.S. effectively connected income received by a non-U.S. holder that is classified as a corporation for U.S. federal income tax purposes may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty between the United States and such holder's country of residence.

A non-U.S. holder of our common stock who claims the benefit of an applicable income tax treaty between the United States and such holder's country of residence generally will be required to provide a properly executed IRS Form W-8BEN or W-8BEN-E (or successor form) and satisfy applicable certification and other requirements. Non-U.S. holders are urged to consult their own tax advisors regarding their entitlement to benefits under a relevant income tax treaty and the specific methods available to them to satisfy these requirements.

A non-U.S. holder that is eligible for a reduced rate of U.S. withholding tax under an income tax treaty may obtain a refund or credit of any excess amounts withheld by timely filing an appropriate claim for a refund with the IRS.

Gain on Sale, Exchange or Other Taxable Disposition of Our Common Stock

Subject to the discussion below under the headings "Information Reporting and Backup Withholding" and "FATCA," a non-U.S. holder generally will not be subject to U.S. federal income tax or withholding tax on any gain realized upon such non-U.S. holder's sale, exchange or other disposition of our common stock unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States, and, if an applicable income tax treaty so provides, the gain is attributable to a permanent establishment or fixed base maintained by the non-U.S. holder in the United States; in these cases, the non-U.S. holder generally will be taxed on a net income basis at the graduated U.S. federal income tax rates applicable to U.S. persons, and, if the non-U.S. holder is a foreign corporation, an additional branch profits tax at a rate of 30% (or a lower rate as may be specified by an applicable income tax treaty between the United States and such holder's country of residence) may also apply;
- the non-U.S. holder is a non-resident alien present in the United States for 183 days or more in the taxable year of the disposition and certain other requirements are met, in which case the non-U.S. holder will be subject to a 30% tax (or such lower rate as may be specified by an applicable income tax treaty between the United States and such holder's country of residence) on the net gain derived from the disposition, which may be offset by certain U.S.-source capital losses of the non-U.S. holder recognized in the taxable year of the disposition, if any; or
- we are or have been, at any time during the five-year period preceding such disposition (or the non-U.S. holder's holding period, if shorter) a "U.S. real property holding corporation" unless our common stock is regularly traded on an established securities market and the non-U.S. holder held no more than 5% of our outstanding common stock, directly or indirectly, at any time during the shorter of the five-year period ending on the date of the disposition or the period that the non-U.S. holder held our common stock. Generally, a corporation is a "U.S. real property holding corporation" if the fair market value of its "U.S. real property interests" (as defined in the Code and applicable regulations) equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. Although there can be no assurance, we believe that we are not currently, and we do not anticipate becoming, a "U.S. real property holding corporation" for U.S. federal income tax purposes. If we are a U.S. real property holding corporation and either our common stock is not regularly traded on an established securities market or a non-U.S. holder holds more than 5% of our outstanding common stock, directly or indirectly, during the applicable testing period, such non-U.S. holder's gain on the disposition of shares of our common stock generally will be taxed in the same manner as gain that is effectively connected with the conduct of a U.S. trade or business, except that the branch profits tax generally will not apply.

Federal Estate Tax

Shares of our common stock that are owned or treated as owned by an individual who is not a citizen or resident of the United States (as specially defined for U.S. federal estate tax purposes) at the time of death are considered U.S. situs assets and will be included in the individual's gross estate for U.S. federal estate tax purposes. Such shares, therefore, may be subject to U.S. federal estate tax, unless an applicable estate tax or other treaty provides otherwise.

Information Reporting and Backup Withholding

We must report annually to the IRS and to each non-U.S. holder the gross amount of the distributions on our common stock paid to such holder and the tax withheld, if any, with respect to such distributions. Non-U.S. holders generally will have to comply with specific certification procedures to establish that the holder is not a U.S. person (as defined in the Code) in order to avoid backup withholding at the applicable rate with respect to dividends on our common stock. Generally, a holder will comply with such procedures if it provides a properly executed IRS Form W-8BEN or W-8BEN-E (or other applicable Form W-8), or otherwise meets documentary

evidence requirements for establishing that it is a non-U.S. holder, or otherwise establishes an exemption. Dividends paid to non-U.S. holders subject to withholding of U.S. federal income tax, as described above under "Distributions," will generally be exempt from U.S. backup withholding.

Information reporting and backup withholding, currently at a rate of 28%, generally will apply to the proceeds of a disposition of our common stock by a non-U.S. holder effected by or through the U.S. office of any broker, whether U.S. or non-U.S., unless the holder certifies its status as a non-U.S. holder and satisfies certain other requirements, or otherwise establishes an exemption from backup withholding. Generally, information reporting and backup withholding will not apply to a payment of disposition proceeds to a non-U.S. holder where the transaction is effected outside the United States through a non-U.S. office of a broker. However, for information reporting purposes, dispositions effected through a non-U.S. office of a broker with substantial U.S. ownership or operations generally will be treated in a manner similar to dispositions effected through a U.S. office of a broker. Non-U.S. holders should consult their own tax advisors regarding the application of the information reporting and backup withholding rules to them.

Copies of information returns may be made available to the tax authorities of the country in which the non-U.S. holder resides or is incorporated under the provisions of a specific treaty or agreement.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a non-U.S. holder can be refunded or credited against the non-U.S. holder's U.S. federal income tax liability, if any, provided that an appropriate claim is timely filed with the IRS.

FATCA

The Foreign Account Tax Compliance Act, or FATCA, generally imposes a 30% withholding tax on dividends on, and gross proceeds from the sale or disposition of, our common stock if paid to a foreign entity unless (i) if the foreign entity is a "foreign financial institution," the foreign entity undertakes certain due diligence, reporting, withholding, and certification obligations, (ii) if the foreign entity is not a "foreign financial institution," the foreign entity identifies certain U.S. holders of debt or equity interests in such foreign entity or (iii) the foreign entity is otherwise exempt from FATCA.

Withholding under FATCA generally applies (1) to payments of dividends on our common stock, and (2) to payments of gross proceeds from a sale or other disposition of our common stock made after December 31, 2016. An intergovernmental agreement between the United States and an applicable foreign country may modify the requirements described in this section. Under certain circumstances, a non-U.S. holder may be eligible for refunds or credits of the tax. Non-U.S. holders should consult their own tax advisors regarding the possible implications of FATCA on their investment in our common stock.

The preceding discussion of material U.S. federal tax considerations is for general information only. It is not legal or tax advice. Prospective investors should consult their own tax advisors regarding the particular U.S. federal, state, local and non-U.S. tax consequences of purchasing, holding and disposing of our common stock, including the consequences of any proposed changes in applicable laws.

UNDERWRITING

Citigroup Global Markets Inc., Barclays Capital Inc. and Leerink Partners LLC are acting as joint book-running managers of this offering and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, the underwriters named below have severally agreed to purchase, and we have agreed to sell to them, the number of shares of our common stock indicated below:

Underwriter	Number of Shares
Citigroup Global Markets Inc.	
Barclays Capital Inc.	
Leerink Partners LLC	
Total	

The underwriting agreement provides that the obligations of the underwriters to purchase the shares of our common stock included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all of the shares of our common stock (other than those covered by the over-allotment option described below) if they purchase any of the shares.

Shares of our common stock sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover page of this prospectus. Any shares of our common stock sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price not to exceed $ per share. After the initial offering of the shares of our common stock, if all the shares of our common stock are not sold at the initial public offering price, the underwriters may change the offering price and the other selling terms. The representatives have advised us that the underwriters do not intend to make sales to discretionary accounts.

If the underwriters sell more shares of our common stock than the total number set forth in the table above, we have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares of our common stock at the initial public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter must purchase a number of additional shares of our common stock approximately proportionate to that underwriter's initial purchase commitment set forth in the table above. Any shares of our common stock issued or sold under the option will be issued and sold on the same terms and conditions as the other shares of our common stock that are the subject of this offering.

We, our officers and directors and substantially all of our stockholders have agreed that, subject to specified limited exceptions, for a period of 180 days from the date of this prospectus, we and they will not, without the prior written consent of Citigroup Global Markets Inc., Barclays Capital Inc. and Leerink Partners LLC, offer, sell, contract to sell, pledge or otherwise dispose of, or hedge any shares of our capital stock or any securities convertible into, or exercisable or exchangeable for, our capital stock. Citigroup Global Markets Inc., Barclays Capital Inc. and Leerink Partners LLC in their sole discretion may release any of the securities subject to these lock-up agreements at any time, which, in the case of officers and directors, shall be with notice.

Prior to this offering, there has been no public market for our shares. Consequently, the initial public offering price for the shares of our common stock will be determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price will be our results of operations, our current financial condition, our future prospects, our markets, the economic conditions in and future prospects for the industry in which we compete, our management, and currently prevailing general conditions in the equity securities markets, including current market valuations of publicly traded companies

considered comparable to our company. We cannot assure you, however, that the price at which the shares of our common stock will sell in the public market after this offering will not be lower than the initial public offering price or that an active trading market in our shares of common stock will develop and continue after this offering.

We have applied to have our shares of common stock listed on the NASDAQ Global Market under the symbol “APLS.”

The following table shows the per share and total underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters’ over-allotment option:

	Paid by Apellis Pharmaceuticals, Inc.	
	No exercise	Full exercise
Per share	$	$
Total	$	$

We estimate that expenses payable by us in connection with this offering, exclusive of underwriting discounts and commissions payable by us, will be $. We have also agreed to reimburse the underwriters for expenses in an amount up to $ relating to the clearance of this offering with the Financial Industry Regulatory Authority, Inc.

In connection with this offering, the underwriters may purchase and sell shares of our common stock in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, which may include purchases pursuant to the underwriters’ over-allotment option, and other transactions that would stabilize, maintain or otherwise affect the price of our common stock.

- Short sales involve secondary market sales by the underwriters of a greater number of shares of our common stock than they are required to purchase in this offering:
  - “Covered” short sales are sales of shares of our common stock in an amount up to the number of shares of our common stock represented by the underwriters’ over-allotment option.
  - “Naked” short sales are sales of shares of our common stock in an amount in excess of the number of shares of our common stock represented by the underwriters’ over-allotment option.
- The underwriters can close out a short position by purchasing additional shares of our common stock, either pursuant to the underwriters’ over-allotment option or in the open market.
  - To close a naked short position, the underwriters must purchase shares of our common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares of our common stock in the open market after pricing that could adversely affect investors who purchase in this offering.
  - To close a covered short position, the underwriters must purchase shares of our common stock in the open market or exercise their over-allotment option. In determining the source of shares of our common stock to close the covered short position, the underwriters will consider, among other things, the price of shares of our common stock available for purchase in the open market as compared to the price at which they may purchase shares of our common stock through their over-allotment option.
- As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares of our common stock on NASDAQ, as long as such bids do not exceed a specified maximum, to stabilize the price of the shares of our common stock.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the shares. They may also cause the price of the shares of our common stock to be higher than the price that would otherwise

prevail in the open market in the absence of these transactions. The underwriters may conduct these transactions on the NASDAQ Global Market, in the over-the-counter market or otherwise. The underwriters are not required to engage in any of these transactions and may discontinue them at any time.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

A prospectus in electronic format may be made available on websites maintained by one or more of the underwriters or their respective affiliates. The representatives may agree with us to allocate a number of shares of our common stock to underwriters for sale to their online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations. Other than the prospectus in electronic format, the information on the underwriters' or their respective affiliates' websites and any information contained in any other website maintained by any of the underwriters or their respective affiliates is not part of this prospectus, has not been approved and/or endorsed by us or the underwriters and should not be relied upon by investors in this offering.

Conflicts of Interest

The underwriters are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The underwriters and their respective affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of shares of our common stock described in this prospectus may not be made to the public in that relevant member state other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the relevant member state has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by us for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares of our common stock shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an "offer of securities to the public" in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the shares of our common stock to be offered so as to enable an investor to decide to purchase or subscribe for any shares of our common stock, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant member state) and includes any relevant implementing measure in the relevant member state, and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

The sellers of the shares of our common stock have not authorized and do not authorize the making of any offer of shares of our common stock through any financial intermediary on their behalf, other than offers made by the underwriters with a view to the final placement of the shares of our common stock as contemplated in this prospectus. Accordingly, no purchaser of the shares of our common stock, other than the underwriters, is authorized to make any further offer of the shares of our common stock on behalf of the sellers or the underwriters.

Notice to Prospective Investors in the United Kingdom

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or the Order, or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a relevant person).

This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Notice to Prospective Investors in Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 (Cth) of Australia, or Corporations Act) in relation to our common stock has been or will be lodged with the Australian Securities & Investments Commission, or ASIC. This document has not been lodged with ASIC and is only directed to certain categories of exempt persons. Accordingly, if you receive this document in Australia:

- you confirm and warrant that you are either:
  - a "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act;
  - a "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to us which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;
  - a person associated with the company under section 708(12) of the Corporations Act; or
  - a "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act, and to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this document is void and incapable of acceptance; and
- you warrant and agree that you will not offer any of our common stock for resale in Australia within 12 months of that common stock being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

Notice to Prospective Investors in France

Neither this prospectus nor any other offering material relating to the shares of our common stock described in this prospectus has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers*. The shares of our common stock have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus nor any other offering material relating to the shares of our common stock has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the shares of our common stock to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code monétaire et financier;
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French Code *monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l'épargne*).

The shares of our common stock may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code *monétaire et financier*.

Notice to Prospective Investors in Chile

The shares of our common stock are not registered in the Securities Registry (Registro de Valores) or subject to the control of the Chilean Securities and Exchange Commission (Superintendencia de Valores y Seguros de Chile). This prospectus and other offering materials relating to the offer of the shares do not constitute a public offer of, or an invitation to subscribe for or purchase, the shares in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (Ley de Mercado de Valores) (an offer that is not "addressed to the public at large or to a certain sector or specific group of the public").

Notice to Prospective Investors in Hong Kong

The shares of our common stock may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the shares of our common stock may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares of our common stock which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in the State of Israel

In the State of Israel this prospectus shall not be regarded as an offer to the public to purchase shares of common stock under the Israeli Securities Law, 5728—1968, which requires a prospectus to be published and authorized by the Israel Securities Authority, if it complies with certain provisions of Section 15 of the Israeli Securities Law, 5728—1968, including, inter alia, if: (i) the offer is made, distributed or directed to not more than 35 investors, subject to certain conditions (the "Addressed Investors"); or (ii) the offer is made, distributed or directed to certain qualified investors defined in the First Addendum of the Israeli Securities Law, 5728—1968, subject to certain conditions (the "Qualified Investors"). The Qualified Investors shall not be taken into account in the count of the Addressed Investors and may be offered to purchase securities in addition to the 35 Addressed Investors. The company has not and will not take any action that would require it to publish a prospectus in accordance with and subject to the Israeli Securities Law, 5728—1968. We have not and will not distribute this prospectus or make, distribute or direct an offer to subscribe for our common stock to any person within the State of Israel, other than to Qualified Investors and up to 35 Addressed Investors.

Qualified Investors may have to submit written evidence that they meet the definitions set out in of the First Addendum to the Israeli Securities Law, 5728—1968. In particular, we may request, as a condition to be offered common stock, that Qualified Investors will each represent, warrant and certify to us and/or to anyone acting on our behalf: (i) that it is an investor falling within one of the categories listed in the First Addendum to the Israeli Securities Law, 5728—1968; (ii) which of the categories listed in the First Addendum to the Israeli Securities Law, 5728—1968 regarding Qualified Investors is applicable to it; (iii) that it will abide by all provisions set forth in the Israeli Securities Law, 5728—1968 and the regulations promulgated thereunder in connection with the offer to be issued common stock; (iv) that the shares of common stock that it will be issued are, subject to exemptions available under the Israeli Securities Law, 5728—1968: (a) for its own account; (b) for investment purposes only; and (c) not issued with a view to resale within the State of Israel, other than in accordance with the provisions of the Israeli Securities Law, 5728—1968; and (v) that it is willing to provide further evidence of its Qualified Investor status. Addressed Investors may have to submit written evidence in respect of their identity and may have to sign and submit a declaration containing, inter alia, the Addressed Investor's name, address and passport number or Israeli identification number.

Notice to Prospective Investors in Japan

The shares of our common stock offered in this prospectus have not been and will not be registered under the Financial Instruments and Exchange Law of Japan. The shares of our common stock have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (including any corporation or other entity organized under the laws of Japan), except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

Notice to Prospective Investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares of our common stock may not be circulated or distributed, nor may the shares of our common stock be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the shares of our common stock are subscribed or purchased under Section 275 of the SFA by a relevant party which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares of our common stock and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares of our common stock pursuant to an offer made under Section 275 of the SFA except:
- to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares of our common stock and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than $200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- where no consideration is or will be given for the transfer; or
- where the transfer is by operation of law.

LEGAL MATTERS

The validity of the shares of our common stock offered hereby is being passed upon for us by Wilmer Cutler Pickering Hale and Dorr LLP. Cooley LLP is acting as counsel for the underwriters in connection with this offering.

EXPERTS

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements at December 31, 2013 and 2014, and for the years then ended, as set forth in their report. We have included our consolidated financial statements in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of our common stock we are offering to sell. This prospectus, which constitutes part of the registration statement, does not include all of the information contained in the registration statement and the exhibits, schedules and amendments to the registration statement. For further information with respect to us and our common stock, we refer you to the registration statement and to the exhibits and schedules to the registration statement. Statements contained in this prospectus about the contents of any contract, agreement or other document are not necessarily complete, and, in each instance, we refer you to the copy of the contract, agreement or other document filed as an exhibit to the registration statement. Each of these statements is qualified in all respects by this reference to such contract, agreement or document.

You may read and copy the registration statement of which this prospectus is a part at the SEC's public reference room, which is located at 100 F Street, N.E., Room 1580, Washington, DC 20549. You can request copies of the registration statement by writing to the Securities and Exchange Commission and paying a fee for the copying cost. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the SEC's public reference room. In addition, the SEC maintains an Internet website, which is located at *www.sec.gov,* that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. You may access the registration statement of which this prospectus is a part at the SEC's Internet website.

Upon completion of this offering, we will be subject to the information reporting requirements of the Exchange Act, and we will file reports, proxy statements and other information with the SEC. We plan to fulfill our obligations with respect to such requirements by filing periodic reports and other information with the SEC. We intend to furnish our stockholders with annual reports containing consolidated financial statements certified by an independent registered public accounting firm. We also maintain a website at www.apellis.com. Our website is not a part of this prospectus.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	F-2
Balance Sheets as of December 31, 2013 and 2014	F-3
Statements of Operations and Comprehensive Loss for the years ended December 31, 2013 and 2014	F-4
Statements of Changes in Stockholders' Equity for the period from December 31, 2012 to December 31, 2014	F-5
Statements of Cash Flows for the years ended December 31, 2013 and 2014	F-6
Notes to Consolidated Financial Statements	F-7
Balance Sheets as of June 30, 2014 and 2015	F-25
Statements of Operations and Comprehensive Loss for the six months ended June 30, 2014 and 2015	F-26
Statements of Changes in Stockholders' Equity for the period from January 1, 2015 to June 30, 2015	F-27
Statements of Cash Flows for the six months ended June 30, 2014 and 2015	F-28
Notes to Consolidated Financial Statements	F-29

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Apellis Pharmaceuticals, Inc.

We have audited the accompanying consolidated balance sheets of Apellis Pharmaceuticals, Inc. as of December 31, 2013 and 2014, and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Apellis Pharmaceuticals, Inc. at December 31, 2013 and 2014, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP
Louisville, Kentucky
August 18, 2015

APELLIS PHARMACEUTICALS, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2013	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 4,758,361	$ 13,622,995
Other receivable	67,216	22,510
Income tax receivable	—	443,340
Prepaid expenses	342,743	137,354
Other current assets	22,047	21,143
Total current assets	5,190,367	14,247,342
Equipment, net	9,127	21,675
Other assets	—	37,221
Total assets	$ 5,199,494	$ 14,306,238
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 353,869	$ 751,529
Accrued expenses	323,086	330,002
Total current liabilities	676,955	1,081,531
Stockholders' equity:		
Series A convertible preferred stock, $0.0001 par value; 2,670,000 shares authorized at December 31, 2013 and 2014; 2,670,000 issued and outstanding at December 31, 2013 and 2014; liquidation value of $2,670,000 at December 31, 2014	2,654,405	2,654,405
Series B convertible preferred stock, $0.0001 par value; 7,280,000 shares authorized at December 31, 2013 and 2014; 6,362,658 issued and outstanding at December 31, 2013 and 2014; liquidation value of $6,998,924 at December 31, 2014	6,944,148	6,944,148
Series C convertible preferred stock, $0.0001 par value; 20,800,000 and 28,750,000 shares authorized at December 31, 2013 and December 31, 2014, respectively; 6,088,307 and 20,032,078 issued and outstanding at December 31, 2013 and 2014, respectively; liquidation value of $25,040,098 at December 31, 2014	7,162,154	26,265,595
Series C Tranche Right	274,056	2,112
Common stock, $0.0001 par value; 48,500,000 and 65,000,000 shares authorized at December 31, 2013 and December 31, 2014, respectively; 9,776,198 shares issued and outstanding at December 31, 2013 and 2014	978	978
Additional paid in capital	1,315,281	1,974,435
Accumulated deficit	(13,828,483)	(24,616,966)
Total stockholders' equity	4,522,539	13,224,707
Total liabilities and stockholders' equity	$ 5,199,494	$ 14,306,238

See accompanying notes to consolidated financial statements

APELLIS PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Year Ended December 31,	
	2013	2014
Operating expenses:		
Research and development	$ 2,317,275	$ 8,379,522
General and administrative	1,706,032	2,908,166
Depreciation	6,265	6,594
Operating loss	(4,029,572)	(11,294,282)
Other income	68,004	62,459
Loss before income taxes	(3,961,568)	(11,231,823)
Income tax benefit	—	443,340
Net loss and comprehensive loss	$ (3,961,568)	$ (10,788,483)
Net loss per common share—basic and diluted	$ (0.41)	$ (1.10)
Weighted-average number of common shares used in net loss per common share—basic and diluted	9,776,198	9,776,198

See accompanying notes to consolidated financial statements

APELLIS PHARMACEUTICALS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Series C Convertible Preferred Stock			Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Outstanding Shares	Amount	Outstanding Shares	Amount	Outstanding Shares	Amount	Tranche Right	Outstanding Shares	Amount			
Balance at December 31, 2012	2,670,000	$2,654,405	6,362,658	$6,944,148	—	$ —	$ —	9,776,198	$ 978	$1,043,440	$ (9,866,915)	$ 776,056
Sale of Series C preferred stock, net of issuance costs of $174,179	—	—	—	—	6,088,307	7,162,154	—	—	—	—	—	7,162,154
Series C Second Tranche Right	—	—	—	—	—	—	274,056	—	—	—	—	274,056
Share-based compensation expense	—	—	—	—	—	—	—	—	—	271,841	—	271,841
Net loss	—	—	—	—	—	—	—	—	—	—	(3,961,568)	(3,961,568)
Balance at December 31, 2013	2,670,000	2,654,405	6,362,658	6,944,148	6,088,307	7,162,154	274,056	9,776,198	978	1,315,281	(13,828,483)	4,522,539
Sale of Series C preferred stock, net of issuance costs of $7,756	—	—	—	—	13,943,771	19,103,441	(274,056)	—	—	—	—	18,829,385
Series C Third Tranche Right	—	—	—	—	—	—	2,112	—	—	—	—	2,112
Share-based compensation expense	—	—	—	—	—	—	—	—	—	659,154	—	659,154
Net loss	—	—	—	—	—	—	—	—	—	—	(10,788,483)	(10,788,483)
Balance at December 31, 2014	2,670,000	$2,654,405	6,362,658	$6,944,148	20,032,078	$26,265,595	$ 2,112	9,776,198	$ 978	$1,974,435	$ (24,616,966)	$ 13,224,707

See accompanying notes to consolidated financial statements

APELLIS PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2013	2014
Operating activities		
Net loss	$ (3,961,568)	$ (10,788,483)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	6,265	6,594
Loss on asset disposal	—	804
Share-based compensation expense	271,841	659,154
Changes in operating assets and liabilities:		
Accounts receivable	39,850	44,706
Income tax receivable	—	(443,340)
Prepaid expenses	(342,349)	205,389
Other current assets	6,667	904
Other assets	—	(37,221)
Accounts payable	219,928	397,660
Accrued expenses	314,714	6,916
Net cash used in operating activities	(3,444,652)	(9,946,917)
Investing activities		
Purchases of equipment	—	(19,946)
Net cash used in investing activities	—	(19,946)
Financing activities		
Note payable	(274,550)	—
Proceeds from issuance of Series C convertible preferred stock, net of issuance costs of $7,756 and $174,179 at December 31, 2013 and 2014, respectively	7,436,210	18,831,497
Net cash provided by financing activities	7,161,660	18,831,497
Net increase in cash and cash equivalents	3,717,008	8,864,634
Cash and cash equivalents beginning of period	1,041,353	4,758,361
Cash and cash equivalents end of period	$ 4,758,361	$ 13,622,995

See accompanying notes to consolidated financial statements

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014

1. Nature of Organization and Operations

Apellis Pharmaceuticals, Inc. (the "Company") is a clinical-stage biopharmaceutical company focused on the discovery and development of novel therapeutic compounds for autoimmune and inflammatory diseases. The Company's approach is centered on the inhibition of the complement system, which consists of a cascade of interacting proteins and is an integral component of the immune system. The Company is developing its product candidates to inhibit C3, the central protein in the complement cascade. By inhibiting C3, the Company's product candidates inhibit the principal complement activation pathways and their related effects, which the Company believes may result in both disease control and disease modification.

The Company's lead product candidates, APL-2 and APL-1, are currently in Phase 1 clinical development for the treatment of paroxysmal nocturnal hemoglobinuria, geographic atrophy, intermediate age-related macular degeneration and chronic obstructive pulmonary disease. The Company aims to control these autoimmune and inflammatory diseases by inhibiting complement-induced inflammation and tissue injury. Additionally, the Company aims to modify these diseases by correcting the immunological dysfunction that underlies these conditions. The Company refers to this corrective approach as complement immunotherapy. The Company is conducting Phase 1 clinical trials to assess safety, recommended dosing and, in certain cases, preliminary efficacy. The Company holds worldwide commercialization rights to APL-2 and APL-1.

The Company was incorporated on September 25, 2009 under the laws of the State of Delaware and is located in Crestwood, Kentucky. The Company has one wholly-owned foreign subsidiary located in Brisbane, Australia, for the purpose of conducting clinical trials.

The Company's operations since inception have been limited to organizing and staffing the Company, acquiring rights to product candidates, business planning, raising capital and developing its product candidates.

The Company is subject to risks common in the biotechnology industry, including but not limited to, raising additional capital, development by its competitors of new technological innovations, its ability to complete preclinical and clinical development of product candidates and receive timely regulatory approval of products, market acceptance of the Company's products, protection of proprietary technology, healthcare cost containment initiatives, and compliance with governmental regulations, including those of the U.S. Food and Drug Administration.

The Company believes that it can continue as a going concern as its cash resources of approximately $13.6 million at December 31, 2014 are expected to be sufficient to allow the Company to fund its current operating plan through the required minimum period of at least the next twelve months. There can be no assurance, however, that the current operating plan will be achieved in the timeframe anticipated by the Company, that its cash resources will fund the Company's operating plan for the period anticipated by the Company, or that additional funding will be available on terms acceptable to the Company, or at all.

Liquidity

The Company expects to continue to incur substantial losses over the next several years during its clinical development phase. To fully execute its business plan, the Company will need to complete certain research and development activities and clinical trials. Further, the Company's product candidates will require regulatory approval prior to commercialization. These activities may span many years and require substantial expenditures to complete and may ultimately be unsuccessful. Any delays in completing these activities could adversely impact the Company. The Company plans to meet its capital requirements through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements. There can be no assurance that such funds will be available, or if available, on terms favorable to the Company. The Company

faces the normal risks associated with a clinical-stage company, including the risk that the Company's research and development activities will not be successfully completed, that adequate patent protection for the Company's technology will not be obtained, that any products developed will not obtain necessary government regulatory approval and that any approved products will not be commercially viable. In addition, the Company operates in an environment of rapid change in technology and substantial competition from pharmaceutical and biotechnology companies and is dependent upon the services of its employees and its consultants. Since inception, the Company has primarily relied upon private placements of its preferred stock to fund operations. However, the Company's capital requirements will depend on many factors, including the success of its development and commercialization of the Company's product candidates and whether it pursues the development of additional product candidates. Even if the Company succeeds in developing and commercializing one or more of its product candidates, it may never achieve sufficient sales revenue to achieve or maintain profitability.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Apellis Australia Pty. Ltd. All intercompany balances and transactions have been eliminated in consolidation. These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Segment Information

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company views its operations and manages its business in one operating segment, which is the business of developing and commercializing proprietary therapeutics based on applying immunotherapy to autoimmune diseases.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Management considers many factors in selecting appropriate financial accounting policies and controls, and in developing the estimates and assumptions that are used in the preparation of these financial statements. Management must apply significant judgment in this process. In addition, other factors may affect estimates, including expected business and operational changes, sensitivity and volatility associated with the assumptions used in developing estimates, and whether historical trends are expected to be representative of future trends. The estimation process often may yield a range of potentially reasonable estimates of the ultimate future outcomes, and management must select an amount that falls within that range of reasonable estimates. Estimates are used in the following areas, among others: share-based compensation expense, fair value of common stock and preferred stock, accrued expenses, prepaid expenses and income taxes.

The Company utilized various valuation methodologies in accordance with the framework of the American Institute of Certified Public Accountants Technical Practice Aid, *Valuation of Privately-Held Company Equity Securities Issued as Compensation*, to estimate the retrospective fair value of its common stock during all periods presented. The methodologies included a probability analysis including both a potential public trading scenario

and potential sale scenario. In both scenarios, value is estimated using the guideline public company method. The sale scenario includes an adjustment for a market participant acquisition premium. Value is allocated among the preferred and common shares according to the rights associated with each type of security. Valuation methodologies include estimates and assumptions that require the Company's judgment. These estimates include assumptions regarding future performance, including the successful completion of a public offering. Significant changes to the key assumptions used in the valuations could result in different fair values of common stock and the associated fair value of stock options granted at each valuation date.

The Company granted stock options at exercise prices not less than the fair market value of its common stock as determined by management contemporaneously at the date such grants were made.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in banks and investment instruments having maturities of three months or less from their acquisition date. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents are valued at cost, which approximates their fair value. Based on the fair value hierarchy within Accounting Standards Codification ("ASC") 820, *Fair Value Measurements*, the Company classifies its cash equivalents as Level I.

Other Receivable

Other receivable consists of amounts due to the Company as a result of allocations made to related companies. See Note 12.

Foreign Currency

The functional currency of the wholly-owned subsidiary is the U.S. dollar.

Research and Development

Costs incurred in connection with research and development activities are expensed as incurred. Research and development expenses consist of (i) external research and development expenses incurred under arrangements with third parties, such as contract research organizations and contract manufacturing organizations, investigational sites and consultants, including share-based compensation expense for consultants; (ii) the cost of acquiring, developing and manufacturing clinical study materials; and (iii) costs associated with preclinical and clinical activities and regulatory operations.

The Company enters into consulting, research and other agreements with commercial firms, researchers, universities and others for the provision of goods and services. Under such agreements, the Company may pay for services on an hourly, monthly, quarterly, project or other basis. Such arrangements are generally cancellable upon reasonable notice and payment of costs incurred. Costs are considered incurred based on an evaluation of the progress to completion of specific tasks under each contract using information and data provided to the Company by the Company's clinical sites and vendors. These costs consist of direct and indirect costs associated with specific projects, as well as fees paid to various entities that perform certain research on behalf of the Company.

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014

Accrued Clinical Development Costs

Outside research costs are a component of research and development expense. These expenses include fees paid to contract research organizations and other service providers that conduct certain clinical, product development and manufacturing activities on behalf of the Company. Depending upon the timing of payments to the service providers, the Company recognizes prepaid expenses or accrued expenses related to these costs. These accrued or prepaid expenses are based on management's estimates of the work performed under service agreements, milestones achieved and experience with similar contracts. The Company monitors each of these factors and adjusts estimates accordingly.

Deferred Issuance Costs

Deferred issuance costs, which primarily consist of direct incremental legal fees relating to preferred stock issuances, are capitalized and deferred, and offset against financial instrument proceeds. As of December 31, 2013 and 2014, there were no deferred issuance costs.

Organizational Costs

All organizational and startup costs since inception were expensed as incurred.

Patents

Costs incurred in connection with the application for and issuance of patents are expensed as incurred.

Income Taxes

Income taxes are recorded in accordance with Financial Accounting Standards Board ("FASB") ASC Topic 740, *Income Taxes* ("ASC 740"), which provides for deferred taxes using an asset and liability approach. The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740. When uncertain tax positions exist, the Company recognizes the tax benefit of tax positions to the extent that the benefit will more likely than not be realized. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position, as well as consideration of the available facts and circumstances. As of December 31, 2013 and 2014, the Company did not have any significant uncertain tax positions. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

Share-Based Compensation

The Company accounts for its share-based compensation awards in accordance with FASB ASC Topic 718, *Compensation—Stock Compensation* ("ASC 718"). ASC 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statements of operations and comprehensive loss based on their estimated fair values over the requisite service periods for each award. The Company accounts for share-based awards to non-employees in accordance with FASB ASC Topic 505-50, *Equity-Based*

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014

Payments to Non-Employees ("ASC 505-50"), which requires the fair value of the award to be re-measured at fair value until a performance commitment is reached or counterparty performance is complete. The Company's share-based compensation awards are comprised of stock options. The Company estimates the fair value of all options granted using the Monte Carlo simulation method.

The Monte Carlo simulation method for option pricing requires the input of the six minimum considerations detailed in ASC 718, including (a) the expected stock price volatility, (b) the calculation of expected term of the award, (c) the risk-free interest rate and (d) expected dividends. Due to the lack of a public market for the trading of the Company's common stock and a lack of company-specific historical and implied volatility data, the Company has based its estimate of expected volatility on the historical volatility of a group of similar companies that are publicly traded. The historical volatility is calculated based on a period of time commensurate with the expected term assumption. The computation of expected volatility is based on the historical volatility of a representative group of companies with similar characteristics to the Company, including stage of product development and life science industry focus. The Company is in a very early stage of product development with no revenues and the representative group of companies has similar characteristics. The Company believes the group selected has sufficient similar economic and industry characteristics, and includes companies that are representative of the Company. The Company calculated the expected term for options granted to employees based on a quarterly weighted average probability of exit analysis considering milestones that the Company had achieved and each of the potential exit scenarios available to the Company at that time. The expected term is applied to the stock option grant group as a whole, as the Company does not expect substantially different exercise or post-vesting termination behavior among its employee population. For options granted to non-employees, the Company utilizes the contractual term of the arrangement as the basis for the expected term assumption. The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected life of the stock options. The expected dividend yield is assumed to be zero as the Company has never paid dividends and has no current plans to pay any dividends on its common stock, which is similar to the Company's peer group.

The Company's share-based awards are subject to service based vesting conditions. Compensation expense related to awards to employees with service based vesting conditions is recognized on a straight-line basis based on the grant date fair value over the associated service period of the award, which is generally the vesting term. Consistent with the guidance in ASC 505-50, compensation expense related to awards to non-employees with service based vesting conditions is recognized on a straight-line basis based on the then-current fair value at each financial reporting date prior to the measurement date over the associated service period of the award, which is generally the vesting term.

The Company is also required to estimate forfeitures at the time of grant, and revise those estimates in the subsequent periods if actual forfeitures differ from its estimates. The Company uses historical data to estimate pre-vesting forfeitures and records share-based compensation expense only for those awards that are expected to vest. To the extent that actual forfeitures differ from the Company's estimates, the difference is recorded as a cumulative adjustment in the period the estimates were revised. Share-based compensation expense recognized in the financial statements is based on awards that are ultimately expected to vest.

Concentrations of Credit Risk and Off-Balance Sheet Risk

Cash and accounts receivable are the only financial instruments that potentially subject the Company to concentrations of credit risk. The Company maintains its cash with high quality, accredited financial institutions and, accordingly, such funds are subject to minimal credit risk. The Company has no significant off-balance sheet concentrations of credit risk, such as foreign currency exchange contracts, option contracts or other hedging arrangements.

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014

Equipment, Net

Equipment is stated at cost, less accumulated depreciation and is depreciated using the straight-line method over the estimated useful lives of the assets, generally three to five years. Such costs are periodically reviewed for recoverability when impairment indicators are present. Such indicators include, among other factors, operating losses, unused capacity, market value declines and technological obsolescence. Recorded values of asset groups of equipment that are not expected to be recovered through undiscounted future net cash flows are written down to current fair value, which generally is determined from estimated discounted future net cash flows (assets held for use) or net realizable value (assets held for sale). Repairs and maintenance costs are expensed as incurred and were $4,795 and $14,712 for the years ended December 31, 2013 and 2014, respectively.

The following is the summary of equipment and related accumulated depreciation as of December 31, 2013 and 2014:

	Useful Life	December 31, 2013	December 31, 2014
Computer equipment	3	$ 9,888	$ 16,943
Laboratory equipment	5	9,848	8,348
Office furniture and equipment	5	5,000	17,891
		24,736	43,182
Less accumulated depreciation		(15,609)	(21,507)
Equipment, Net		$ 9,127	$ 21,675

Depreciation expense was $6,265 and $6,594 for the years ended December 31, 2013 and 2014, respectively.

Net Loss per Share

Basic net loss per common share is calculated by dividing net loss by the weighted-average shares outstanding during the period. Diluted net loss per share is calculated by adjusting weighted-average shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury-stock method. For purposes of the diluted net loss per share calculation, convertible preferred stock and common stock options are considered to be common stock equivalents, but have been excluded from the calculation of diluted net loss per share, as their effect would be anti-dilutive for all periods presented. Therefore, basic and diluted net loss per share were the same for all periods presented.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The standard will apply one comprehensive revenue recognition model across all contracts, entities and sectors. The core principle of the new standard is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Once effective, this ASU will replace most of the existing revenue recognition requirements in U.S. GAAP. This update is currently effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, although the FASB has proposed a one year deferral. The Company is currently assessing the effect that adoption of the new standard, including possible transition alternatives, will have on its consolidated financial statements.

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014

In June 2014, the FASB issued ASU 2014-10, *Development Stage Entities (Topic 915)*, which removes the definition of a development stage entity from the ASC, thereby removing the financial reporting distinction between development stage entities and other reporting entities. A development stage company was defined as an entity devoting substantially all of its efforts to establishing a new business for which either (a) operations have not commenced or (b) the operations have commenced, but there is no significant revenue yet being generated. Due to these companies being in a position where their cash flows and liquidity positions are extremely critical, the FASB has updated the accounting standards to ease the burden on these companies by passing ASU 2014-10. The general goal of the FASB was to improve financial reporting for these early-stage companies by reducing the cost and complexity associated with the incremental reporting requirements

The major changes as a result of the ASU eliminate the requirements for these entities to (a) present inception-to-date information in the statements of income, cash flows and shareholder's equity, (b) label the financial statements as those of a development stage company, (c) disclose a description of the development stage activities in which the entity is engaged in the financial statement footnotes and (d) disclose in the financial statements the first year in which the entity exits the development stage. For public business entities, these amendments are effective for annual reporting periods beginning after December 15, 2014, and interim periods therein. For other entities, the amendments are effective for annual reporting periods beginning after December 15, 2014, and interim reporting periods beginning after December 15, 2015. For either the public or non-public entities, the entity must apply these amendments retrospectively to maintain consistency. In addition, the ASU states that early application may be permitted for any annual reporting period or interim period for which the entity's financial statements have not yet been issued or made available for issuance.

The Company implemented the early adoption application as of December 31, 2013 and 2014, and for the years then ended.

In August 2014, the FASB issued ASU 2014-15, which requires management of public companies to evaluate whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued and, if so, to disclose that fact. Management will be required to make this evaluation for both annual and interim reporting periods, if applicable. Management is also required to evaluate and disclose whether its plans alleviate that doubt. The standard is effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016. Early adoption is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. The Company does not believe the adoption of this standard will have a material impact on its financial position, results of operations or related financial statement disclosures.

3. Common Stock

As of December 31, 2013 and 2014, the authorized capital stock of the Company included 48,500,000 and 65,000,000, respectively, shares of common stock, par value $0.0001 per share ("Common Stock").

The voting, dividend and liquidation rights of the holders of shares of Common Stock are subject to and qualified by the rights, powers and preferences of shares of convertible preferred stock. The Common Stock has the following characteristics:

Voting—The holders of shares of Common Stock are entitled to one vote for each share of Common Stock.

The number of authorized shares of Common Stock may be increased or decreased with the approval of a majority of the Company's convertible preferred stock and Common Stock, voting together as a single class, and without a separate class vote by the Common Stock.

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014

Dividends—Holders of the shares of Common Stock are entitled to receive any dividends declared by the Board of Directors from funds legally available for such dividends.

Liquidation—Upon liquidation, holders of shares of Common Stock are entitled to a pro rata share in any distribution available to common stockholders, subject to the liquidation rights of the holders of the Company's convertible preferred stock.

Common Stock Reserved for Future Issuance

As of December 31, 2013 and 2014, based on the authorized shares for each series, the Company has reserved the following shares of Common Stock for future issuance:

	December 31,	
	2013	2014
Conversion of Series A Convertible Preferred Stock	2,670,000	2,670,000
Conversion of Series B Convertible Preferred Stock	6,362,658	6,362,658
Conversion of Series C Convertible Preferred Stock	6,088,307	20,032,078
Shares reserved under 2010 Equity Incentive Plan	5,200,000	7,200,000
Shares reserved for issuance to Potentia Pharmaceuticals, Inc. (Note 12)	—	8,200,000
Total	20,320,965	44,464,736

4. Convertible Preferred Stock

As of December 31, 2013, the authorized capital stock of the Company included 30,750,000 shares of convertible preferred stock, par value $0.0001 per share, of which: (i) 2,670,000 shares were designated as Series A convertible preferred stock ("Series A Convertible Preferred Stock") of which 2,670,000 were outstanding, (ii) 7,280,000 shares were designated as Series B convertible preferred stock ("Series A Convertible Preferred Stock"), of which 6,362,658 were outstanding; and (iii) 20,800,000 shares were designated as Series C convertible preferred stock ("Series A Convertible Preferred Stock," and together with the Series A Convertible Preferred Stock and Series B Convertible Preferred Stock, the "Convertible Preferred Stock") of which 6,088,307 were outstanding.

As of December 31, 2014, the authorized capital stock of the Company included 38,700,000 shares of preferred stock, par value $0.0001 per share, of which: (i) 2,670,000 shares were designated as Series A Convertible Preferred Stock of which 2,670,000 were outstanding, (ii) 7,280,000 shares were designated as Series B Convertible Preferred Stock of which 6,362,658 were outstanding; and (iii) 28,750,000 shares were designated as Series C Convertible Preferred Stock of which 20,032,078 were outstanding.

Series A Convertible Preferred Stock

Between May 2010 and December 2010, the Company issued 2,670,000 shares of Series A Convertible Preferred Stock to private investors at $1.00 per share for aggregate proceeds of $2,670,000, less issuance costs of $15,595.

Series B Convertible Preferred Stock

Between May 2011 and August 2011, the Company issued 4,545,443 shares of Series B Convertible Preferred Stock to private investors at $1.10 per share for aggregate proceeds of $5,000,000, less issuance costs of $37,555.

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014

Between July 2012 and December 2012, the Company issued an additional 1,817,215 shares of Series B Convertible Preferred Stock to private investors at $1.10 per share for aggregate proceeds of $1,998,937, less issuance costs of $17,209. Purchasers of Series B Convertible Preferred Stock were given the right to convert shares of Series B Convertible Preferred Stock purchased during this period into subsequently issued securities on a dollar for dollar basis. These purchasers elected not to convert their Series B Convertible Preferred Stock into Series C Convertible Preferred Stock prior to the August 2013 Series C Convertible Preferred Stock financing.

Series C Convertible Preferred Stock

On August 2, 2013, the Company issued 4,800,000 shares of Series C Convertible Preferred Stock at $1.25 per share for aggregate proceeds of $6,000,000, less issuance costs of $145,575, pursuant to a Series C Preferred Stock Purchase Agreement (the "Series C Preferred Stock Purchase Agreement"). At the time of this sale the Company had the obligation to offer to each existing holder of the Series B Convertible Preferred Stock the right to purchase Series C Convertible Preferred Stock at $1.25 per share within 20 days, in an aggregate amount of up to 1,600,000 shares (the "Rights Offering"), in accordance with the terms of the stockholders' agreement in place at that time. The Series C Preferred Stock Purchase Agreement incorporated the terms of the Rights Offering and allowed the Company to offer to sell additional Series C Convertible Preferred Stock to one or more new purchasers within 45 days if the full amount of Rights Offering was not purchased by the holders of the Series B Convertible Preferred Stock, which the Company concluded should be accounted for as a freestanding financial instrument.

On August 21, 2013, the Company issued 1,288,307 shares of Series C Convertible Preferred Stock at $1.25 per share for aggregate proceeds of $1,610,390, less issuance costs of $28,604, in accordance with the terms of the Series C Preferred Stock Purchase Agreement.

The investors in Series C Convertible Preferred Stock agreed to purchase additional shares at a price of $1.25 per share upon the achievement of certain defined milestones in accordance with the Series C Preferred Stock Purchase Agreement. Additionally, if the Company had failed to achieve the milestones by February 28, 2014, investors would have retained the option to purchase additional shares of Series C Convertible Preferred Stock for $1.25 per share, which is at the same price as the previously issued shares (collectively the "Series C Second Tranche Right") under the terms of the Series C Preferred Stock Purchase Agreement. The Company concluded the Series C Second Tranche Right should be accounted for as a freestanding financial instrument, and allocated $274,056 of the proceeds to the Series C Second Tranche Right based on the fair value at issuance.

Between July 2014 and September 2014, in accordance with the Series C Preferred Stock Purchase Agreement, the Company issued an additional 8,305,672 shares of Series C Convertible Preferred Stock at $1.25 per share for aggregate proceeds of $10,382,097, plus the bifurcated Series C Second Tranche Right of $274,056, less issuance costs of $1,276.

On November 25, 2014, the Company executed a Series C Preferred Tranche 3 Stock Purchase Agreement and issued in December 2014 an additional 5,638,099 shares of Series C Convertible Preferred Stock to a group of investors for a purchase price of $1.50 per share, less issuance costs of $6,480. The Series C Preferred Tranche 3 Stock Purchase Agreement allowed the Company to offer to sell additional shares in subsequent closings up through May 29, 2015, up to 14,333,333 shares at $1.50 per share at the mutual option of the Company and investors. As part of this share total, Morningside Venture Investments, Ltd. ("MVIL") was obligated to purchase an additional 3,333,333 shares of Series C Convertible Preferred Stock on or prior to March 31, 2015 and 2,666,667 shares of Series C Convertible Preferred Stock on or prior to May 29, 2015 at $1.50 per share (the

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014

"Series C Third Tranche Right"), which the Company concluded should be accounted for as a freestanding financial instrument. The Company allocated $2,112 of the proceeds to the Series C Third Tranche Right based on the fair value at issuance.

MVIL subsequently performed its commitments by purchasing 3,333,333 shares of Series C Convertible Preferred Stock on March 31, 2015, and 2,666,667 shares of Series C Convertible Preferred Stock on May 29, 2015.

The rights, preferences and privileges of the Convertible Preferred Stock are as follows:

Voting Rights—All holders of Convertible Preferred Stock and Common Stock will vote together on an as-converted basis as a single class, except as specifically set forth in the Certificate of Incorporation.

So long as 1,920,000 shares of Series C Convertible Preferred Stock (subject to appropriate adjustments for stock splits and the like) remain outstanding, the Series C Convertible Preferred Stock as a class will be entitled to elect two members of the Board of Directors.

The Company will not without the written consent of holders of at least a majority of the outstanding shares of the Series C Convertible Preferred Stock, liquidate, dissolve or wind-up the affairs of the Company, or effect any merger, sale, lease, transfer exclusive license or other disposition of all or substantially all of the assets of the Company; amend the Certificate of Incorporation or Bylaws of the Company; authorize or issue any security having rights, preferences or privileges senior to or on parity with the Series C Convertible Preferred Stock; increase the authorized number of shares of Series C Convertible Preferred Stock; pay any dividend; authorize any debt security; create or hold capital stock in any subsidiary that is not a wholly owned subsidiary; or dispose of any subsidiary stock or all or substantially all of any subsidiary assets.

Under the Voting Agreement dated July 30, 2014 (the "Voting Agreement"), the stockholders have agreed to vote their shares in favor of a Deemed Liquidation Event, as defined by the certificate of incorporation as amended to date (or other transaction in which at least a majority of the voting power of the Company is transferred), that has been approved by the Board of Directors and the holders of a majority of the outstanding shares of Convertible Preferred Stock.

Under the Voting Agreement, the Board of Directors and the holders of a majority of the outstanding shares of Convertible Preferred Stock may require that the Company initiate a process to sell the Company. If the Board of Directors does not subsequently recommend the sale of the Company, the Board of Directors and the holders of a majority of the outstanding shares of Convertible Preferred Stock may require that the Company subsequently initiate the process again.

The Voting Agreement will terminate upon the earliest to occur of: (i) an automatic conversion of Convertible Preferred Stock; (ii) a Deemed Liquidation Event; (iii) with respect to any individual holder, upon any mandatory conversion of its shares pursuant to the obligations under the Series C Preferred Stock Purchase Agreement; or (iv) immediately prior to the closing of a firm commitment underwritten public offering with a price of at least $3.75 per share and gross proceeds to the Company of not less than $40 million dollars (a "Qualified Public Offering").

Dividends—The Convertible Preferred Stock will not accrue any dividends. The holders of the Convertible Preferred Stock will be entitled to participate pro rata in any dividends payable to holders of shares of Common Stock on an as-converted basis.

Liquidation Preference—In the event of a liquidation, dissolution or winding up of the Company, the proceeds shall be paid in the following order of priority:

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014

First, the holders of Series C Convertible Preferred Stock will be paid the higher of (i) one times the Series C Issue Price on each share of Series C Convertible Preferred Stock ($1.25), and (ii) the amount that they would be paid if they first converted their shares of Series C Convertible Preferred Stock into Common Stock immediately prior to voluntary or involuntary liquidation, dissolution or winding up of the Company, or a Deemed Liquidation Event.

Second, the holders of Series A Convertible Preferred Stock and Series B Convertible Preferred Stock will be paid the higher of (i) one times the original purchase price of each share of Series A Convertible Preferred Stock ($1.00) or Series B Convertible Preferred Stock ($1.10), as applicable, and (ii) the amount that they would be paid if they first converted their shares of Series A Convertible Preferred Stock or Series B Convertible Preferred Stock, as applicable, into Common Stock immediately prior to voluntary or involuntary liquidation, dissolution or winding up of the Company, or a Deemed Liquidation Event.

Upon the completion of the distributions to the holders of Convertible Preferred Stock set forth above, then the assets and funds of the Company shall be distributed ratably to the holders of Common Stock.

Conversion—The Convertible Preferred Stock initially converts to Common Stock in a ratio of 1:1 at any time at the option of the holder, subject to certain adjustments for stock dividends, splits, combinations and other similar events.

All shares of Convertible Preferred Stock will automatically be converted into Common Stock at the then applicable conversion ratio, upon the closing of the Qualified Public Offering. Additionally, all shares of the applicable series of Convertible Preferred Stock will automatically convert into Common Stock at the then applicable conversion ratio (i) in the case of Series C Convertible Preferred Stock, upon the written consent of holders of a majority of the shares of Series C Convertible Preferred to convert the Series C Convertible Preferred Stock, or (ii) in the case of Series A Convertible Preferred Stock and Series B Convertible Preferred Stock, upon the written consent of the holders of at least 60% of the shares of Series A and Series B Convertible Preferred Stock (voting together), to convert the Series A and Series B Convertible Preferred Stock.

5. Accrued Expenses

Accrued expenses are as follows:

	December 31,	
	2013	2014
Accrued research and development	$ 313,313	$ 297,709
Accrued vacation	6,904	15,638
Other	2,869	16,655
Total	$ 323,086	$ 330,002

6. License Agreements

The Company is party to a license agreement with The Trustees of the University of Pennsylvania, a Pennsylvania nonprofit organization (“UPenn”), for an exclusive, worldwide license, under specified patent rights for the development and commercialization of products in fields of use other than ophthalmology that incorporate certain intellectual property owned by UPenn. The Company is required to pay annual maintenance

fees of $100,000 a year until the first sale of a licensed product. The Company also agreed to make milestone payments to UPenn aggregating up to $1.7 million based on achieving specified development and regulatory approval milestones, and up to $2.5 million based on achieving specified annual sales milestones with respect to each of the first two licensed products. The license agreement also requires the Company to pay low single-digit royalties to UPenn based on net sales of each licensed product by the Company and its affiliates and sublicensees and specified minimum quarterly royalty thresholds. In addition, the Company is obligated to pay UPenn a specified portion of income it receives from sublicensees. The Company recorded annual expense of $100,000 related to this license agreement during the years ended December 31, 2013 and 2014, which was classified as research and development in the consolidated statements of operations and comprehensive loss.

7. 401(k) Profit Sharing Plan and Trust

On July 1, 2010, the Company adopted an employee profit-sharing plan (the “401(k) Plan”), qualified under Section 401(k) of the Internal Revenue Code (the “IRC”). All of the Company’s full-time employees who have attained the age of 21 are eligible to participate in the Plan immediately upon employment. Pursuant to the 401(k) Plan, employees may elect to reduce their current compensation by up to the statutorily prescribed annual limit and have the amount of the reduction contributed to the 401(k) Plan. In 2013 and 2014, the Company recorded, in general and administrative expense, $14,144 and $16,522, respectively, for employer matching contributions made to the 401(k) Plan, but did not authorize any discretionary employer profit sharing contributions in 2013 or 2014.

8. Income Taxes

The Company’s income tax provision is computed based on the federal statutory rate and the average state statutory rates, net of the related federal benefit. For the years ended December 31, 2013 and 2014, there was no current or deferred income tax expense or benefit due to the Company’s net losses and increases in its deferred tax asset valuation allowance, except that, for 2014, the Company recognized income tax benefit related to its application for a refundable Australian research and development credit of $443,340, which is reflected on the 2014 consolidated balance sheet as an income tax receivable.

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31	
	2013	2014
Deferred tax assets:		
Current:		
Accrual to cash adjustment	$ 102,757	$ 334,028
Current deferred tax assets	102,757	334,028
Noncurrent:		
Equipment	(731)	(2,861)
Intangible assets	60,166	53,833
Share-based compensation	448,083	669,538
Contribution carryforwards	1,900	13,490
Net operating loss carryforwards	4,583,410	7,935,960
Research and development credits	488,369	847,163
Noncurrent deferred tax assets	5,581,197	9,517,123
	5,683,954	9,851,151
Less valuation allowance	(5,683,954)	(9,851,151)
Net deferred tax assets	$ —	$ —

When realization of the deferred tax asset is more likely than not to occur, the benefit related to the deductible temporary differences attributable to operations is recognized as a reduction of income tax expense. Valuation allowances are provided against deferred tax assets when, based on all available evidence, it is considered more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. The Company cannot be certain that future taxable income will be sufficient to realize its deferred tax assets, and accordingly a full valuation allowance has been provided on its deferred tax assets.

At December 31, 2013 and December 31, 2014, the Company had $12.1 million and $20.9 million, respectively, of net operating loss carry-forwards. The Company also had $847,000 of federal research and development tax credit carry-forwards as of December 31, 2014. The net operating loss and research and development tax credit carry-forwards begin to expire in 2030, and will be utilized for tax purposes at such time the Company generates taxable income.

Under the provisions of the IRC, the net operating loss and tax credit carry-forwards are subject to review and possible adjustment by the Internal Revenue Service and state tax authorities. Net operating loss and tax credit carry-forwards may become subject to an annual limitation in the event of certain cumulative changes in the ownership interest of significant shareholders over a three-year period in excess of 50%, as defined under Sections 382 and 383 of the IRC, respectively, as well as similar state provisions. This could limit the amount of tax attributes that can be utilized annually to offset future taxable income or tax liabilities. The amount of the annual limitation is determined based on the value of the Company immediately prior to the ownership change. Subsequent ownership changes may further affect the limitation in future years. The Company has completed several rounds of financing since its inception, which may have resulted in a change in control as defined by the IRC, or could result in a change in control in the future.

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014

The Company has generated research credits but has not conducted a detailed study to document its qualified activities. A detailed study could result in an adjustment to the Company's research and development credit carryforwards; however, until such a study is completed and any adjustment is known, no amounts are being presented as an uncertain tax position. A full valuation allowance has been provided against the Company's research and development credits and, if an adjustment is required, this adjustment would be offset by an adjustment to the deferred tax asset established for the research and development credit carry-forwards and the valuation allowance.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2013 and 2014, the Company had no accrued uncertain tax positions or associated interest or penalties and no amounts have been recognized in the Company's consolidated statements of operation and comprehensive loss.

The Company files income tax returns in the U.S. federal jurisdiction, and applicable state jurisdictions. The Company's 2011 through 2014 tax years remain open and subject to examination by federal and state taxing authorities. Federal and state net operating losses are subject to review by taxing authorities in the year utilized.

9. Commitments and Contingencies

The Company leases office space in Crestwood, Kentucky (the "Lease"), which is accounted for as an operating lease. In May 2014, the Company entered into a Second Amendment to its Lease (the "Second Amendment") for additional office space contiguous to its current office space in Crestwood, Kentucky. The Second Amendment includes an additional 1,693 square feet of office space, with an estimated occupancy date of September 2014, and extended the term of the Lease through August 2017. The Second Amendment provides for additional monthly lease payments of $2,398 for the 1,693 square feet for the first seventeen months and provides for an annual rent escalation in the last year. The monthly rent on the existing 2,107 square feet will remain at $2,985 through February 2016, and increases to $3,160 through August 2017, the expiration of the lease. The Second Amendment includes a tenant's contribution for leasehold improvements in the amount of $77,395, which is accounted for as prepaid rent and a reduction in monthly rent expense over the term of the lease. Lease expense for the years ended December 31, 2013 and 2014, on a straight-line basis, was $33,118 and $43,795, respectively.

At December 31, 2014, the Company's future minimum payments required under these leases are as follows:

2015	$ 64,600
2016	67,767
2017	45,600
	$ 177,967

The Company contracts with various organizations to conduct research and development activities with remaining contract costs to the Company of $547,000 and $1,042,000 at December 31, 2013 and 2014, respectively. The scope of the services under the research and development contracts can be modified and the contracts cancelled by the Company upon written notice. In some instances, the contracts may be cancelled by the third party upon written notice.

Indemnifications—In the ordinary course of business, the Company enters into agreements that may include indemnification provisions. Pursuant to such agreements, the Company may indemnify, hold harmless and defend indemnified parties for losses suffered or incurred by the indemnified party. Some of the provisions will

limit losses to those arising from third-party actions. In some cases, the indemnification will continue after the termination of the agreement. The maximum potential amount of future payments the Company could be required to make under these provisions is not determinable. The Company has never incurred material costs to defend lawsuits or settle claims related to these indemnification provisions. The Company currently has directors' and officers' insurance.

Legal—During the normal course of business, the Company may be a party to legal claims that may not be covered by insurance. Management does not believe that any such claims would have a material impact on the Company's financial statements.

Other Commitments—The Company has various manufacturing, clinical, research and other contracts with vendors in the conduct of the normal course of its business. All contracts are terminable, with varying provisions regarding termination. If a contract with a specific vendor were to be terminated, the Company would only be obligated for the products or services that the Company had received at the time that the termination became effective as well as non-cancelable and non-refundable payment obligations incurred by the vendor for products or services before the termination became effective. In the case of terminating a clinical trial agreement at a particular site, the Company would also be obligated to provide continued support for appropriate medical procedures at that site until completion or termination.

10. Share-based Compensation

The Company's board of directors adopted, and its stockholders approved, its equity incentive plan in 2010 (as amended, the "Plan"). The board of directors amended the Plan on July 19, 2013 and November 24, 2014 in order to increase the number of shares of Common Stock reserved for issuance thereunder to 5,200,000 and 7,200,000, respectively, and the stockholders approved these amendments on July 22, 2013 and November 24, 2014, respectively. There are 5,200,000 and 7,200,000 shares of Common Stock that are reserved for issuance under the Plan at December 31, 2013 and 2014, respectively. The Plan allows for the grant of incentive stock options and non-qualified stock options to purchase Common Stock for employees, directors and consultants under terms and conditions established by the board of directors. Incentive stock options and nonqualified stock options will be granted at an exercise price that is no less than 100% of the estimated fair value per share of the Common Stock on the date of grant. If an individual owns capital stock representing more than 10% of the voting shares, the price of each share will be at least 110% of the fair value on the date of grant. The board of directors retrospectively determined the fair value of Common Stock with the assistance of a third-party specialist. Options expire after 10 years. The board of directors determines the period over which the options vest and become exercisable. Shares issued upon exercise of unvested options shall be subject to the Company's right to repurchase at the initial purchase price under specified circumstances.

Stock Options—The options granted to employees, directors and non-employees vest over a period of 48 months. Options granted on or after December 12, 2013 vest in installments of (i) 25% at the one year anniversary and (ii) in either 36 equal monthly or 12 equal quarterly installments beginning in the thirteenth month after the initial vesting commencement date (as defined) subject to the employee's continuous service with the Company. Options granted before December 12, 2013 vest over four years in equal annual installments of 25% at each anniversary of the grant date. Non-employee awards are re-measured at fair value until a performance commitment is reached or counterparty performance is complete.

Most of the Company's options become fully vested upon the occurrence of a change in control, as defined in the Plan. The balance of the Company's options become vested and exercisable for an additional 25% of the unvested shares underlying the grant upon a change of control.

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014

The following table summarizes the Company's stock option activity:

	Shares	Weighted-Average Exercise Price Per Share	Weighted Average Grant Date Fair Value Per Share	Weighted-Average Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding, December 31, 2012	2,156,500	$ 1.00	$ 0.76	7.08	$ —
Granted	2,479,062	1.25	0.68	—	—
Exercised	—	—	—	—	—
Forfeited	(131,500)	1.00	0.76	—	—
Expired/cancelled	—	—	—	—	—
Outstanding, December 31, 2013	4,504,062	1.14	0.71	8.43	—
Granted	550,000	1.43	0.86	—	—
Exercised	—	—	—	—	—
Forfeited	(56,250)	1.00	0.72	—	15,186
Expired/cancelled	—	—	—	—	—
Outstanding, December 31, 2014	4,997,812	1.17	0.73	7.52	578,128
Options exercisable, December 31, 2013	1,501,562	1.00	0.76	6.51	—
Expected to vest, December 31, 2013	3,002,500	1.21	0.69	9.39	—
Options exercisable, December 31, 2014	2,570,937	1.06	0.74	5.98	531,965
Expected to vest, December 31, 2014	2,426,875	1.29	0.72	9.14	46,163

The aggregate intrinsic values of options outstanding, exercisable, vested and expected to vest were calculated as the difference between the exercise price of the options and the estimated fair value of the Common Stock, as of December 31, 2014. Estimated fair values of the Common Stock at the time of the grants between May 12, 2010 and December 31, 2014, were between $0.80 and $1.25. No options were exercised during the years ended December 31, 2013 and 2014.

Total share-based compensation expense recognized was as follows:

	Year Ended December 31,	
	2013	2014
Research and development	$ 42,500	$ 81,458
General and administrative	229,341	577,696
Total share-based compensation expense	$ 271,841	$ 659,154

At December 31, 2013 and 2014, the total unrecognized compensation expense related to unvested options, net of estimated forfeitures, was $1,884,263 and $1,727,686, respectively, which the Company expects to recognize over an estimated weighted-average period of 3.14 and 3.39 years, respectively. As of December 31, 2014, the future amortization of these unearned share-based compensation costs will be $558,696 in 2015, $538,065 in 2016, $534,925 in 2017 and $96,000 in 2018.

In determining the fair value of the stock-based awards, the Company uses the Monte Carlo simulation method and assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment.

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014

Expected Term—The Company's expected term represents the period that the Company's stock-based awards are expected to be outstanding and is determined using a probability weighted time to a liquidity event of each grant date.

Expected Volatility—Since the Company is not yet a public company and does not have any trading history for its Common Stock, the expected volatility was estimated based on the average volatility for comparable publicly traded biopharmaceutical companies over a period equal to the expected term of the stock option grants. The comparable companies were chosen based on their similar size, stage in the life cycle or area of specialty.

Risk-Free Interest Rate—The risk-free interest rate is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of option.

Expected Dividend—The Company has never paid dividends on its Common Stock and has no plans to pay dividends on its Common Stock. Therefore, the Company used an expected dividend yield of zero.

The assumptions used in the Monte Carlo simulation method to estimate the grant date fair value of options granted to employees and non-employees are as follows:

	Year Ended December 31,	
	2013	2014
Risk-free interest rate	0.64-1.13%	1.32-1.73%
Dividend yield	0%	0%
Volatility	103.0-109.0%	94.0-102.4%
Expected terms (years)	4.18-4.36	4.11-6.20

11. Net Loss per Share

The following table presents the calculation of basic and diluted net loss per common share:

	Year Ended December 31,	
	2013	2014
Numerator:		
Net loss and comprehensive loss	$ (3,961,568)	$ (10,788,483)
Denominator:		
Weighted-average number of common shares used in net loss per common share—basic and diluted	9,776,198	9,776,198
Net loss per common share—basic and diluted	$ (0.41)	$ (1.10)

The shares outstanding at the respective periods presented below were excluded from the calculation of diluted net loss per share, prior to the use of the treasury stock method, due to their anti-dilutive effect:

	Year Ended December 31,	
	2013	2014
Convertible preferred stock	15,120,965	29,064,736
Common stock under option	4,504,062	4,997,812
Total	19,625,027	34,062,548

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014

12. Related Parties

The Company provides office space and certain administrative services to four related companies: Apellis Holdings, LLC; Potentia Pharmaceuticals, Inc. ("Potentia"); Revon Systems, LLC; and Liberate Medical, LLC, where three board members or officers of the Company are also board members and significant equity owners in the related companies. Allocations for the office space and certain administrative expenses are made to these four related entities. These allocation amounts are not considered material to the consolidated balance sheets or consolidated statements of operations and comprehensive loss. The aggregate related party receivable at December 31, 2013 and 2014 was $25,467 and $18,204, respectively. The aggregate amount of related party allocations included in general and administrative expense in the statements of operations and comprehensive loss for the years ended December 31, 2013 and 2014 was $40,700 and $31,888, respectively.

In September 2014, the Company entered into an agreement with Potentia, under which the Company agreed to purchase the assets of Potentia, including the exclusive license to use the active component of APL-2 in ophthalmic indications and other related intellectual property, in exchange for 8,200,000 shares of Common Stock. The acquisition was approved by the boards of directors of the Company and Potentia. This transaction is expected to close prior to the consummation of this offering if certain conditions to closing are satisfied or waived.

Under the asset purchase agreement, the Company has assumed the payment obligations of Potentia under contracts with third-party vendors providing legal, research or clinical development services with respect to ongoing development activities. These contracts were terminable by Potentia for convenience at any time. However, the contracts have been neither assigned to the Company nor terminated by Potentia, and the third-party vendors continued to perform the services. Although the Company has not assumed these agreements pursuant to the asset purchase agreement, the Company has agreed to make certain payments under such agreements on Potentia's behalf pending the closing of the transaction. The Company recognized expenses related to this arrangement of $526,316, for the year ended December 31, 2014.

13. Subsequent Events

Subsequent events have been evaluated through the date these financial statements were submitted within the Registration Statement on Form S-1 to the Securities and Exchange Commission.

In April 2015, the Company entered into a Third Amendment to Lease for additional office space contiguous to its current office space in Crestwood, Kentucky ("Third Amendment"). The Third Amendment includes leasing an additional 3,325 square feet of office space, with an estimated occupancy date of August 1, 2015, and extended the term of the Lease through July 14, 2018. The Third Amendment provides for additional monthly lease payments of $4,710 for the 3,325 square feet for the first seven months and $4,987 per month thereafter. The monthly rent on the existing 3,800 square feet will remain at $5,383 through February 2016, and increases to $5,700 through July 2018, the expiration of the lease. The Third Amendment includes a tenant's contribution for leasehold improvements in the amount $207,788, which will be accounted for as prepaid rent and a reduction in monthly rent expense over the term of the lease.

APELLIS PHARMACEUTICALS, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	December 31, 2014	June 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 13,622,995	$ 14,865,008
Other receivable	22,510	216,384
Income tax receivable	443,340	1,269,826
Prepaid expenses	137,354	310,814
Other current assets	21,143	48,903
Total current assets	14,247,342	16,710,935
Equipment, net	21,675	19,596
Other assets	37,221	87,240
Total assets	$ 14,306,238	$ 16,817,771
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 751,529	$ 830,156
Accrued expenses	330,002	440,713
Total current liabilities	1,081,531	1,270,869
Stockholders' equity:		
Series A convertible preferred stock, $0.0001 par value; 2,670,000 shares authorized at December 31, 2014 and June 30, 2015; 2,670,000 issued and outstanding at December 31, 2014 and June 30, 2015; liquidation value of $2,670,000 at June 30, 2015	2,654,405	2,654,405
Series B convertible preferred stock, $0.0001 par value; 7,280,000 shares authorized at December 31, 2014 and June 30, 2015; 6,362,658 issued and outstanding at December 31, 2014 and June 30, 2015; liquidation value of $6,998,924 at June 30, 2015	6,944,148	6,944,148
Series C convertible preferred stock, $0.0001 par value; 20,800,000 and 28,750,000 shares authorized at December 31, 2014 and June 30, 2015, respectively; 20,032,078 and 26,215,411 issued and outstanding at December 31, 2014 and June 30, 2015, respectively; liquidation value of $32,769,264 at June 30, 2015	26,265,595	35,542,707
Series C Tranche Right	2,112	—
Common stock, $0.0001 par value; 48,500,000 and 65,000,000 shares authorized at December 31, 2014 and June 30, 2015, respectively; 9,776,198 and 9,777,760 shares issued and outstanding at December 31, 2014 and June 30, 2015, respectively	978	980
Additional paid in capital	1,974,435	2,132,338
Accumulated deficit	(24,616,966)	(31,727,676)
Total stockholders' equity	13,224,707	15,546,902
Total liabilities and stockholders' equity	$ 14,306,238	$ 16,817,771

See accompanying notes to consolidated financial statements

APELLIS PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

	Six Months Ended June 30,	
	2014	2015
Operating expenses:		
Research and development	$ 4,493,265	$ 6,056,537
General and administrative	1,212,929	1,901,314
Depreciation	2,863	3,849
Operating loss	(5,709,057)	(7,961,700)
Other income	23,895	24,504
Loss before income taxes	(5,685,162)	(7,937,196)
Income tax benefit	55,645	826,486
Net loss and comprehensive loss	$ (5,629,517)	$ (7,110,710)
Net loss per common share - basic and diluted	$ (0.58)	$ (0.73)
Weighted-average number of common shares used in net loss per common share - basic and diluted	9,776,198	9,776,742

See accompanying notes to consolidated financial statements

APELLIS PHARMACEUTICALS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Series C Convertible Preferred Stock			Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Outstanding Shares	Amount	Outstanding Shares	Amount	Outstanding Shares	Amount	Tranche Right	Outstanding Shares	Amount			
Balance at January 1, 2015	2,670,000	$2,654,405	6,362,658	$6,944,148	20,032,078	$26,265,595	$ 2,112	9,776,198	$ 978	$1,974,435	$ (24,616,966)	$ 13,224,707
Sale of Series C preferred stock	—	—	—	—	6,183,333	9,277,112	—	—	—	—	—	9,277,112
Series C Third Tranche Right	—	—	—	—	—	—	(2,112)	—	—	—	—	(2,112)
Issuance of common stock upon stock option exercise	—	—	—	—	—	—	—	1,562	2	1,716	—	1,718
Share based compensation	—	—	—	—	—	—	—	—	—	156,187	—	156,187
Net loss	—	—	—	—	—	—	—	—	—	—	(7,110,710)	(7,110,710)
Balance at June 30, 2015	2,670,000	$2,654,405	6,362,658	$6,944,148	26,215,411	$35,542,707	$ —	9,777,760	$ 980	$2,132,338	$ (31,727,676)	$ 15,546,902

See accompanying notes to consolidated financial statements

APELLIS PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2014	2015
Operating activities		
Net loss	$ (5,629,517)	$ (7,110,710)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	2,863	3,849
Loss on asset disposal	804	—
Share-based compensation	377,765	156,187
Changes in certain operating assets and liabilities:		
Accounts receivable	(21,778)	(193,874)
Income tax receivable	(55,645)	(826,486)
Prepaid expenses	291,951	(173,461)
Other current assets	(17,424)	(27,760)
Other assets	1,517	(50,019)
Accounts payable	1,664,278	73,224
Accrued expenses	(298,690)	116,113
Net cash used in operating activities	(3,683,876)	(8,032,937)
Investing activities		
Purchases of equipment	(3,713)	(1,769)
Net cash used in investing activities	(3,713)	(1,769)
Financing activities		
Proceeds from issuance of common stock	—	1,718
Proceeds from issuance of Series C preferred stock	—	9,275,001
Net cash provided by financing activities	—	9,276,719
Net increase in cash and cash equivalents	(3,687,589)	1,242,013
Cash and cash equivalents beginning of period	4,758,361	13,622,995
Cash and cash equivalents end of period	$ 1,070,772	$ 14,865,008

See accompanying notes to consolidated financial statements

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2015
(Unaudited)

1. Nature of Organization and Operations

Apellis Pharmaceuticals, Inc. (the "Company") is a clinical-stage biopharmaceutical company focused on the discovery and development of novel therapeutic compounds for autoimmune and inflammatory diseases. The Company's approach is centered on the inhibition of the complement system, which consists of a cascade of interacting proteins and is an integral component of the immune system. The Company is developing its product candidates to inhibit C3, the central protein in the complement cascade. By inhibiting C3, the Company's product candidates inhibit the principal complement activation pathways and their related effects, which the Company believes may result in both disease control and disease modification. The Company was incorporated on September 25, 2009 under the laws of the State of Delaware and is located in Crestwood, Kentucky. The Company has one wholly-owned foreign subsidiary located in Brisbane, Australia, for the purpose of conducting clinical trials.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), and following the requirements of the Securities and Exchange Commission, or the SEC, for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. GAAP have been condensed or omitted, and accordingly the balance sheet as of December 31, 2014, has been derived from audited consolidated financial statements at that date but does not include all of the information required by U.S. GAAP for complete financial statements. These financial statements have been prepared on the same basis as the Company's annual financial statements and, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) that are necessary for a fair presentation of the Company's financial information. The results of operations for the six months ended June 30, 2015, are not necessarily indicative of the results to be expected for the year ending December 31, 2015, or for any other interim period or for any other future year.

The accompanying unaudited condensed consolidated financial statements and related financial information should be read in conjunction with the audited consolidated financial statements and the related notes thereto for the year ended December 31, 2014, included in this Registration Statement on Form S-1.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and reported amounts of revenue and expenses in the financial statements and accompanying notes. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, clinical trial accruals, convertible preferred stock, common stock, income taxes and stock-based compensation. Management bases its estimates on historical experience and on various other market-specific and relevant assumptions that management believes to be reasonable under the circumstances. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The standard will apply one comprehensive revenue recognition model across all contracts, entities and sectors. The core principle of the new

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2015
(Unaudited)

standard is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Once effective, this ASU will replace most of the existing revenue recognition requirements in U.S. GAAP. This update is currently effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, although the FASB has proposed a one year deferral. The Company is currently assessing the effect that adoption of the new standard, including possible transition alternatives, will have on its consolidated financial statements.

In June 2014, the FASB issued ASU 2014-10, *Development Stage Entities (Topic 915)*, which removes the definition of a development stage company from the ASC, thereby removing the financing reporting distinction between development stage entities and other reporting entities.

A development stage company was defined as an entity devoting substantially all of its efforts to establishing a new business for which either (a) operations have not commenced or (b) the operations have commenced, but there is no significant revenue yet being generated. Due to these companies being in a position where their cash flows and liquidity positions are extremely critical, the FASB has updated the accounting standards to ease the burden on these companies by passing ASU 2014-10. The general goal of the FASB was to improve financial reporting for these early-stage companies by reducing the cost and complexity associated with the incremental reporting requirements

The major changes as a result of the ASU eliminate the requirements for these entities to (a) present inception-to-date information in the statements of income, cash flows and shareholder's equity, (b) label the financial statements as those of a development stage company, (c) disclose a description of the development stage activities in which the entity is engaged in the financial statement footnotes and (d) disclose in the financial statements the first year in which the entity exits the development stage. For public business entities, these amendments are effective for annual reporting periods beginning after December 15, 2014, and interim periods therein. For other entities, the amendments are effective for annual reporting periods beginning after December 15, 2014, and interim reporting periods beginning after December 15, 2015. For either the public or non-public entities, the entity must apply these amendments retrospectively to maintain consistency. In addition, the ASU states that early application may be permitted for any annual reporting period or interim period for which the entity's financial statements have not yet been issued or made available for issuance.

The Company implemented the early adoption application as of December 31, 2014 and June 30, 2015, and for the periods then ended.

In August 2014, the FASB issued ASU 2014-15, which requires management of public companies to evaluate whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued and, if so, to disclose that fact. Management will be required to make this evaluation for both annual and interim reporting periods, if applicable. Management is also required to evaluate and disclose whether its plans alleviate that doubt. The standard is effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016. Early adoption is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. The Company does not believe the adoption of this standard will have a material impact on its financial position, results of operations or related financial statement disclosures.

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2015
(Unaudited)

3. Balance Sheet Components

Equipment, Net

	December 31, 2014	June 30, 2015
Computer equipment	$ 16,943	$ 18,713
Laboratory equipment	8,348	8,348
Office furniture and equipment	17,891	17,891
	43,182	44,952
Less accumulated depreciation	(21,507)	(25,356)
	$ 21,675	$ 19,596

Depreciation expense was $2,863 and $3,849 for the six months ended June 30, 2014 and 2015, respectively.

Accrued Expenses

Accrued expenses are as follows:

	December 31, 2014	June 30, 2015
Accrued research and development	$ 297,709	$380,755
Accrued vacation	15,638	46,703
Other	16,655	13,255
	$ 330,002	$440,713

Net Loss per Share

Basic net loss per common share is calculated by dividing net loss by the weighted-average shares outstanding during the period. Diluted net loss per share is calculated by adjusting weighted-average shares outstanding for the dilutive effect of common stock equivalents outstanding for the period, determined using the treasury-stock method. For purposes of the diluted net loss per share calculation, preferred stock and stock options are considered to be common stock equivalents, but have been excluded from the calculation of diluted net loss per share, as their effect would be anti-dilutive for all periods presented. Therefore, basic and diluted net loss per share were the same for all periods presented.

4. Convertible Preferred Stock

Series C Convertible Preferred Stock

On November 25, 2014, the Company executed a Series C Preferred Tranche 3 Stock Purchase Agreement that allowed the Company to offer and sell, through May 29, 2015, up to 14,333,333 shares of Series C Convertible Preferred Stock, $0.0001 par value per share (“Series C Convertible Preferred Stock”) at $1.50 per share at the mutual option of the Company and investors. Pursuant to the Series C Preferred Tranche 3 Stock Purchase Agreement, Morningside Venture Investments, Ltd. (“MVIL”) purchased an additional 3,333,333 shares of Series C Convertible Preferred Stock on in March 2015 and 2,666,667 shares of Series C Convertible

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2015
(Unaudited)

Preferred Stock in May 2015 at $1.50 per share (the "Series C Third Tranche Right"), which the Company concluded should be accounted for as a freestanding financial instrument. The Company allocated $2,112 of the proceeds to the Series C Third Tranche Right based on the fair value at issuance.

Because MVIL held more than 5% of the outstanding capital stock, on an as-converted basis, before the execution of the Series C Preferred Stock Purchase Agreement and the Series C Preferred Tranche 3 Stock Purchase Agreement, and significantly increased its ownership interest in absolute and percentage terms with each tranche of the offering of Series C Preferred Stock, a majority of the disinterested directors and a majority of the disinterested stockholders approved the terms of each of the Series C Preferred Stock Purchase Agreement and the Series C Preferred Tranche 3 Stock Purchase Agreement.

5. License Agreements

The Company is party to a license agreement with The Trustees of the University of Pennsylvania, a Pennsylvania nonprofit organization ("UPenn"), for the development and commercialization of products that incorporate certain intellectual property owned by UPenn.

6. Income Taxes

The Company's income tax provision is computed based on the federal statutory rate and the average state statutory rates, net of the related federal benefit. For the six months ended June 30, 2014 and 2015, there was no current or deferred income tax expense or benefit due to the Company's net losses and increases in its deferred tax asset valuation allowance, except that, for the six months ended June 30, 2015, the Company recognized income tax benefit related to a refundable Australian research and development credit of approximately $55,000, which is reflected on the December 31, 2014 and June 30, 2015 consolidated balance sheets as an income tax receivable. For the six months ended June 30, 2015, this credit amount was approximately $825,000.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2014	June 30, 2015
Deferred tax assets:		
Current:		
Accrual to cash adjustment	$ 334,028	$ 288,435
Current deferred tax assets	334,028	288,435
Noncurrent:		
Equipment	(2,861)	(3,927)
Intangible assets	53,833	50,666
Share-based compensation	669,538	706,778
Contribution carryforwards	13,490	13,490
Net operating loss carryforwards	7,935,960	10,221,220
Research and development credits	847,163	1,053,856
Noncurrent deferred tax assets	9,517,123	12,042,083
	9,851,151	12,330,518
Less valuation allowance	(9,851,151)	(12,330,518)
Net deferred tax assets	$ —	$ —

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2015
(Unaudited)

When realization of the deferred tax asset is more likely than not to occur, the benefit related to the deductible temporary differences attributable to operations is recognized as a reduction of income tax expense. Valuation allowances are provided against deferred tax assets when, based on all available evidence, it is considered more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. The Company cannot be certain that future taxable income will be sufficient to realize its deferred tax assets, and accordingly a full valuation allowance has been provided on its deferred tax assets. The Company continues to maintain the underlying tax benefits to offset future taxable income, and to monitor the need for a valuation allowance based on the profitability of its future operations.

At June 30, 2014 and 2015, the Company had $15.7 million and $27.0 million, respectively, of net operating loss carry-forwards. The Company also had $1.1 million of federal research and development tax credit carry-forwards as of June 30, 2015. The net operating loss and research and development tax credit carry-forwards begin to expire in 2030, and will be utilized for tax purposes at such time the Company generates taxable income.

Under the provisions of the Internal Revenue Code (“IRC”), the net operating loss and tax credit carry-forwards are subject to review and possible adjustment by the Internal Revenue Service and state tax authorities. Net operating loss and tax credit carry-forwards may become subject to an annual limitation in the event of certain cumulative changes in the ownership interest of significant shareholders over a three-year period in excess of 50%, as defined under Sections 382 and 383 of the IRC, respectively, as well as similar state provisions. This could limit the amount of tax attributes that can be utilized annually to offset future taxable income or tax liabilities. The amount of the annual limitation is determined based on the value of the Company immediately prior to the ownership change. Subsequent ownership changes may further affect the limitation in future years. The Company has completed several rounds of financing since its inception, which may have resulted in a change in control as defined by the IRC, or could result in a change in control in the future.

For applicable years, the Company generated research credits but has not conducted a detailed study to document its qualified activities. A detailed study could result in an adjustment to the Company’s research and development credit carryforwards; however, until such a study is completed and any adjustment is known, no amounts are being presented as an uncertain tax position. A full valuation allowance has been provided against the Company’s research and development credits and, if an adjustment is required, this adjustment would be offset by an adjustment to the deferred tax asset established for the research and development credit carry-forwards and the valuation allowance.

If applicable, the Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2014 and June 30, 2015, the Company had no accrued uncertain tax positions or associated interest or penalties and no amounts have been recognized in the Company’s consolidated statements of operations and comprehensive loss.

The Company files income tax returns in the U.S. federal jurisdiction, and applicable state jurisdictions. The Company’s 2011 through 2014 tax years remain open and subject to examination by federal and state taxing authorities. Federal and state net operating losses are subject to review by taxing authorities in the year utilized.

The Company pays goods and service tax (“GST”) on certain expenditures in Australia, which is refundable. At June 30, 2015, the Company had $180,000 of GST recorded as a receivable on the consolidated balance sheet.

7. Commitments and Contingencies

In April 2015, the Company entered into a Third Amendment to Lease for additional office space contiguous to its current office space in Crestwood, Kentucky (the “Third Amendment”). The Third Amendment

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2015
(Unaudited)

includes leasing an additional 3,325 square feet of office space, with an estimated occupancy date of August 1, 2015, and extended the term of the original lease through July 14, 2018. The Third Amendment provides for additional monthly lease payments of $4,710 for the 3,325 square feet for the first seven months and $4,987 per month thereafter. The monthly rent on the existing 3,800 square feet will remain at $5,383 through February 2016, and increases to $5,700 through July 2018, the expiration of the lease. The Third Amendment includes a tenant's contribution for leasehold improvements in the amount $207,788, which will be accounted for as prepaid rent and a reduction in monthly rent expense over the term of the lease.

The Company contracts with various organizations to conduct research and development activities. The scope of the services under the research and development contracts can be modified and the contracts cancelled by the Company upon written notice. In some instances, the contracts may be cancelled by the third party upon written notice.

8. Share-Based Compensation

The Company's board of directors adopted, and its stockholders approved, its equity incentive plan in 2010 (the "Plan"). The board of directors amended the Plan on July 19, 2013 and November 24, 2014 in order to increase the number of shares of Common Stock reserved for issuance thereunder to 5,200,000 and 7,200,000, respectively, and the stockholders approved these amendments on July 22, 2013 and November 24, 2014, respectively. As amended, the Plan allows for the grant of incentive stock options and non-qualified stock options to purchase common stock for employees, directors and consultants under terms and conditions established by the board of directors.

The following table summarizes the Company's stock option activity:

	Shares	Weighted - Average Exercise Price Per Share	Weighted Average Grant Date Fair Value Per Share	Weighted - Average Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding, December 31, 2014	4,997,812	$ 1.17	$ 0.73	7.52	$ 578,128
Granted	250,000	1.50	1.08	—	—
Exercised	(1,562)	1.10	0.67	—	476
Forfeited	(168,750)	1.00	0.72	—	65,813
Expired/cancelled	—	—	—	—	—
Outstanding, June 30, 2015	5,077,500	1.19	0.75	7.41	5,545,217
Options exercisable, June 30, 2015	2,766,562	1.09	0.73	6.24	3,307,225
Expected to vest, June 30, 2015	2,310,938	1.32	0.77	8.80	2,237,992

Total share-based compensation expense recognized was as follows:

	Six Months Ended June 30,	
	2014	2015
Research and development	$ 22,625	$ (103,541)
General and administrative	355,140	259,728
Total share-based compensation expense	$ 377,765	$ 156,187

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2015
(Unaudited)

In determining the fair value of the stock-based awards, the Company uses the Monte Carlo simulation method and assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment.

The assumptions used in the Monte Carlo simulation method to estimate the grant date fair value of options granted to employees and non-employees are as follows:

	Six Months Ended June 30,	
	2014	2015
Risk-free interest rate	1.32%	1.84-1.87%
Dividend yield	0%	0%
Volatility	102.4%	89.8-93.5%
Expected terms (years)	4.11	5.86-6.20

9. Net Loss per Share

The following table presents the calculation of basic and diluted net loss per common share:

	Six Months Ended June 30,	
	2014	2015
Numerator:		
Net loss and comprehensive loss	$ (5,629,517)	$ (7,110,710)
Denominator:		
Weighted-average number of common shares used in net loss per common share—basic and diluted	9,776,198	9,776,742
Net loss per share—basic and diluted	$ (0.58)	$ (0.73)

10. Related Parties

The Company provides office space and certain administrative services to four related companies: Apellis Holdings, LLC; Potentia Pharmaceuticals, Inc. (“Potentia”); Revon Systems, LLC; and Liberate Medical, LLC, where three board members or officers of the Company are also board members and significant equity owners in the related companies. Allocations for the office space and certain administrative expenses are made to these four related entities. These allocation amounts are not considered material to the consolidated balance sheets or consolidated statements of operations and comprehensive loss.

In September 2014, the Company entered into an agreement with Potentia, under which the Company agreed to purchase the assets of Potentia, including the exclusive license to use the active component of APL-2 in ophthalmic indications and other related intellectual property, in exchange for 8,200,000 shares of Common Stock. The acquisition was approved by the boards of directors of the Company and Potentia. This transaction is expected to close prior to the consummation of this offering if certain conditions to closing are satisfied or waived.

Under the asset purchase agreement, the Company has assumed the payment obligations of Potentia under contracts with third-party vendors providing legal, research or clinical development services with respect to ongoing development activities. These contracts were terminable by Potentia for convenience at any time.

APELLIS PHARMACEUTICALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2015
(Unaudited)

However, the contracts have been neither assigned to the Company nor terminated by Potentia, and the third-party vendors continued to perform the services. Although the Company has not assumed these agreements pursuant to the asset purchase agreement, the Company has agreed to make certain payments under such agreements on Potentia's behalf pending the closing of the transaction. The Company recognized expenses related to this arrangement of $674,477, for the six month period ended June 30, 2015.

11. Subsequent Events

Subsequent events have been evaluated through the date these financial statements were submitted within the Registration Statement on Form S-1 to the Securities and Exchange Commission. The Company has concluded that no subsequent event has occurred that requires disclosure.

Shares

Apellis Pharmaceuticals, Inc.

Common Stock

PRELIMINARY PROSPECTUS

, 2015

Citigroup

Barclays

Leerink Partners

Through and including , (25 days after the commencement of this offering), all dealers that buy, sell or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the expenses to be incurred in connection with the offering described in this Registration Statement, other than underwriting discounts and commissions, all of which will be paid by us. All amounts are estimates except the Securities and Exchange Commission's registration fee, the Financial Industry Regulatory Authority, Inc. filing fee and the NASDAQ listing fee.

	Amount
Securities and Exchange Commission registration fee	*
Financial Industry Regulatory Authority, Inc. filing fee	*
NASDAQ listing fee	*
Accountants' fees and expenses	*
Legal fees and expenses	*
Blue Sky fees and expenses	*
Transfer Agent's fees and expenses	*
Printing and engraving expenses	*
Miscellaneous fees and expenses	*
Total expenses	*

* To be filed by amendment.

Item 14. Indemnification of Directors and Officers.

Section 102 of the General Corporation Law of the State of Delaware permits a corporation to eliminate the personal liability of its directors or its stockholders for monetary damages for a breach of fiduciary duty as a director, except where the director breached his or her duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit. Upon completion of this offering, our certificate of incorporation will provide that none of our directors shall be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability, except to the extent that the General Corporation Law of the State of Delaware prohibits the elimination or limitation of liability of directors for breaches of fiduciary duty.

Section 145 of the General Corporation Law of the State of Delaware provides that a corporation has the power to indemnify a director, officer, employee, or agent of the corporation and certain other persons serving at the request of the corporation in related capacities against expenses (including attorneys' fees), judgments, fines and amounts paid in settlements actually and reasonably incurred by the person in connection with an action, suit or proceeding to which he or she is or is threatened to be made a party by reason of such position, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, in any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful, except that, in the case of actions brought by or in the right of the corporation, no indemnification shall be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or other adjudicating court determines that, despite the adjudication of liability but in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Upon the completion of this offering, our certificate of incorporation will provide that we will indemnify each person who was or is a party or threatened to be made a party or is involved in to any threatened, pending or

completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of us) by reason of the fact that he or she is or was, or has agreed to become, our director or officer, or is or was serving, or has agreed to serve, at our request as a director, officer, partner, employee or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (all such persons being referred to as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding and any appeal therefrom, if such Indemnitee acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, our best interests, and, with respect to any criminal action or proceeding, he or she had no reasonable cause to believe his or her conduct was unlawful. Our certificate of incorporation that will be effective upon the closing of the offering also provides that we will indemnify any Indemnitee who was or is a party to an action or suit by or in the right of us to procure a judgment in our favor by reason of the fact that the Indemnitee is or was, or has agreed to become, our director or officer, or is or was serving, or has agreed to serve, at our request as a director, officer, partner, employee or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees) and, to the extent permitted by law, amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding, and any appeal therefrom, if the Indemnitee acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, our best interests, except that no indemnification shall be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to us, unless a court determines that, despite such adjudication but in view of all of the circumstances, he or she is entitled to indemnification of such expenses. Notwithstanding the foregoing, to the extent that any Indemnitee has been successful, on the merits or otherwise, he or she will be indemnified by us against all expenses (including attorneys' fees) actually and reasonably incurred by him or her or on his or her behalf in connection therewith. If we do not assume the defense, expenses must be advanced to an Indemnitee under certain circumstances.

We intend to enter into indemnification agreements with our directors and executive officers prior to the completion of this offering. These indemnification agreements may require us, among other things, to indemnify each such director or officer for some expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by him or her in any action or proceeding arising out of his or her service as one of our directors or officers.

We maintain a general liability insurance policy that covers certain liabilities of our directors and officers arising out of claims based on acts or omissions in their capacities as directors or officers.

The underwriting agreement we will enter into in connection with the offering of common stock being registered hereby provides that the underwriters will indemnify, under certain conditions, our directors and officers (as well as certain other persons) against certain liabilities arising in connection with such offering.

Insofar as the forgoing provisions permit indemnification of directors, executive officers, or persons controlling us for liability arising under the Securities Act of 1933, as amended, or the Securities Act, we have been informed that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 15. Recent Sales of Unregistered Securities.

Set forth below is information regarding shares of our common stock and shares of our preferred stock, and stock options granted, by us within the past three years that were not registered under the Securities Act. Included is the consideration, if any, we received for such shares and options and information relating to the section of the Securities Act, or rule of the Securities and Exchange Commission, under which exemption from registration was claimed.

(a) Issuance of shares of preferred stock

Between July 2012 and December 2012, we issued and sold 1,817,215 shares of series B convertible preferred stock to 15 private investors at a purchase price of $1.10 per share for aggregate proceeds of $1,998,937.

On August 2, 2013, we issued and sold 4,800,000 shares of series C convertible preferred stock to one investor at a purchase price of $1.25 per share for aggregate proceeds of $6,000,000.

On August 21, 2013, we issued and sold 1,288,307 shares of series C convertible preferred stock to 24 investors at a purchase price of $1.25 per share for aggregate proceeds of $1,610,390.

Between July 2014 and September 2014, we issued and sold an additional 8,305,672 shares of series C convertible preferred stock to 18 investors at a purchase price of $1.25 per share for aggregate proceeds of $10,382,097.

Between December 2014 and January 2015, we issued and sold 5,821,432 shares of series C convertible preferred stock to 17 investors at a purchase price of $1.50 per share for aggregate proceeds of $8,732,159.

On March 31, 2015, we issued and sold 3,333,333 shares of series C convertible preferred stock to one investor at a purchase price of $1.50 per share for aggregate proceeds of $5,000,000.

On May 29, 2015, we issued and sold 2,666,667 shares of series C convertible preferred stock to one investor at a purchase price of $1.50 per share for aggregate proceeds of $4,000,000.

No underwriters were involved in the foregoing issuances of securities. The securities described in this section (a) of Item 15 were issued to investors in reliance upon the exemption from the registration requirements of the Securities Act, as set forth in Section 4(a)(2) under the Securities Act and Regulation D promulgated thereunder relative to transactions by an issuer not involving any public offering, to the extent an exemption from such registration was required. The recipients of securities in the transactions described above represented that they were accredited investors and were acquiring the securities for their own account for investment purposes only and not with a view to, or for sale in connection with, any distribution thereof and that they could bear the risks of the investment and could hold the securities for an indefinite period of time and appropriate legends were affixed to the instruments representing such securities issued in such transactions.

(b) Stock option grants and option exercises

From January 1, 2012 through the date of the prospectus that is a part of this registration statement, we granted options to purchase an aggregate of 3,404,062 shares of common stock, with exercise prices ranging from $1.10 to $3.19 per share, to employees, directors and consultants pursuant to our 2010 equity incentive plan. On April 28, 2015, we issued an aggregate of 1,562 shares of common stock upon the exercise of options for aggregate consideration of $1,718.20.

No underwriters were involved in the foregoing issuances of securities. The issuances of stock options and the shares of our common stock issued upon the exercise of the options described in this paragraph (b) of Item 15 were issued pursuant to written compensatory plans or arrangements with our employees, directors and consultants, in reliance on the exemption provided by Rule 701 promulgated under the Securities Act, or pursuant to Section 4(a)(2) under the Securities Act, relative to transactions by an issuer not involving any public offering, to the extent an exemption from such registration was required. All recipients either received adequate information about us or had access, through employment or other relationships, to such information.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits.

The exhibits to the registration statement are listed in the Exhibit Index attached hereto and incorporated by reference herein.

(b) Financial Statement Schedules.

No financial statement schedules are provided because the information called for is not required or is shown either in the financial statements or notes.

Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Crestwood, Commonwealth of Kentucky, on this day of , 2015.

APELLIS PHARMACEUTICALS, INC.

By: _____

Cedric Francois, M.D., Ph.D.
President and Chief Executive Officer

SIGNATURES

We, the undersigned officers and directors of Apellis Pharmaceuticals, Inc., hereby severally constitute and appoint Cedric Francois, M.D., Ph.D. and , and each of them singly (with full power to each of them to act alone), our true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution in each of them for him and in his name, place and stead, and in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement (or any other registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933), and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as full to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
Cedric Francois, M.D., Ph.D.	President, Chief Executive Officer and Director (principal executive officer)	, 2015
Nicole Perry	Vice President of Finance (principal financial and principal accounting officer)	, 2015
Gerald Chan	Chairman of the Board of Directors	, 2015
Stephanie Monaghan O’Brien	Director	, 2015
Alec Machiels	Director	, 2015
Sinclair Dunlop	Director	, 2015

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
1.1*	Form of Underwriting Agreement
2.1+	Asset Purchase Agreement, dated as of September 24, 2014, by and between the Registrant and Potentia Pharmaceuticals, Inc.
3.1	Fourth Amended and Restated Certificate of Incorporation of the Registrant, as amended
3.2	Bylaws of the Registrant
3.3*	Form of Restated Certificate of Incorporation of the Registrant (to be effective upon the closing of this offering)
3.4*	Form of Amended and Restated Bylaws of the Registrant (to be effective upon the closing of this offering)
4.1*	Specimen stock certificate evidencing the shares of common stock
4.2	Investors' Rights Agreement, dated as of July 30, 2013, among the Registrant and the other parties thereto
5.1*	Opinion of Wilmer Cutler Pickering Hale and Dorr LLP
10.1*	2010 Equity Incentive Plan, as amended to date
10.2*	Form of Incentive Stock Option Grant Notice and Agreement under 2010 Equity Incentive Plan
10.3*	Form of Nonstatutory Stock Option Grant Notice and Agreement under 2010 Equity Incentive Plan
10.4*	2015 Stock Incentive Plan
10.5*	Form of Incentive Stock Option Agreement under 2015 Stock Incentive Plan
10.6*	Form of Nonstatutory Stock Option Agreement under 2015 Stock Incentive Plan
10.7*	Form of Director and Officer Indemnification Agreement
10.8†	Patent License Agreement, dated as of March 28, 2008, by and between Apellis AG and The Trustees of the University of Pennsylvania, as assigned to the Registrant
10.9	Office Lease Agreement, dated as of October 21, 2010, by and between the Registrant and DHB Properties, LLC, as amended
10.10*	Non-Employee Director Compensation Policy to be in effect upon the closing of this offering
21.1	Subsidiaries of the Registrant
23.1*	Consent of Ernst & Young LLP, independent registered public accounting firm
23.2*	Consent of Wilmer Cutler Pickering Hale and Dorr LLP (included in Exhibit 5.1)
24.1	Power of Attorney (included on signature page)

* To be filed by amendment.

† Confidential treatment requested as to certain portions, which portions have been omitted and filed separately with the Securities and Exchange Commission.

\+ Pursuant to Item 601(b)(2) of Regulation S-K, the Registrant agrees to furnish supplementally a copy of any omitted schedule or exhibit to the Asset Purchase Agreement to the Securities and Exchange Commission upon request.

Exhibit 2.1

ASSET PURCHASE AGREEMENT

dated September 24, 2014

between

APELLIS PHARMACEUTICALS, INC.

and

POTENTIA PHARMACEUTICALS, INC.

TABLE OF CONTENTS

		Page
ARTICLE I THE ASSET PURCHASE		1
1.1	Purchase and Sale of Assets	1
1.2	Assumption of Liabilities	1
1.3	Transaction Consideration	1
1.4	Buyer Holdback Shares	2
1.5	The Closing	2
1.6	Consents to Assignment	3
1.7	Further Assurances	3
ARTICLE II REPRESENTATIONS AND WARRANTIES OF THE SELLER		3
2.1	Organization, Qualification and Corporate Power	4
2.2	Capitalization	4
2.3	Authorization of Transaction	4
2.4	Noncontravention	5
2.5	Subsidiaries	5
2.6	Financial Statements	5
2.7	Absence of Certain Changes	6
2.8	Undisclosed Liabilities	6
2.9	Tax Matters	6
2.10	Ownership and Condition of Assets	8
2.11	Owned Real Property	8
2.12	Real Property Leases	8
2.13	Intellectual Property	9
2.14	Regulatory Matters	11
2.15	Contracts	14
2.16	Powers of Attorney	16
2.17	Insurance	16
2.18	Litigation	16
2.19	Employees	16
2.20	Employee Benefits	17
2.21	Environmental Matters	20
2.22	Legal Compliance	20
2.23	Permits	21
2.24	Certain Business Relationships With Affiliates	21
2.25	Brokers' Fees	21
2.26	Books and Records	21
2.27	Product Liability	21
2.28	Investment Representation	22
2.29	Restricted Securities	22
2.30	No Public Market	22
2.31	Legend	22
2.32	Disclosure	22

ARTICLE III REPRESENTATIONS AND WARRANTIES OF THE BUYER 23
3.1 Organization, Qualification and Corporate Power 23
3.2 Capitalization 23
3.3 Authorization of the Transaction 23
3.4 Noncontravention 24

ARTICLE IV PRE-CLOSING COVENANTS 24
4.1 Closing Efforts 24
4.2 Governmental and Third-Party Notices and Consents 24
4.3 Stockholder Approval 24
4.4 Operation of Business 25
4.5 Access to Information 26
4.6 Notice of Breaches 27
4.7 Exclusivity 27
4.8 FIRPTA Tax Certificate 28
4.9 Conduct of AMD Program and Phase 1 Clinical Trial 28
4.10 Seller's Right to Raise Capital 29
4.11 280G 30

ARTICLE V CONDITIONS TO CLOSING 30
5.1 Conditions to Obligations of each Party 30
5.2 Conditions to Obligations of the Buyer 30
5.3 Conditions to Obligations of the Seller 31

ARTICLE VI POST-CLOSING COVENANTS 32
6.1 Proprietary Information 32
6.2 Solicitation and Hiring 32
6.3 [Intentionally Omitted.] 32
6.4 Tax Matters 33
6.5 Sharing of Data 33
6.6 Use of Name 33
6.7 Cooperation in Litigation 33
6.8 Reorganization of Seller 34

ARTICLE VII INDEMNIFICATION 34
7.1 Indemnification by the Seller 34
7.2 Indemnification by the Buyer 34
7.3 Indemnification Claims 35
7.4 Survival of Representations and Warranties 36
7.5 Limitations 37
7.6 Disbursement of Buyer Holdback Shares 37
7.7 Treatment of Indemnity Payments 38

ARTICLE VIII TERMINATION 38
8.1 Termination of Agreement 38
8.2 Effect of Termination 39

ARTICLE IX DEFINITIONS 39

ARTICLE X MISCELLANEOUS 52

10.1 Press Releases and Announcements 52
10.2 No Third Party Beneficiaries 52
10.3 Entire Agreement 52
10.4 Succession and Assignment 52
10.5 Counterparts and Facsimile Signature 52
10.6 Headings 52
10.7 Notices 52
10.8 Governing Law 53
10.9 Amendments and Waivers 53
10.10 Severability 53
10.11 Expenses 54
10.12 Submission to Jurisdiction 54
10.13 Specific Performance 54
10.14 Construction 54

Exhibits

Exhibit A - Bill of Sale
Exhibit B - Patent Assignment
Exhibit C - Trademark Assignment
Exhibit D - Instrument of Assumption
Exhibit E - Voting Agreement
Exhibit F - Investment Questionnaire

Schedules

Schedule 1.1(b) - Excluded Assets
Schedule 1.2(a) - Assumed Liabilities
Schedule 4.9(e) - Assessment Committee
Schedule 6.8 - Transferred Employees
Disclosure Schedule

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement is entered into as of September 24, 2014 by and between Apellis Pharmaceuticals, Inc., a Delaware corporation (the "Buyer"), and Potentia Pharmaceuticals, Inc., a Delaware corporation (the "Seller").

This Agreement contemplates a transaction in which the Buyer or its Nominee will purchase substantially all of the assets and assume certain of the liabilities of the Seller.

It is intended that the purchase of the Seller's assets followed by the merger of Seller into Potentia Holding LLC (which will be a limited liability company taxed as a partnership for U.S. federal income tax purposes) will qualify as a reorganization within the meaning of Section 368(a)(1)(C) of the Code, and the Parties hereby adopt this Agreement as a plan of reorganization within the meaning of Section 368(a) of the Code.

Capitalized terms used in this Agreement shall have the meanings ascribed to them in Article IX.

In consideration of the representations, warranties and covenants herein contained, the Parties agree as follows.

ARTICLE I

THE ASSET PURCHASE

1.1 Purchase and Sale of Assets.

(a) Upon and subject to the terms and conditions of this Agreement, the Buyer or its Nominee shall purchase from the Seller, and the Seller shall sell, transfer, convey, assign and deliver to the Buyer or its Nominee, at the Closing, for the consideration specified below in this Article I, all right, title and interest in, to and under the Acquired Assets.

(b) Notwithstanding the provisions of Section 1.1(a), the Acquired Assets shall not include the Excluded Assets.

1.2 Assumption of Liabilities.

(a) Upon and subject to the terms and conditions of this Agreement, the Buyer or such Nominee shall assume and become responsible for, from and after the Closing, the Assumed Liabilities.

(b) Notwithstanding the terms of Section 1.2(a) or any other provision of this Agreement to the contrary, neither the Buyer nor such Nominee shall assume or become responsible for, and the Seller shall remain liable for, the Retained Liabilities.

1.3 Transaction Consideration. The consideration to be paid by the Buyer for the Acquired Assets at the Closing shall be 8,200,000 shares of Buyer Common Stock (such number of shares being subject to adjustment in the event of any stock dividend, stock split, combination

or other similar recapitalization affecting the Buyer Common Stock occurring after the date of this Agreement and prior to the Closing).

1.4 Buyer Holdback Shares. At the Closing, the Buyer Holdback Shares shall be withheld by the Buyer for the purpose of securing the indemnification obligations of the Seller set forth in this Agreement.

1.5 The Closing.

(a) The Closing shall take place at the offices of WilmerHale in Boston, Massachusetts commencing at 9:00 a.m. local time on the Closing Date. All transactions at the Closing shall be deemed to take place simultaneously, and no transaction shall be deemed to have been completed and no documents or certificates shall be deemed to have been delivered until all other transactions are completed and all other documents and certificates are delivered.

(b) At the Closing:

(i) the Seller shall deliver to the Buyer the various certificates, instruments and documents referred to in Section 5.2;

(ii) the Buyer shall deliver to the Seller the various certificates, instruments and documents referred to in Section 5.3;

(iii) the Seller shall execute and deliver to the Buyer a bill of sale in substantially the form attached hereto as Exhibit A, one or more patent assignments in substantially the form attached hereto as Exhibit B, one or more trademark assignments in substantially the form attached hereto as Exhibit C, and such other instruments of conveyance as the Buyer may reasonably request in order to effect the sale, transfer, conveyance and assignment to the Buyer of valid ownership of the Acquired Assets;

(iv) the Buyer shall execute and deliver to the Seller an instrument of assumption in substantially the form attached hereto as Exhibit D and such other instruments as the Seller may reasonably request in order to effect the assumption by the Buyer of the Assumed Liabilities;

(v) the Buyer shall deliver to the Seller a certificate for the Buyer Closing Shares;

(vi) the Seller shall execute and deliver to the Buyer the Voting Agreement;

(vii) the Seller shall execute and deliver to the Buyer counterparts of the Notice of First Refusal and Co-Sale Agreement, dated July 30, 2013, and the Voting Agreement, dated July 30, 2013, as a “Common Holder” thereunder;

(viii) the Seller shall deliver to the Buyer, or otherwise put the Buyer in possession and control of, all of the Acquired Assets of a tangible nature; and

(ix) the Buyer and the Seller shall execute and deliver to each other a cross-receipt evidencing the transactions referred to above.

1.6 Consents to Assignment. Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign or transfer any contract, lease, authorization, license or permit, or any claim, right or benefit arising thereunder or resulting therefrom, if an attempted assignment or transfer thereof, without the consent of a third party thereto or of the issuing Governmental Entity, as the case may be, would constitute a breach thereof. If a Deferred Consent is not obtained, or if an attempted assignment or transfer thereof would be ineffective or would affect the rights thereunder so that the Buyer would not receive all such rights, then, in each such case, (a) the Deferred Item shall be withheld from sale pursuant to this Agreement without any reduction in the Transaction Consideration, (b) from and after the Closing, the Seller and the Buyer will cooperate, in all reasonable respects, to obtain such Deferred Consent as soon as practicable after the Closing and (c) until such Deferred Consent is obtained, the Seller and the Buyer will cooperate, in all reasonable respects, to provide to the Buyer the benefits under the Deferred Item to which such Deferred Consent relates (with the Buyer entitled to all the gains and responsible for all the losses, Taxes, liabilities and/or obligations thereunder). In particular, in the event that any such Deferred Consent is not obtained prior to the Closing, then the Buyer and the Seller shall enter into such arrangements (including subleasing or subcontracting if permitted) to provide to the Parties the economic and operational equivalent of obtaining such Deferred Consent and assigning or transferring such contract, lease, authorization, license or permit, including enforcement for the benefit of the Buyer of all claims or rights arising thereunder, and the performance by the Buyer of the obligations thereunder on a prompt and punctual basis.

1.7 Further Assurances. At any time and from time to time after the Closing, at the request of the Buyer and without further consideration, the Seller shall execute and deliver such other instruments of sale, transfer, conveyance and assignment and take such actions as the Buyer may reasonably request to more effectively transfer, convey and assign to the Buyer, and to confirm the Buyer's rights to, title in and ownership of, the Acquired Assets and to place the Buyer in actual possession and operating control thereof.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller represents and warrants to the Buyer that, except as set forth in the Disclosure Schedule, the statements contained in this Article II are true and correct as of the date of this Agreement and will be true and correct as of the Closing as though made as of the Closing, except to the extent such representations and warranties are specifically made as of a particular date (in which case such representations and warranties will be true and correct as of such date). The disclosures in any section or subsection of the Disclosure Schedule shall qualify other sections and subsections in this Article II only to the extent it is clear from a reading of the disclosure that such disclosure is applicable to such other sections and subsections. For purposes of this Article II, the phrase "to the knowledge of the Seller" or any phrase of similar import shall be deemed to refer to the actual knowledge of each of Cedric Francois, Pascal Deschatelets and Federico Grossi, as well as any other knowledge which such persons would have possessed

had they made reasonable inquiry of appropriate employees and agents of the Seller with respect to the matter in question.

2.1 Organization, Qualification and Corporate Power. The Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Seller is duly qualified to conduct business and is in good standing under the laws of each jurisdiction listed in Section 2.1 of the Disclosure Schedule, which jurisdictions constitute the only jurisdictions in which the nature of the Seller's businesses or the ownership or leasing of its properties requires such qualification, except for those jurisdictions in which the failure to be so qualified or in good standing, individually or in the aggregate, has not had and would not reasonably be expected to have a Seller Material Adverse Effect. The Seller has all requisite corporate power and authority to carry on the businesses in which it is engaged and to own and use the properties owned and used by it. The Seller has furnished to the Buyer complete and accurate copies of its Certificate of Incorporation and by-laws. The Seller is not in default under or in violation of any provision of its Certificate of Incorporation or by-laws.

2.2 Capitalization. As of the date of this Agreement, the authorized capital stock of the Seller consists of (a) of (i) 30,000,000 shares of Common Stock of which there are 17,648,114 shares of Common Stock issued and outstanding and 12,381,449 shares of Common Stock are held by the Seller as treasury stock, (ii) 2,950,352 shares of 2006 Preferred Stock, all of which are issued and outstanding, and (iii) 6,629,821 shares of 2007 Preferred Stock, all of which are issued and outstanding. Section 2.2 of the Disclosure Schedule sets forth a complete and accurate list, as of the date of this Agreement, of (i) all stockholders of the Seller, indicating the number and class or series of shares of capital stock of the Seller held by each stockholder and (for shares other than common stock) the number of shares of Common Stock (if any) into which such shares are convertible, (ii) all outstanding options, warrants or other instruments giving any party the right to acquire any of capital stock of the Seller, indicating (A) the holder thereof, (B) the number and class or series of capital stock of the Seller subject thereto and (for shares other than Common Stock) the number of shares of Common Stock (if any) into which such shares are convertible, (C) the exercise price, date of grant, vesting schedule and expiration date for each such option, warrant or other instrument. There are no outstanding agreements or commitments to which the Seller is a party or which are binding upon the Seller providing for the redemption of any of its capital stock.

2.3 Authorization of Transaction. The Seller has all requisite power and authority to execute and deliver this Agreement and the Ancillary Agreements and to perform its obligations hereunder and thereunder. The execution and delivery by the Seller of this Agreement and, subject to obtaining the Requisite Stockholder Approval, which is the only approval required from the Seller's stockholders, the performance by the Seller of this Agreement and the Ancillary Agreements and the consummation by the Seller of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action on the part of the Seller. Without limiting the generality of the foregoing, the Board of Directors of the Seller, at a meeting duly called and held, by the unanimous vote of all directors determined that the sale of assets contemplated by this Agreement is fair to and in the best interests of the Seller and its stockholders, approved this Agreement in accordance with the Delaware General Corporation Law, directed that such asset sale be submitted to the stockholders of the Seller for their approval, and resolved to recommend that the stockholders of the Seller vote in favor of the

approval of such asset sale. This Agreement has been duly and validly executed and delivered by the Seller and constitutes, and each of the Ancillary Agreements, upon its execution and delivery by the Seller, will constitute, a valid and binding obligation of the Seller, enforceable against the Seller in accordance with its terms.

2.4 Noncontravention. Neither the execution and delivery by the Seller of this Agreement or the Ancillary Agreements, nor the consummation by the Seller of the transactions contemplated hereby or thereby, will (a) conflict with or violate any provision of the Certificate of Incorporation or by-laws of the Seller, (b) require on the part of the Seller any notice to or filing with, or any permit, authorization, consent or approval of, any Governmental Entity, (c) conflict with, result in a breach of, constitute (with or without due notice or lapse of time or both) a default under, result in the acceleration of obligations under, create in any party the right to terminate, modify or cancel, or require any notice, consent or waiver under, any contract or instrument to which the Seller is a party or by which the Seller is bound or to which any of its assets is subject, except for (i) any conflict, breach, default, acceleration, termination, modification or cancellation which, individually or in the aggregate, would not have a Seller Material Adverse Effect and would not adversely affect the consummation of the transactions contemplated hereby or (ii) any notice, consent or waiver the absence of which, individually or in the aggregate, would not have a Seller Material Adverse Effect and would not adversely affect the consummation of the transactions contemplated hereby, (d) result in the imposition of any Security Interest upon any assets of the Seller or (e) violate any order, writ, injunction, decree, statute, rule or regulation applicable to the Seller or any of its properties or assets.

2.5 Subsidiaries.

(a) The Seller does not have any Subsidiaries.

(b) The Seller does not control directly or indirectly or have any direct or indirect equity participation or similar interest in any corporation, partnership, limited liability company, joint venture, trust or other business association or entity which is not a Subsidiary.

2.6 Financial Statements.

(a) The Seller has provided to the Buyer the Financial Statements. The Financial Statements (i) comply as to form in all material respects with applicable accounting requirements, (ii) were prepared in accordance with GAAP applied on a consistent basis throughout the periods covered thereby (except as may be indicated in the notes to such financial statements) and (iii) fairly present the financial position of the Seller as of the dates thereof and the results of its operations and cash flows for the periods indicated, consistent with the books and records of the Seller, except that the unaudited interim financial statements are subject to normal and recurring year-end adjustments which will not be material in amount or effect and do not include footnotes.

(b) Seller maintains accurate books and records reflecting its assets and liabilities and maintains proper and effective internal control over financial reporting that provides reasonable assurance that (i) transactions are executed with management’s authorization, (ii) transactions are recorded as necessary to permit preparation of the financial

statements of Seller and to maintain accountability for Seller's assets, (iii) access to assets of Seller is permitted only in accordance with management's authorization, (iv) the reporting of assets of Seller is compared with existing assets at regular intervals and (v) proper and adequate procedures are implemented to effect the collection of accounts, notes and other receivables on a current and timely basis.

2.7 Absence of Certain Changes. Since the Most Recent Balance Sheet Date, (a) there has occurred no event or development which, individually or in the aggregate, has had, or could reasonably be expected to have in the future, a Seller Material Adverse Effect, and (b) the Seller has not taken any of the actions set forth in paragraphs (a) through (n) of Section 4.4.

2.8 Undisclosed Liabilities. The Seller does not have any liabilities (whether known or unknown, whether absolute or contingent, whether liquidated or unliquidated and whether due or to become due), except for (a) liabilities shown on the Most Recent Balance Sheet, (b) liabilities which have arisen since the Most Recent Balance Sheet Date in the Ordinary Course of Business and (c) contractual and other liabilities incurred in the Ordinary Course of Business which are not required by GAAP to be reflected on a balance sheet.

2.9 Tax Matters.

(a) All Tax Returns required to be filed by Seller have been timely filed after giving effect to any extensions. All such Tax Returns are true, complete and correct in all material respects. All Taxes required to be paid by Seller that are due and payable have been timely paid, whether or not shown on any Tax Return. Seller is not currently the beneficiary of any extension of time within which to file any Tax Return.

(b) Seller has withheld or collected all Taxes required by law to have been withheld or collected by the Seller and, to the extent required, has properly paid over such Taxes to the appropriate Governmental Entities, and complied with all information reporting and backup withholding requirements, including the maintenance of required records with respect thereto, in connection with amounts paid to any employee, independent contractor, creditor, stockholder or other third party.

(c) There are no Security Interests for Taxes upon any of the Acquired Assets other than Security Interests for current Taxes not yet due and payable.

(d) Seller has not made any payment, is not obligated to make any payment and is not a party to any agreement, contract or arrangement that could obligate it to make any payment, that may be treated as an "excess parachute payment" under Section 280G of the Code (without regard to Sections 280G(b)(4) and 280G(b)(5) of the Code) in connection with the transactions contemplated by this Agreement.

(e) No examination or audit or other action of or relating to any Tax Return of Seller by any Governmental Entity is currently in progress or, to the knowledge of Seller, threatened or contemplated. No deficiencies for Taxes of Seller have been claimed, proposed or assessed by any Governmental Entity. Seller has not been informed by any jurisdiction in which Seller does not file a Tax Return that the jurisdiction believes that Seller was required to file any

Tax Return that was not filed or is subject to Tax in such jurisdiction. There are no outstanding agreements or waivers extending the statutory period of limitations applicable to any Tax Return, or the period for assessment or collection of any Taxes, of Seller. Seller has not executed or filed any power of attorney with any taxing authority which is still in effect.

(f) Neither Seller nor any Affiliate of Seller has participated in any "reportable transaction" as defined in Section 1.6011-4(b) of the Treasury Regulations or a "listed transaction" as set forth in Treasury Regulation Section 301.6111-2(b)(2) or any analogous provision of state or local law. Seller has disclosed on its federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of federal income Tax within the meaning of Section 6662 of the Code.

(g) No Acquired Asset is treated as "tax exempt use property" within the meaning of Section 168(h) of the Code or is required to be depreciated under the "Alternative Depreciation System" under Section 168(g)(2) of the Code.

(h) None of the Acquired Assets are United States real property interests within the meaning of Section 897(c)(1) of the Code.

(i) Seller has delivered or made available to Buyer true, complete and correct copies of (i) all Tax Returns of Seller for all taxable periods for which the statute of limitations has not yet expired; (ii) complete and correct copies of all private letter rulings, revenue agent reports, audit reports, information document requests, notices of proposed deficiencies, deficiency notices, protests, petitions, closing agreements, settlement agreements, pending ruling requests and any similar documents submitted by, received by or agreed to by or on behalf of Seller relating to Taxes for all taxable periods for which the statute of limitations has not yet expired; and (iii) complete and correct copies of all material agreements, rulings, settlements or other Tax documents with or from any Governmental Entity relating to Tax incentives of Seller.

(j) Seller (i) has not been a member of a group filing consolidated, combined, unitary or similar Tax Returns, (ii) has no Liability for the Taxes of any person under Treasury Regulation Section 1.1502-6 (or any comparable or similar provision of federal, state, local or foreign law) (other than another Seller Party), as a transferee or successor, by contract or otherwise, and (iii) is not a party to or bound by, and does not have any continuing obligation under, any Tax sharing, Tax indemnity, Tax allocation or any other agreement of a similar nature.

(k) Seller has not distributed to its stockholders or security holders stock or securities of a controlled corporation, nor has stock or securities of the Seller been distributed, in a transaction to which Section 355 of the Code applies (i) in the two years prior to the date of this Agreement or (ii) in a distribution that could otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code) that includes the transactions contemplated by this Agreement.

(l) Seller has not taken or agreed to take any action which would prevent the purchase of Seller's assets followed by the distribution of the Buyer Closing Shares and the Buyer Holdback Shares to Seller's stockholders in liquidation of Seller via either a conversion of

Seller into a limited liability company or the merger of Seller into Seller's sole shareholder, which is a limited liability company taxed as a partnership, from qualifying as a reorganization under Section 368(a) of the Code.

2.10 Ownership and Condition of Assets.

(a) The Seller is the true and lawful owner, and has good title to, all of the Acquired Assets, free and clear of all Security Interests, except as set forth in Section 2.10(a)(i) of the Disclosure Schedule. Upon execution and delivery by the Seller to the Buyer of the instruments of conveyance referred to in Section 1.5(b)(iii), the Buyer will become the true and lawful owner of, and will receive good title to, the Acquired Assets, free and clear of all Security Interests other than those set forth in Section 2.10(a)(ii) of the Disclosure Schedule.

(b) The Acquired Assets are sufficient for the conduct of the Seller's business as presently conducted and constitute all the assets used by the Seller in such business. Each tangible Acquired Asset is free from material defects, has been maintained in accordance with normal industry practice, is in good operating condition and repair (subject to normal wear and tear) and is suitable for the purposes for which it presently is used.

2.11 Owned Real Property. The Seller has never owned any real property.

2.12 Real Property Leases. Section 2.12 of the Disclosure Schedule lists all Leases and lists the term of such Lease, any extension and expansion options, and the rent payable thereunder. The Seller has delivered to the Buyer complete and accurate copies of the Leases. With respect to each Lease:

(a) such Lease is legal, valid, binding, enforceable and in full force and effect;

(b) such Lease is assignable by the Seller without the consent or approval of any party (except as set forth in Section 2.4 of the Disclosure Schedule) and such Lease will continue to be legal, valid, binding, enforceable and in full force and effect immediately following the Closing in accordance with the terms thereof as in effect immediately prior to the Closing;

(c) neither the Seller nor, to the knowledge of the Seller, any other party, is in breach or violation of, or default under, any such Lease, and no event has occurred, is pending or, to the knowledge of the Seller, is threatened, which, after the giving of notice, with lapse of time, or otherwise, would constitute a breach or default by the Seller or, to the knowledge of the Seller, any other party under such Lease;

(d) there are no disputes, oral agreements or forbearance programs in effect as to such Lease;

(e) the Seller has not assigned, transferred, conveyed, mortgaged, deeded in trust or encumbered any interest in the leasehold or subleasehold;

(f) to the knowledge of the Seller, all facilities leased or subleased thereunder are supplied with utilities and other services adequate for the operation of said facilities; and

(g) the Seller is not aware of any Security Interest, easement, covenant or other restriction applicable to the real property subject to such lease which would reasonably be expected to materially impair the current uses or the occupancy by the Seller of the property subject thereto.

2.13 Intellectual Property.

(a) Section 2.13(a) of the Disclosure Schedule lists all Seller Owned Intellectual Property Registrations and Seller Exclusively Licensed Intellectual Property Registrations, in each case enumerating specifically the applicable filing or registration number, title, jurisdiction in which filing was made or from which registration issued, date of filing or issuance, names of all current applicant(s) and registered owners(s), as applicable. All assignments of Seller Owned Intellectual Property Registrations to the Seller have been properly executed and recorded and all exclusive licenses granted to Seller of Seller Exclusively Licensed Intellectual Property Registrations remain in force and are enforceable in accordance with their terms. To the knowledge of the Seller, all issued Patent Rights and issued Trademarks included in the Seller Owned Intellectual Property Registrations and Seller Exclusively Licensed Intellectual Property Registrations are valid and enforceable, all patent applications and trademark registrations included in the Seller Owned Intellectual Property Registrations and Seller Exclusively Licensed Intellectual Property Registrations that have not yet issued remain pending, and all application, issuance, renewal, maintenance and other payments that are or have become due with respect to the Seller Owned Intellectual Property Registrations and Seller Exclusively Licensed Intellectual Property Registrations have been timely paid by or on behalf of the Seller or the applicable licensor.

(b) There are no inventorship challenges, opposition, post-grant review or nullity proceedings or interferences declared or commenced or, to the knowledge of the Seller, threatened, with respect to any Patent Rights included in the Seller Owned Intellectual Property Registrations and, to the knowledge of the Seller, there are no inventorship challenges, opposition, post-grant review or nullity proceedings or interferences declared, commenced or threatened with respect to any Patent Rights included in the Seller Exclusively Licensed Intellectual Property Registrations. The Seller has complied with its duty of candor and disclosure to the United States Patent and Trademark Office and any relevant foreign patent or trademark office with respect to all patent and trademark applications included in the Seller Owned Intellectual Property Registrations and has made no material misrepresentation in such applications. The Seller has no knowledge of any information that would preclude the Buyer from having clear title to or a valid and enforceable license under the Seller Owned Intellectual Property Registrations or the Seller Exclusively Licensed Intellectual Property Registrations, as applicable, or materially and adversely affecting the patentability, registrability or, in the case of an issued Patent Right, enforceability of any Seller Owned Intellectual Property Registrations or Seller Exclusively Licensed Intellectual Property Registrations. There has been no public disclosure by the Seller of any Seller Owned Intellectual Property or Seller Exclusively Licensed Intellectual Property that is claimed in any Patent Rights included in the Seller Owned Intellectual Property Registrations or Seller Exclusively Licensed Intellectual Property Registrations, or, to the knowledge of the Seller, by any third party, including in trade publications or at trade shows, prior to filing of the first Seller Owned Intellectual Property

Registration or Seller Exclusively Licensed Intellectual Property Registrations with respect thereto.

(c) Each item of Seller Intellectual Property will be owned or available for use by the Buyer or a subsidiary of the Buyer immediately following the Closing on the same terms and conditions as it was immediately prior to the Closing. The Seller is the sole and exclusive owner of all Seller Owned Intellectual Property, free and clear of any Security Interests. To the knowledge of the Seller, the Seller Intellectual Property and the Buyer's Intellectual Property constitute all Intellectual Property necessary to Exploit APL-2 in the form existing as of the date of this Agreement in the manner so done currently and contemplated to be done in the future under the Development Plan.

(d) The Seller has taken reasonable measures to protect the proprietary nature of each item of Seller Owned Intellectual Property, and to maintain in confidence all Seller Owned Intellectual Property that, consistent with reasonable business practices, would be expected to be maintained in confidence or as a trade secret. To the knowledge of the Seller, there has been no: (i) unauthorized disclosure by the Seller of any third party proprietary or confidential information in the possession, custody or control of the Seller, or (ii) breach of the Seller's security procedures wherein confidential information of the Seller or confidential information of any other person held by the Seller has been disclosed to an unauthorized third person.

(e) To the knowledge of the Seller, the Exploitation of the Product Candidates in the form existing as of the date of this Agreement do not infringe or constitute a misappropriation of, or in the past have infringed or constituted a misappropriation of, any Intellectual Property rights of any third party. No written complaint, claim or notice, or written threat of any of the foregoing (including any written notification that a license under any patent is or may be required), has been received by the Seller alleging any such infringement or misappropriation and no written request or demand for indemnification or defense has been received by the Seller from any licensee, distributor, user or any other third party.

(f) To the knowledge of the Seller, no person (including any current or former employee or consultant of the Seller) is infringing or misappropriating any of the Seller Owned Intellectual Property or any Seller Licensed Intellectual Property which is exclusively licensed to the Seller. The Seller has made available to the Buyer copies of all written correspondence, analyses, legal opinions, complaints, claims, notices or threats received by Seller concerning the infringement or misappropriation of any Seller Owned Intellectual Property and, to the extent in the possession of Seller, of any Seller Licensed Intellectual Property which is exclusively licensed to the Seller.

(g) Section 2.13(g) of the Disclosure Schedule identifies each agreement pursuant to which the Seller has assigned, licensed or otherwise granted any right to receive an assignment or license to any person, or covenanted not to assert any right, with respect to any Seller Intellectual Property. The Seller has not agreed to indemnify any person against any infringement or misappropriation of any Intellectual Property rights. The Seller is not a member of or party to any patent pool, industry standards body, trade association or other organization

pursuant to the rules of which it is obligated to license any existing or future Intellectual Property to any person.

(h) Section 2.13(h) of the Disclosure Schedule identifies (i) each item of Seller Licensed Intellectual Property and the license or agreement pursuant to which the Seller licenses or Exploits it (excluding off-the-shelf software programs that are part of the Internal Systems and are licensed by the Seller pursuant to "shrink wrap" licenses, the total fees associated with which are less than $50,000) and (ii) each agreement, contract, assignment or other instrument pursuant to which the Seller has obtained any joint or sole ownership interest in or to each item of Seller Owned Intellectual Property.

(i) Each current or former employee of the Seller and each current or former independent contractor of the Seller has executed a valid, binding and enforceable written agreement expressly assigning to the Seller all right, title and interest in any inventions and works of authorship, whether or not patentable, invented, created, developed, conceived and/or reduced to practice during the term of and within the scope of such employee's employment or such independent contractor's work for the Seller, and all Intellectual Property rights therein.

(j) The Seller has neither sought, applied for nor received any support, funding, resources or assistance from any federal, state, local or foreign governmental or quasi-governmental agency or funding source in connection with the Exploitation of any Product Candidate or any facilities or equipment used in connection therewith.

2.14 Regulatory Matters.

(a) The Seller is developing, testing, labeling, packaging, manufacturing, distributing, and storing, and at all times has developed, tested, labeled, packaged, manufactured, distributed, and stored the Product Candidates in compliance in all material respects with (i) the FDA Act and applicable implementing regulations and guidances issued by the FDA, including, as applicable, those requirements relating to the FDA's current good manufacturing practices, good laboratory practices, good clinical practices and investigational use, in each case, for a new drug product, (ii) the laws of the European Union and applicable implementing regulations and guidelines issued by applicable Governmental Entities in the European Union, including the EMA, and (iii) any other applicable Governmental Entities in any other country where the Seller has actually developed, tested, labeled, packaged, manufactured, distributed or stored the Product Candidates. The Seller has not received written notice of any pending or threatened claim, suit, proceeding, hearing, enforcement, audit, investigation, arbitration or other action from the FDA or any other Governmental Entity alleging that any operation or activity of the Seller is in material violation of the FDA Act or the respective counterparts thereof promulgated by applicable state Governmental Entities or Governmental Entities outside the United States.

(b) The Seller has made available to the Buyer, with respect to the Product Candidates, complete and correct copies, as of the date of this Agreement, of (i) all INDs or Clinical Trial Applications ("CTAs") submitted to the FDA or to any other Governmental Entity, respectively, (ii) all foreign counterparts to the INDs and CTAs (in any other country where the Seller has undertaken any action to develop, test, label, manufacture, distribute or store the Product Candidates), (iii) all supplements to and amendments of the items set forth in clauses (i)

and (ii) and (vi) all material correspondence with the FDA or with any other Governmental Entity located in the United States or European Union with respect to the Product Candidates. All information, claims, reports, statistics, and other data and conclusions submitted by the Seller in connection with the INDs and the CTAs and any foreign counterparts thereof and in all supplements to and amendments of the same were true, complete and correct in all material respects as of the applicable date of submission and were in compliance in all material respects with all applicable laws as of the respective dates such filings were made.

(c) All preclinical studies and clinical trials, and other studies and tests of the Product Candidates conducted by or on behalf of the Seller have been, and if still pending are being, conducted in material compliance, to the extent applicable, with the applicable protocol for such study or trial, good laboratory practices, good clinical practices and all applicable laws, including the FDA Act and the respective counterparts thereof outside the United States, including, as applicable, the laws of the European Union. No clinical trial conducted by or on behalf of the Seller has been terminated or suspended prior to scheduled completion, and neither the FDA nor any other applicable Governmental Entity, clinical investigator that has participated or is participating in, or institutional review board that has or has had jurisdiction over, a clinical trial conducted by or on behalf of the Seller has initiated, or, to the Seller's knowledge, threatened to initiate, any action to place a clinical hold order on, or otherwise terminate or suspend, any proposed or ongoing clinical investigation of the Product Candidates conducted or proposed to be conducted by or on behalf of the Seller. The Seller has not received any written notice that the FDA or any other Governmental Entity has commenced, or, to the Seller's knowledge, threatened in writing to initiate, any action to withdraw or suspend an IND, or commenced or, to the Seller's knowledge threatened in writing to initiate, any action to enjoin production of any Product Candidate at any of its or its suppliers' facilities. No clinical investigator who has conducted or, if still pending, is conducting any clinical trial sponsored by or on behalf of the Seller has been disqualified from receiving investigational products by the FDA or any other Governmental Entity or received any written notice from the FDA or any other Governmental Entity of an intent to initiate such disqualification proceedings.

(d) The Seller is not subject to any investigation that is pending or, to the knowledge of the Seller, that is pending and not served or threatened or that has been threatened, in each case by (i) the FDA or (ii) the Department of Health and Human Services Office of Inspector General or Department of Justice pursuant to the Federal Healthcare Program Anti-Kickback Statute (42 U.S.C. §1320a-7b(b) or the Federal False Claims Act (31 U.S.C. §3729) (known as the "Federal False Claims Act").

(e) The Seller has not submitted any claim for payment to any government healthcare program in connection with any referrals that violated any applicable self-referral law, including the Federal Ethics in Patient Referrals Act, 42 U.S.C. §1395nn (known as the "Stark law"), or any applicable state self-referral law.

(f) The Seller has not submitted any claim for payment to any government healthcare program in violation of any laws relating to false claims or fraud, including the Federal False Claim Act or any applicable state false claim or fraud law.

(g) The Seller has complied in all material respects with all applicable security and privacy standards regarding protected health information under (i) HIPAA and (ii) any applicable privacy laws.

(h) All manufacturing operations conducted for the benefit of the Seller have been and are being conducted in material compliance with applicable laws, including, to the extent applicable, the provisions of the FDA's current good manufacturing practice regulations and the respective counterparts thereof promulgated by state Governmental Entities, or Governmental Entities in countries outside the United States. To the Seller's knowledge, none of the Seller's suppliers or contract manufacturers has received an FDA Form 483 or other Governmental Entity notice of inspectional observations, "warning letters" or "untitled letters", in each case, related to or affecting any Product Candidate. The Seller has made available to the Buyer copies of all material (i) reports of inspection observations, if any, relating to the Product Candidates received by the Seller, (ii) establishment inspection reports relating to the Product Candidates received by the Seller, and (iii) warning letters relating to the Product Candidates received by the Seller, if any, as well as any other documents received by the Seller, or to its knowledge, its suppliers or contract manufacturers from the FDA or other applicable Governmental Entities relating to the Product Candidates or arising out of the development of the Product Candidates that assert past or ongoing lack of compliance with any applicable laws by the Seller, and to its knowledge, its suppliers and contract manufacturers relating to clinical development of the Product Candidates.

(i) Section 2.14(i) of the Disclosure Schedule sets forth a list of (i) all Product Candidate recalls, field notifications, investigator notices, safety alerts, "serious adverse event" reports or other notices of action relating to an alleged lack of safety or regulatory compliance issued by the Seller or by contracting persons acting on behalf of the Seller ("Safety Notices"), (ii) the dates such Safety Notices, if any, were resolved or closed, and (iii) to the Seller's knowledge, any material Product Candidate complaints that are currently unresolved.

(j) The Seller has not committed any act, made any statement or failed to make any statement that would reasonably be expected to provide a basis for the FDA or any other Governmental Entity to invoke its policy with respect to "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities" or any such similar policies set forth in any applicable laws. None of the Seller or, to the Seller's knowledge, any of its officers, key employees or agents, has been convicted of any crime or engaged in any conduct that has resulted, or would reasonably be expected to result, in debarment under applicable law, including 21 U.S.C. Section 335a. To the Seller's knowledge, no claims, actions, proceedings or investigations that would reasonably be expected to result in such a material debarment or exclusion of the Seller are pending or threatened against the Seller or any of its officers, employees or agents. All documents filed by the Seller with the FDA or any other Governmental Entity with respect to the Product Candidates, or the manufacturing, handling, storage or shipment of the Product Candidates were, at the time of filing, true, complete and accurate in all material respects, no adverse event information has come to the attention of the Seller that is materially different in terms of the incidence, severity or nature of such adverse events than any which were filed as safety updates to the documents filed by the Seller with the FDA or any other Governmental Entity with respect to the Product Candidates, and all written data summaries prepared by the Seller that were included in documents filed with the FDA or any

other Governmental Entity with respect to the Product Candidates and that are based on clinical studies conducted or sponsored by the Seller accurately summarize in all material respects the corresponding raw data underlying such summaries.

(k) The Seller is not a party to any corporate integrity agreement, monitoring agreement, consent decree, settlement order, or similar agreement with or imposed by any Governmental Entity.

(l) The Seller has disclosed to the Buyer all material information known by the Seller with respect to the safety and efficacy of the Product Candidates from nonclinical and/or clinical studies.

(m) The Seller has not received any written notice questioning the good standing with the FDA or any other Governmental Entity of any of the documents filed by the Seller with the FDA or any other Governmental Entity with respect to the Product Candidates or the manufacturing, handling, storage or shipment of the Product Candidates. The Seller has made available to the Buyer complete and accurate copies of all documents filed by the Seller with the FDA or any other Governmental Entity with respect to the Product Candidates. The Seller has filed with the FDA and other applicable Governmental Entity all required notices, registration applications, order forms, reports, supplemental applications and annual or other reports or documents, including adverse experience reports, that are material to the continued development or handling of the Product Candidates.

2.15 Contracts.

(a) Section 2.15 of the Disclosure Schedule lists the following agreements (written or oral) to which the Seller is a party as of the date of this Agreement:

(i) any agreement (or group of related agreements) for the lease of personal property from or to third parties providing for lease payments in excess of $25,000 per annum or having a remaining term longer than 12 months;

(ii) any agreement (or group of related agreements) for the purchase or sale of products or for the furnishing or receipt of services (A) which calls for performance over a period of more than one year, (B) which involves more than the sum of $25,000, or (C) in which the Seller has granted manufacturing rights, “most favored nation” pricing provisions or exclusive marketing or distribution rights relating to any products or territory or has agreed to purchase a minimum quantity of goods or services or has agreed to purchase goods or services exclusively from a certain party;

(iii) any agreement providing for any royalty, milestone or similar payments by the Seller with respect to the development or sale of any product;

(iv) any agreement concerning the establishment or operation of a partnership, joint venture or limited liability company;

(v) any agreement (or group of related agreements) under which the Seller has created, incurred, assumed or guaranteed (or may create, incur, assume or guarantee)

indebtedness (including capitalized lease obligations) or under which it has imposed (or may be required to impose) a Security Interest on any of its assets, tangible or intangible;

(vi) any agreement for the disposition of any significant portion of the assets or business of the Seller or any agreement for the acquisition of the assets or business of any other person (other than purchases of inventory or components in the Ordinary Course of Business);

(vii) any agreement concerning confidentiality, noncompetition or non-solicitation (excluding any confidentiality agreements with service providers, suppliers or employees of the Seller containing terms and conditions substantially as set forth in the Seller's standard form of agreement, copies of which have previously been delivered or made available to the Buyer);

(viii) any employment agreement, consulting agreement, severance agreement (or agreement that includes provisions for the payment of severance) or retention agreement, other than offer letters with employees (the form of which has been made available to the Buyer) providing for "at will" employment in the form used by the Seller in the Ordinary Course of Business;

(ix) any settlement agreement or settlement-related agreement (including any agreement in connection with which any employment-related claim is settled);

(x) any agreement involving any current or former officer, director or stockholder of the Seller or any Affiliate thereof;

(xi) any agreement not otherwise listed in Section 2.15(a) of the Disclosure Schedule under which the consequences of a default or termination would reasonably be expected to have a Seller Material Adverse Effect;

(xii) any agreement which contains any provisions requiring the Seller to indemnify any other party (excluding indemnities contained in agreements for the purchase, sale or license of products or services entered into in the Ordinary Course of Business);

(xiii) any agreements relating to grants, funding or other forms of assistance, including loans with interest at below market rates, received by the Seller from any Governmental Entity;

(xiv) any agreement that would reasonably be expected to have the effect of prohibiting or impairing the conduct of the business of the Seller or the Buyer or any of its subsidiaries as currently conducted and as currently proposed to be conducted; and

(xv) any other agreement (or group of related agreements) either involving more than $25,000 or not entered into in the Ordinary Course of Business.

(b) The Seller has delivered to the Buyer a complete and accurate copy of each agreement listed in Section 2.13 or Section 2.15 of the Disclosure Schedule. With respect to each agreement so listed: (i) the agreement is legal, valid, binding and enforceable and in full

force and effect; (ii) the agreement is assignable by the Seller to the Buyer without the consent or approval of any party (except as set forth in Section 2.4 of the Disclosure Schedule) and will continue to be legal, valid, binding and enforceable and in full force and effect immediately following the Closing in accordance with the terms thereof as in effect immediately prior to the Closing; and (iii) neither the Seller nor, to the knowledge of the Seller, any other party, is in breach or violation of, or default under, any such agreement, and no event has occurred, is pending or, to the knowledge of the Seller, is threatened, which, after the giving of notice, with lapse of time, or otherwise, would constitute a breach or default by the Seller or, to the knowledge of the Seller, any other party under such agreement.

2.16 Powers of Attorney. There are no outstanding powers of attorney executed on behalf of the Seller.

2.17 Insurance. Section 2.17 of the Disclosure Schedule lists each insurance policy (including fire, theft, casualty, comprehensive general liability, workers compensation, business interruption, environmental, product liability and automobile insurance policies and bond and surety arrangements) to which the Seller is a party, all of which are in full force and effect. Such insurance policies are of the type and in amounts customarily carried by organizations conducting businesses or owning assets similar to those of the Seller. There is no material claim pending under any such policy as to which coverage has been questioned, denied or disputed by the underwriter of such policy. All premiums due and payable under all such policies have been paid, the Seller will not be liable for retroactive premiums or similar payments, and the Seller is otherwise in compliance in all material respects with the terms of such policies. The Seller has no knowledge of any threatened termination of, or premium increase with respect to, any such policy.

2.18 Litigation. There is no Legal Proceeding which is pending or has been threatened in writing against the Seller. There are no judgments, orders or decrees outstanding against the Seller.

2.19 Employees.

(a) Section 2.19(a) of the Disclosure Schedule contains a list, as of the date of this Agreement, of all employees of the Seller, along with the position, date of hire, annual rate of compensation, target annual incentive compensation of each such person, immigration status and employment status of each such person (including whether the person is on leave of absence and the dates of such leave). Each of such employees is retained at-will and none of such employees is a party to an employment agreement or contract with the Seller. Each current and former employee of the Seller has entered into the Seller’s standard form of proprietary information and inventions assignment agreement, a copy of which has previously been delivered to the Buyer. All of the agreements referenced in the preceding sentence will continue to be legal, valid, binding and enforceable and in full force and effect immediately following the Closing in accordance with the terms thereof as in effect immediately prior to the Closing. The Seller is in material compliance with all applicable laws relating to the employment of employees, including the hiring, classification and termination of employees.

(b) The Seller is not a party to or bound by any collective bargaining agreement, nor has it experienced any actual, or had any knowledge of any threatened, strikes, grievances, claims of unfair labor practices or other collective bargaining disputes. The Seller has no knowledge of any organizational effort made or threatened (including the filing of a petition for certification) either currently or within the past two (2) years, by or on behalf of any labor union or works council with respect to employees of the Seller.

(c) Other than shares of the capital stock of the Buyer, no director, officer or other key employee of the Seller, or any Affiliate of any of the foregoing (other than a portfolio company in which any person is an investor but does not control the day to day operations of such company), owns, directly or indirectly, individually or collectively, any interest in any entity which is in a business substantially the same as or directly competitive with the business of the Seller.

(d) Section 2.19(d) of the Disclosure Schedule contains a list of all consultants and independent contractors currently engaged by the Seller, where the agreement with such consultant or independent contractor requires the Seller to pay more than $50,000 after the date of this Agreement or provides for the transfer or creation of Intellectual Property, along with the position, date of retention and rate of remuneration for each such person. None of such consultants or independent contractors is a party to a written agreement or contract with the Seller. Each consultant and independent contractor has entered into the Seller's standard form of proprietary information and inventions assignment agreement with the Seller, the form of which has previously been made available to the Buyer.

(e) The Seller has withheld and paid to the appropriate Governmental Entity or is holding for payment not yet due to such Governmental Entity all amounts required to be withheld from its employees and is not liable for any arrears of wages, Taxes, penalties or other sums for failure to comply with any of the foregoing. The Seller has never had any leased employees.

(f) The Seller has made available to the Buyer complete and accurate copies of all of the Seller's written employee handbooks, employment manuals, employment policies, or affirmative action plans. The Seller has no material unwritten employment policies.

2.20 Employee Benefits.

(a) Section 2.20(a) of the Disclosure Schedule contains a complete and accurate list of all Seller Plans. Complete and accurate copies of (i) all Seller Plans, together with all amendments thereto, (ii) all related trust agreements, insurance contracts and summary plan descriptions, (iii) all annual reports filed on IRS Form 5500, 5500C or 5500R and (for all funded plans) all plan financial statements for the most recent plan year for each Seller Plan, (iv) all reports regarding the satisfaction of the nondiscrimination requirements of Sections 410(b), 401(k), and 401(m) of the Code for the most recent year, (v) all disclosures received by the Seller with respect to ERISA Section 408(b)(2) or provided by a Seller Plan pursuant to ERISA Section 404(a) and (vi) any written or electronic communications from or to the Internal Revenue Service, the DOL or any other Governmental Entity with respect to a Seller Plan (including any voluntary correction submissions), have been made available to the Buyer. All

Seller Plans comply in all material respects with all applicable law. No Seller Plan is subject to non-U.S. law. There are no unwritten Seller Plans.

(b) Each Seller Plan has been administered in all material respects in accordance with its terms, and each of the Seller and the ERISA Affiliates has met its obligations with respect to each Seller Plan and has timely made all required contributions thereto. The Seller, each ERISA Affiliate and each Seller Plan are in compliance in all material respects with the currently applicable provisions of ERISA and the Code and the regulations thereunder. All filings and reports as to each Seller Plan required to have been submitted to the Internal Revenue Service or to the DOL have been timely submitted.

(c) There are no Legal Proceedings (except claims for benefits payable in the normal operation of the Seller Plans and proceedings with respect to qualified domestic relations orders) against or involving any Seller Plan or asserting any rights or claims to benefits under any Seller Plan that would reasonably be expected to give rise to any liability. No Seller Plan is or within the last three (3) calendar years has been the subject of, or has received notice that it is the subject of, examination by a Governmental Entity or a participant in a government sponsored amnesty, voluntary compliance or similar program.

(d) All the Seller Plans that are intended to be qualified under Section 401(a) of the Code have received determination letters or opinion letters from the Internal Revenue Service to the effect that such Seller Plans are qualified and the plans and the trusts related thereto are exempt from federal income taxes under Sections 401(a) and 501(a), respectively, of the Code, no such determination letter or opinion letter has been revoked and revocation has not been threatened, and no such Seller Plan has been amended since the date of its most recent determination letter, or opinion letter or application therefor in any respect, and no act or omission has occurred that would adversely affect its qualification or increase its cost. There has been no termination or partial termination of such a Seller Plan. Each Seller Plan that is required to satisfy Section 401(k)(3) or Section 401(m)(2) of the Code has been tested for compliance with, and satisfies the requirements of Section 401(k)(3) and Section 401(m)(2) of the Code for each plan year ending prior to the Closing Date. Each Seller Plan that provides for compliance with Section 404(c) of ERISA or is intended to comply with such provision, so complies. Each Seller Plan is in compliance with ERISA Section 408(b)(2) (or other applicable exemption) and with ERISA Section 404(a).

(e) Neither the Seller nor any ERISA Affiliate has ever maintained or contributed to a Seller Plan which was ever subject to Section 412 of the Code or Title IV of ERISA. At no time has the Seller or any ERISA Affiliate been obligated to contribute to any “multiemployer plan” (as defined in Section 4001(a)(3) of ERISA).

(f) With respect to the Seller Plans, there are no benefit obligations for which contributions have not been made or properly accrued and there are no benefit obligations that have not been accounted for by reserves, or otherwise properly footnoted in accordance with GAAP, on the Financial Statements. The Seller does not have any liability for benefits (contingent or otherwise) under any Seller Plan, except as set forth on the Financial Statements. The assets of each Seller Plan that is funded are reported at their fair market value on the books and records of such Seller Plan.

(g) All group health plans of the Seller and any ERISA Affiliate comply in all material respects with the requirements of COBRA, Code Section 5000, the Health Insurance Portability and Accountability Act, the Patient Protection and Affordable Care Act ("PPACA"), and any other applicable laws. Neither the Seller nor any ERISA Affiliate has any liability under or with respect to COBRA for its own actions or omissions, or those of any predecessor. No Seller Plan provides health care continuation coverage beyond termination of employment, except to COBRA qualified beneficiaries at their own, and not at the Seller's, expense. No person (or any beneficiary of such person) is entitled to receive any welfare benefits, including death or medical benefits (whether or not insured) beyond retirement or other termination of employment, other than as applicable law requires, and there have been no written or oral commitments inconsistent with the foregoing.

(h) No act or omission has occurred and no condition exists with respect to any Seller Plan that would subject the Buyer, the Seller, any ERISA Affiliate, or any plan participant to (i) any material fine, penalty, Tax or liability of any kind imposed under ERISA, the Code or any other applicable law or (ii) any contractual indemnification or contribution obligation protecting any fiduciary, insurer or service provider with respect to any Seller Plan, nor will the transactions contemplated by this Agreement give rise to any such liability.

(i) No Seller Plan is funded by, associated with or related to a "voluntary employee's beneficiary association" within the meaning of Section 501(c)(9) of the Code.

(j) Each Seller Plan is amendable and terminable unilaterally by the Seller at any time without liability or expense to the Seller or such Seller Plan as a result thereof (other than for benefits accrued through the date of termination or amendment and reasonable administrative expenses related thereto), and no Seller Plan, plan documentation or agreement, summary plan description or other written communication distributed generally to employees by its terms prohibits the Seller from amending or terminating any such Seller Plan, or in any way limits such action.

(k) Section 2.20(k) of the Disclosure Schedule discloses each: (i) agreement with any stockholder, director, executive officer or other key employee of the Seller (A) the benefits of which are contingent, or the terms of which are altered, upon the occurrence of a transaction involving the Seller of the nature of any of the transactions contemplated by this Agreement, (B) providing any term of employment or compensation guarantee or (C) providing severance benefits or other benefits after the termination of employment of such stockholder, director, executive officer or key employee; and (ii) agreement or plan binding the Seller, including any stock option plan, stock appreciation right plan, restricted stock plan, stock purchase plan, severance benefit plan or Seller Plan, any of the benefits of which will be increased, or the vesting of the benefits of which will be accelerated, by the occurrence of any of the transactions contemplated by this Agreement or the value of any of the benefits of which will be calculated on the basis of any of the transactions contemplated by this Agreement.

(l) Each individual who has received compensation for the performance of services on behalf of the Seller or the ERISA Affiliates has been properly classified as an employee or independent contractor in accordance with applicable law.

(m) The Seller does not accrue, and has no liability to any person with respect to, any vacation, sick time or earned time off for any of the Seller's employees.

(n) No bonuses shall have been earned by the Seller's employees through the Closing Date that shall be unpaid as of the Closing Date.

(o) There are no loans or extensions of credit from the Seller or any ERISA Affiliate to any employee of or independent contractor to the Seller.

(p) There is no plan or commitment, whether legally binding or not, to create any additional Seller Plans or to modify any existing Seller Plans with respect to employees of the Seller, except as may be required by applicable law (which requirements as of the date of this Agreement are listed in Section 2.20(p) of the Disclosure Schedule).

(q) There is no corporate-owned life insurance (COLI), split-dollar life insurance policy or any other life insurance policy on the life of any employee of the Seller.

(r) Each Seller Plan that is a "nonqualified deferred compensation plan" (as defined in Code Section 409A(d)(1)) has been since January 1, 2005 in compliance with Code Section 409A and IRS Notice 2005-1 and has been in documentary compliance since January 1, 2009. No Seller Plan that is a "nonqualified deferred compensation plan" has been materially modified (as determined under Notice 2005-1) after October 3, 2004. No event has occurred that would be treated by Code Section 409A(b) as a transfer of property for purposes of Code Section 83.

2.21 Environmental Matters.

(a) The Seller has complied with all applicable Environmental Laws. There is no pending or, to the knowledge of the Seller, threatened civil or criminal litigation, written notice of violation, formal administrative proceeding, or investigation, inquiry or information request by any Governmental Entity, relating to any Environmental Law involving the Seller.

(b) The Seller does not have any liabilities or obligations arising from the release of any Materials of Environmental Concern into the environment.

(c) The Seller is not a party to or bound by any court order, administrative order, consent order or other agreement with any Governmental Entity entered into in connection with any legal obligation or liability arising under any Environmental Law.

(d) The Seller is not aware of any material environmental liability of any solid or hazardous waste transporter or treatment, storage or disposal facility that has been used by the Seller.

2.22 Legal Compliance.

(a) The Seller is currently conducting, and has at all times since January 1, 2010 conducted, its business in compliance with each applicable law (including rules and regulations thereunder) of any federal, state, local or foreign government, or any Governmental

Entity, except for any violations or defaults that, individually or in the aggregate, have not had and would not reasonably be expected to have a Seller Material Adverse Effect. The Seller has not received any notice or communication from any Governmental Entity alleging noncompliance with any applicable law, rule or regulation.

(b) Neither the Seller nor any officer, director, employee or agent thereof has condoned any act or authorized, directed or participated in any act in violation of any provision of the United States and Foreign Corrupt Practices Act of 1977, as applied to such officer, director, employee or agent.

2.23 Permits. Section 2.23 of the Disclosure Schedule sets forth a list of all Permits issued to or held by the Seller. Other than marketing approvals for the Product Candidates and routine qualifications to do business required from applicable Governmental Entities, such listed Permits are the only Permits that are required for the Seller to conduct its business as presently conducted or as currently proposed by the Seller to be conducted. Each such Permit is in full force and effect; the Seller is in material compliance with the terms of each such Permit; and, to the knowledge of the Seller, no suspension or cancellation of such Permit is threatened and there is no basis for believing that such Permit will not be renewable upon expiration.

2.24 Certain Business Relationships With Affiliates. No Affiliate of the Seller (a) owns any property or right, tangible or intangible, which is used in the business of the Seller, (b) has any claim or cause of action against the Seller, or (c) owes any money to, or is owed any money by, the Seller. Section 2.24 of the Disclosure Schedule describes any transactions or relationships between the Seller and any Affiliate thereof which occurred or have existed since the beginning of the time period covered by the Financial Statements.

2.25 Brokers' Fees. The Seller does not have any liability or obligation to pay any fees or commissions to any broker, finder or similar agent with respect to the transactions contemplated by this Agreement.

2.26 Books and Records. The minute books and other similar records of the Seller contain complete and accurate records of all actions taken at any meetings of the Seller's stockholders, Board of Directors or any committee thereof and of all written consents executed in lieu of the holding of any such meeting. The books and records of the Seller accurately reflect in all material respects the assets, liabilities, business, financial condition and results of operations of the Seller and have been maintained in accordance with good business and bookkeeping practices. Section 2.26 of the Disclosure Schedule contains a list of all bank accounts and safe deposit boxes of the Seller and the names of persons having signature authority with respect thereto or access thereto.

2.27 Product Liability. No product liability claims have been received by the Seller and, to the Seller's knowledge, no such claims have been made against any other person with respect to the Product Candidates or threatened against the Seller relating to the Product Candidates. There is no judgment, order or decree outstanding against the Seller relating to product liability claims.

2.28 Investment Representation. The Seller is acquiring the Buyer Closing Shares and, when and if issued, the Buyer Holdback Shares, for its own account for investment and not with a view to, or for sale in connection with, any distribution thereof, nor with any present intention of distributing or selling the same; and the Seller has no present or contemplated agreement, undertaking, arrangement, obligation, indebtedness or commitment providing for the disposition thereof.

2.29 Restricted Securities. The Seller understands that the Buyer Closing Shares and, when and if issued, the Buyer Holdback Shares have not been, and will not be, registered under the Securities Act, by reason of a specific exemption from the registration provisions of the Securities Act which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of the Seller's representations as expressed in this Article II. The Seller understands that (a) the Buyer Closing Shares and the Buyer Holdback Shares are "restricted securities" under applicable U.S. federal and state securities laws, (b) unless they are first registered with the Securities and Exchange Commission under the Securities Act and qualified by state authorities, or an exemption from such registration and qualification requirements is available and the Seller delivers to the Buyer an opinion of legal counsel, satisfactory to the Buyer, to the effect such sale or transfer complies with such exemption, the Buyer Closing Shares and the Buyer Holdback Shares are not transferable and (iii) as a result, the Seller must be prepared to hold the Buyer Closing Shares and the Buyer Holdback Shares indefinitely. The Seller acknowledges that the Company has no obligation to register or qualify the Buyer Closing Shares or the Buyer Holdback Shares for resale. The Seller further acknowledges that if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Buyer Closing Shares and the Buyer Holdback Shares, and on requirements relating to the Buyer which are outside of the Seller's control, and which the Buyer is under no obligation and may not be able to satisfy.

2.30 No Public Market. The Seller understands that no public market now exists for the Buyer Closing Shares or the Buyer Holdback Shares, and that the Buyer has made no assurances that a public market will ever exist for the Buyer Closing Shares or the Buyer Holdback Shares.

2.31 Legend. The certificates representing the Buyer Closing Shares and the Buyer Holdback Shares will bear the following legend:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH TRANSFER MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933, AS AMENDED."

2.32 Disclosure. No representation or warranty by the Seller contained in this Agreement, and no statement contained in the Disclosure Schedule or any other document,

certificate or other instrument delivered or to be delivered by or on behalf of the Seller pursuant to this Agreement, contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact necessary, in light of the circumstances under which it was or will be made, in order to make the statements herein or therein not misleading.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer represents and warrants to the Seller that the statements contained in this Article III are true and correct as of the date of this Agreement and will be true and correct as of the Closing as though made as of the Closing.

3.1 Organization, Qualification and Corporate Power. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Seller is duly qualified to conduct business and is in good standing under the laws of each jurisdiction in which the nature of the Seller's businesses or the ownership or leasing of its properties requires such qualification, except for those jurisdictions in which the failure to be so qualified or in good standing, individually or in the aggregate, has not had and would not reasonably be expected to have a material adverse effect on Buyer's ability to consummate the transactions contemplated by this Agreement. The Buyer has furnished to the Seller complete and accurate copies of its Certificate of Incorporation and by-laws. The Buyer is not in default under or in violation of any provision of its Certificate of Incorporation or by-laws.

3.2 Capitalization. The authorized capital stock of the Buyer consists of (a) 48,500,000 shares of Buyer Common Stock, of which 9,776,198 shares were issued and outstanding as of September 15, 2014, and (b) 30,750,000 shares of Preferred Stock, $.0001 par value per share, of which 23,306,637 shares are issued or outstanding as of September 15, 2014. The rights and privileges of each class of the Buyer's capital stock are set forth in the Buyer's Certificate of Incorporation. All of the issued and outstanding shares of Buyer Common Stock have been duly authorized and validly issued and are fully paid and nonassessable. All of the shares of Buyer Common Stock issuable as Transaction Consideration will be, when issued on the terms and conditions of this Agreement, duly authorized, validly issued, fully paid and nonassessable and not subject to or issued in violation of any purchase option, call option, right of first refusal, preemptive right, subscription right or any similar right under any provision of the Buyer's Certificate of Incorporation or By-laws or any agreement to which the Buyer is a party or is otherwise bound.

3.3 Authorization of the Transaction. The Buyer has all requisite power and authority to execute and deliver this Agreement and the Ancillary Agreements and to perform its obligations hereunder and thereunder. The execution and delivery by the Buyer of this Agreement and the Ancillary Agreements and the consummation by the Buyer of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action on the part of the Buyer. This Agreement has been duly and validly executed and delivered by the Buyer and constitutes a valid and binding obligation of the Buyer, enforceable against it in accordance with its terms.

3.4 Noncontravention. Neither the execution and delivery by the Buyer of this Agreement or the Ancillary Agreements, nor the consummation by the Buyer of the transactions contemplated hereby or thereby, will (a) conflict with or violate any provision of the Certificate of Incorporation or by-laws of the Buyer, (b) require on the part of the Buyer any filing with, or permit, authorization, consent or approval of, any Governmental Entity, (c) conflict with, result in breach of, constitute (with or without due notice or lapse of time or both) a default under, result in the acceleration of obligations under, create in any party any right to terminate, modify or cancel, or require any notice, consent or waiver under, any contract or instrument to which the Buyer is a party or by which it is bound or to which any of its assets is subject, except for (i) any conflict, breach, default, acceleration, termination, modification or cancellation which would not adversely affect the consummation of the transactions contemplated hereby or (ii) any notice, consent or waiver the absence of which would not adversely affect the consummation of the transactions contemplated hereby, or (d) violate any order, writ, injunction, decree, statute, rule or regulation applicable to the Buyer or any of its properties or assets.

ARTICLE IV

PRE-CLOSING COVENANTS

4.1 Closing Efforts. Except as otherwise provided in Section 4.9, each of the Parties shall use its Reasonable Best Efforts to take all actions and to do all things necessary, proper or advisable to consummate the transactions contemplated by this Agreement, including using its Reasonable Best Efforts to cause (i) its representations and warranties to remain true and correct in all material respects through the Closing Date and (ii) the conditions to the obligations of the other Party to consummate the transactions contemplated by this Agreement to be satisfied.

4.2 Governmental and Third-Party Notices and Consents.

(a) Each Party shall use its Reasonable Best Efforts to obtain, at its expense, all waivers, permits, consents, approvals or other authorizations from Governmental Entities, and to effect all registrations, filings and notices with or to Governmental Entities, as may be required for such Party to consummate the transactions contemplated by this Agreement and to otherwise comply with all applicable laws and regulations in connection with the consummation of the transactions contemplated by this Agreement.

(b) The Seller shall use its Reasonable Best Efforts to obtain, at its expense, all such waivers, consents or approvals from third parties, and to give all such notices to third parties, as listed or are required to be listed in the Disclosure Schedule.

4.3 Stockholder Approval.

(a) The Seller shall use its Reasonable Best Efforts to obtain, as promptly as practicable, and in any event within 20 business days after the date of this Agreement, the Requisite Stockholder Approval, either at a special meeting of stockholders or pursuant to a written stockholder consent, all in accordance with the applicable requirements of the Delaware General Corporation Law. In connection with such special meeting of stockholders or written stockholder consent, the Seller shall provide the Disclosure Statement to its stockholders. The

Buyer agrees to cooperate with the Seller in the preparation of the Disclosure Statement. The Seller agrees not to distribute the Disclosure Statement until the Buyer has had a reasonable opportunity to review and comment on the Disclosure Statement and the Disclosure Statement has been approved by the Buyer (which approval may not be unreasonably withheld, conditioned or delayed). If the Requisite Stockholder Approval is obtained by means of a written consent, the Seller shall send, pursuant to Section 228 of the Delaware General Corporation Law, a written notice to all stockholders of the Seller that did not execute such written consent informing them that the sale of the Acquired Assets as contemplated by this Agreement was approved by the stockholders of the Seller.

(b) The Seller, acting through its Board of Directors, shall include in the Disclosure Statement the unanimous recommendation of its Board of Directors that the stockholders of the Seller vote in favor of the adoption of this Agreement and the approval of the transactions contemplated by this Agreement.

(c) The Seller shall ensure that the Disclosure Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading (provided that the Seller shall not be responsible for the accuracy or completeness of any information concerning the Buyer furnished by the Buyer in writing for inclusion in the Disclosure Statement).

(d) The Buyer shall ensure that any information furnished by the Buyer to the Seller in writing for inclusion in the Disclosure Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

4.4 Operation of Business. Except as contemplated by this Agreement, during the period from the date of this Agreement to the Closing, the Seller shall conduct its operations in the Ordinary Course of Business and in compliance with all applicable laws and regulations and, to the extent consistent therewith, use its Reasonable Best Efforts to keep its physical assets in good working condition, maintain the validity of all Seller Intellectual Property and preserve its business relationships to the end that its goodwill and ongoing business shall not be impaired in any material respect. Without limiting the generality of the foregoing, prior to the Closing, the Seller shall not, without the written consent of the Buyer:

(a) except as otherwise provided in Section 4.10, issue or sell any stock or other securities of the Seller or any options, warrants or other rights to acquire any such stock or other securities (except pursuant to the conversion or exercise of options, warrants or other convertible securities outstanding on the date hereof);

(b) declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock;

(c) except as otherwise provided in Section 4.10, create, incur or assume any indebtedness (including obligations in respect of capital leases), assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the

obligations of any other person or entity; or make any loans, advances or capital contributions to, or investments in, any other person or entity;

(d) enter into, adopt or amend any Employee Benefit Plan or any employment or severance agreement or arrangement of the type described in Section 2.20(k) or (except for normal increases in the Ordinary Course of Business for employees who are not Affiliates) increase in any manner the compensation or fringe benefits of, or materially modify the employment terms of, its directors, officers or employees, generally or individually, or pay any bonus or other benefit to its directors, officers or employees (except for existing payment obligations listed in Section 2.20 of the Disclosure Schedule) or hire any new officers or (except in the Ordinary Course of Business) any new employees;

(e) acquire, sell, lease, license or dispose of any assets or property (including any shares or other equity interests in or securities of any corporation, partnership, association or other business organization or division thereof), other than purchases and sales of assets in the Ordinary Course of Business;

(f) mortgage or pledge any of its property or assets that would constitute Acquired Assets or subject any such property or assets to any Security Interest;

(g) discharge or satisfy any Security Interest or pay any obligation or liability other than in the Ordinary Course of Business;

(h) amend its charter, by-laws or other organizational documents in a manner that could have an adverse effect on the transactions contemplated by this Agreement;

(i) change its accounting methods, principles or practices, except insofar as may be required by a generally applicable change in GAAP, or make any new elections, or changes to any current elections, with respect to Taxes that affect the Acquired Assets;

(j) enter into, amend, terminate, take or omit to take any action that would constitute a violation of or default under, or waive any rights under, any contract or agreement of a nature listed or required to be listed in Section 2.12, Section 2.13 or Section 2.15 of the Disclosure Schedule;

(k) make or commit to make any capital expenditure;

(l) institute or settle any Legal Proceeding;

(m) take any action or fail to take any action permitted by this Agreement with the knowledge that such action or failure to take action would result in (i) any of the representations and warranties of the Seller set forth in this Agreement not being true and correct at the Closing or (ii) any of the conditions to the Closing set forth in Article V not being satisfied; or

(n) agree in writing or otherwise to take any of the foregoing actions.

4.5 Access to Information.

(a) The Seller shall permit representatives of the Buyer to have full access (at all reasonable times, and in a manner so as not to interfere with the normal business operations of the Seller) to all premises, properties, financial, tax and accounting records (including the work papers of the Seller's independent accountants), contracts, other records and documents, and personnel, of or pertaining to the Seller for the purpose of performing such inspections and tests as the Buyer deems necessary or appropriate.

(b) Within 15 days after the end of each month ending prior to the Closing, beginning with September 30, 2014, the Seller shall furnish to the Buyer an unaudited income statement for such month and a balance sheet as of the end of such month, prepared on a basis consistent with the Financial Statements. Such financial statements shall present fairly the financial condition and results of operations of the Seller as of the dates thereof and for the periods covered thereby, and shall be consistent with the books and records of the Seller.

4.6 Notice of Breaches.

(a) From the date of this Agreement until the Closing, the Seller shall promptly deliver to the Buyer supplemental information concerning events or circumstances occurring subsequent to the date hereof which would render any representation, warranty or statement in this Agreement or the Disclosure Schedule inaccurate or incomplete in any material respect at any time after the date of this Agreement until the Closing. No such supplemental information shall be deemed to avoid or cure any misrepresentation or breach of warranty or constitute an amendment of any representation, warranty or statement in this Agreement or the Disclosure Schedule.

(b) From the date of this Agreement until the Closing, the Buyer shall promptly deliver to the Seller supplemental information concerning events or circumstances occurring subsequent to the date hereof which would render any representation or warranty in this Agreement inaccurate or incomplete in any material respect at any time after the date of this Agreement until the Closing. No such supplemental information shall be deemed to avoid or cure any misrepresentation or breach of warranty or constitute an amendment of any representation or warranty in this Agreement.

4.7 Exclusivity.

(a) The Seller shall not, and the Seller shall require each of its officers, directors, employees, representatives and agents not to, directly or indirectly, (i) initiate, solicit, encourage or otherwise facilitate any inquiry, proposal, offer or discussion with any party (other than the Buyer) concerning any merger, reorganization, consolidation, recapitalization, business combination, liquidation, dissolution, share exchange, sale of stock, sale of material assets or similar business transaction involving the Seller, (ii) furnish any non-public information concerning the business, properties or assets of the Seller to any party (other than the Buyer) other than in the Ordinary Course of Business, (iii) engage in discussions or negotiations with any party (other than the Buyer) concerning any such transaction, or (iv) enter in any agreement with any party (other than the Buyer) concerning any such transaction.

(b) The Seller shall immediately notify any party with which discussions or negotiations of the nature described in paragraph (a) above were pending that the Seller is terminating such discussions or negotiations. If the Seller receives any inquiry, proposal or offer of the nature described in paragraph (a) above, the Seller shall, within one business day after such receipt, notify the Buyer of such inquiry, proposal or offer, including the identity of the other party and the terms of such inquiry, proposal or offer.

4.8 FIRPTA Tax Certificate. Within 10 days prior to the Closing, the Seller shall deliver or cause to be delivered to the Buyer a certification that the Seller is not a foreign person in accordance with the Treasury Regulations under Section 1445 of the Code. If the Seller has not provided the certification described above to the Buyer on or before the Closing Date, the Buyer shall be permitted to reduce the Transaction Consideration by an amount equal to any required withholding Tax under Section 1445 of the Code.

4.9 Conduct of AMD Program and Phase 1 Clinical Trial.

(a) The Buyer and the Seller shall have agreed upon the Development Plan concurrently with the execution of the Agreement. Following the execution of the Agreement, the Buyer shall use Reasonable Best Efforts to submit an IND or a Registration to the applicable Regulatory Authority for and to conduct the Phase 1 Clinical Trial of APL-2 in accordance with the Development Plan (together with such other related activities as the Buyer may determine, in its sole discretion, to be necessary, appropriate or desirable, the "AMD Program"). The Buyer shall have sole responsibility for conducting the AMD Program. The costs of conducting the AMD Program shall be allocated between, and funded by, the Seller and the Buyer as set forth in the Development Plan. The Buyer shall be permitted to modify the Development Plan from time to time in such manner as it determines to be appropriate to achieve the purposes set forth therein. The cost of any such modifications shall be paid by the Buyer.

(b) The Seller shall provide the Buyer with, and hereby assigns or grants to the Buyer, such assets (or the right to use such assets) as the Buyer requires to conduct the AMD Program, including without limitation (i) any preclinical or clinical data in its possession and the right to reference such data as the Buyer requests in connection with the submission of an IND for APL-2 and such other clinical, technical and other related reports, records, data, information and materials then in the possession of the Seller that would be useful for the conduct of the AMD Program, (ii) such agreements as the Buyer reasonably requests in connection with its conduct of the AMD Program (or if the Seller is not able to assign any of such agreements, using Reasonable Best Efforts to enable the Buyer to establish relationships with the counterparties to such agreements, including manufacturers, contract research organizations and principal investigators and their institutions) and (iii) the materials described in the Development Plan, including the supply of APL-2 necessary to conduct the AMD Program. The Seller shall provide any other assistance reasonably requested by the Buyer for the purpose of allowing the Buyer to proceed expeditiously with the AMD Program.

(c) Inventions, patentable or not, which result from activities undertaken in connection with the AMD Program and/or in accordance with the Development Plan shall be the exclusive property of the Buyer. The Seller agrees to obtain the cooperation of its employees or obligated parties who are inventors in the preparation, filing and prosecution of patent

applications directed to any inventions which may arise under the AMD Program or the Development Plan. Such inventions shall remain the property of the Buyer irrespective of whether the Closing occurs or this Agreement is terminated prior to the Closing.

(d) Notwithstanding Section 8.1 below, if the Buyer terminates this Agreement pursuant to Section 8.1(c), the Buyer shall remain obligated to pay the costs to complete the Phase I Clinical Trial set forth in the Development Plan and deliver to the Seller the Final Report or to close the Phase I Clinical Trial, as directed by the Seller (but, for the avoidance of doubt, the Buyer shall not be responsible for any costs in excess of those set forth in the budget in the Development Plan or the costs of any activities not set forth in the Development Plan).

(e) No more than thirty (30) calendar days after the last patient in the Phase 1 Clinical Trial has received his or her final dose pursuant to the protocol of such trial, the Buyer may request (the "Assessment Request") that the Assessment Committee (as defined below) assess whether a Phase 2 clinical trial of APL-2 within the dosing range of the Phase 1 Clinical Trial would be reasonable in light of the aggregate data from the Phase 1 Clinical Trial (the "Assessment"). The Buyer would then exercise Reasonable Best Efforts to prepare a summary of the clinical, safety and dosing information from the Phase 1 Clinical Trial (the "Phase 1 Summary") for review by the Assessment Committee no later than 20 calendar days after the date of the Assessment Request. Upon receipt of the Phase 1 Summary, the Assessment Committee would be jointly instructed by the Parties to exercise its best efforts to deliver the Assessment in writing to the Buyer and the Seller no more than 45 calendar days later. In any such Assessment, the Assessment Committee shall either determine that a Phase 2 clinical trial with APL-2 within the dosing range of the Phase I Clinical Trial would be reasonable as the immediate next development step in light of the aggregate data from the trial (a "Positive Assessment Determination") or that a Phase 2 clinical trial with APL-2 within the dosing range of the Phase I Clinical Trial would not be reasonable as the immediate next development step in light of the aggregate data from the trial (a "Negative Assessment Determination"). The three (3) independent ophthalmologists specified on Schedule 4.9(e) shall constitute a committee (the "Assessment Committee") responsible for issuing Assessments in accordance with this Section 4.9(e). If any member of the Assessment Committee is no longer able to serve due to death, incapacity, resignation or otherwise, the Parties shall promptly appoint a replacement to fill such vacancy. The Assessment Committee shall seek to act by consensus, but in the absence of consensus, the Assessment Committee shall issue either a Positive Assessment Determination or a Negative Assessment Determination based on a two-thirds majority vote of its members.

(f) The Parties anticipate that Federico Grossi will manage the AMD Program as an employee of the Buyer. The Buyer shall take no action which, in the event a Closing does not occur, would prevent Mr. Grossi from accepting employment with the Seller following termination of this Agreement.

4.10 Seller's Right to Raise Capital. In order to raise capital to fund its operations prior to the Closing, the Seller may issue or sell capital stock, warrants or other debt or equity securities of the Seller, including securities of the Seller convertible into or secured by no more than 820,000 of the shares of Buyer Common Stock issuable as the Transaction Consideration.

Any such issuances or sales shall be limited to (a) current stockholders of the Seller or the Buyer or (ii) any other person who has been approved in writing by the Buyer.

4.11 280G. Not less than five (5) business days prior to the Closing, the Seller shall submit to a stockholder vote, in a manner that satisfies the stockholder approval requirements under Section 280G(b)(5)(B) of the Code and the Treasury Regulations promulgated thereunder, the right of any "disqualified individual" (as defined in Section 280G(c) of the Code) to receive any and all payments (or other benefits) contingent on the consummation of the transactions contemplated by this Agreement (within the meaning of Section 280G(b)(2)(A)(i) of the Code) to the extent necessary so that no payment received by such "disqualified individual" shall be a "parachute payment" under Section 280G(b) of the Code (determined without regard to Section 280G(b)(4) of the Code). Such vote shall establish the disqualified individual's right to the payment or other compensation, and the Seller shall obtain any required waivers or consents from the disqualified individual prior to the vote. In addition, the Seller shall provide adequate disclosure to Seller stockholders that hold voting stock of all material facts concerning all payments to any such disqualified individual that, but for such vote, could be deemed "parachute payments" under Section 280G of the Code in a manner that satisfies Section 280G(b)(5)(B)(ii) of the Code and regulations promulgated thereunder. At least five (5) business days prior to the vote, the Buyer and its counsel shall be given the right to review and comment on all documents required to be delivered to the Seller's stockholders in connection with such vote and any required disqualified individual waivers or consents, and the Seller shall reflect all reasonable comments of the Buyer thereon. Buyer and its counsel shall be provided copies of all documents executed by the stockholders and disqualified individuals in connection with the vote.

ARTICLE V

CONDITIONS TO CLOSING

5.1 Conditions to Obligations of each Party. The respective obligations of each Party to consummate the transactions contemplated by this Agreement to be consummated at the Closing are subject to the satisfaction of the condition that the sale of the Acquired Assets by the Seller to the Buyer as contemplated by this Agreement shall have received the Requisite Stockholder Approval.

5.2 Conditions to Obligations of the Buyer. The obligation of the Buyer to consummate the transactions contemplated by this Agreement to be consummated at the Closing is subject to the satisfaction of the following additional conditions:

(a) the Seller shall have obtained at its own expense (and shall have provided copies thereof to the Buyer) all of the waivers, permits, consents, approvals or other authorizations, and effected all of the registrations, filings and notices, referred to in Section 4.2 which are required on the part of the Seller;

(b) the representations and warranties of the Seller set forth in the first sentence of Section 2.1 and in Section 2.3 and any representations and warranties of the Seller set forth in this Agreement that are qualified as to materiality shall be true and correct in all respects, and all other representations and warranties of the Seller set forth in this Agreement

shall be true and correct in all material respects, in each case as of the date of this Agreement and as of the Closing as though made as of the Closing, except to the extent such representations and warranties are specifically made as of a particular date (in which case such representations and warranties shall be true and correct as of such date);

(c) the Seller shall have performed or complied with in all material respects its agreements and covenants required to be performed or complied with under this Agreement as of or prior to the Closing;

(d) no Legal Proceeding shall be pending wherein an unfavorable judgment, order, decree, stipulation or injunction would (i) prevent consummation of the transactions contemplated by this Agreement, (ii) cause the transactions contemplated by this Agreement to be rescinded following consummation or (iii) affect adversely the right of the Buyer to own, operate or control any of the Acquired Assets, or to conduct the business of the Seller as currently conducted, following the Closing, and no such judgment, order, decree, stipulation or injunction shall be in effect;

(e) the Seller shall have delivered to the Buyer the Seller Certificate;

(f) the Seller shall have delivered to the Buyer an update, as of the Closing Date, of Section 2.2, setting forth the capitalization of the Seller as of such date;

(g) the Seller shall have delivered to the Buyer documents evidencing the release or termination of all Security Interests on the Acquired Assets, and copies of filed UCC termination statements with respect to all UCC financing statements evidencing such Security Interests;

(h) the Seller shall have received the Final Report and no Key Product Event shall have occurred prior to the delivery of the Final Report;

(i) the Seller shall have delivered to the Buyer investment questionnaires in the form attached hereto as Exhibit F from each of the Seller's stockholders; and

(j) the Buyer shall have received such other certificates and instruments (including certificates of good standing of the Seller in Delaware and the various foreign jurisdictions in which it is qualified, certified charter documents, certificates as to the incumbency of officers and the adoption of authorizing resolutions) as it shall reasonably request in connection with the Closing.

5.3 Conditions to Obligations of the Seller. The obligation of the Seller to consummate the transactions contemplated by this Agreement to be consummated at the Closing is subject to the satisfaction of the following additional conditions:

(a) the representations and warranties of the Buyer set forth in the first sentence of Section 3.1 and in Section 3.3 and any representations and warranties of the Buyer set forth in this Agreement that are qualified as to materiality shall be true and correct in all respects, and all other representations and warranties of the Buyer set forth in this Agreement shall be true and correct in all material respects, in each case as of the date of this Agreement and

as of the Closing as though made as of the Closing, except to the extent such representations and warranties are specifically made as of a particular date (in which case such representations and warranties shall be true and correct as of such date);

(b) the Buyer shall have performed or complied with in all material respects its agreements and covenants required to be performed or complied with under this Agreement as of or prior to the Closing;

(c) no Legal Proceeding shall be pending wherein an unfavorable judgment, order, decree, stipulation or injunction would (i) prevent consummation of the transactions contemplated by this Agreement or (ii) cause the transactions contemplated by this Agreement to be rescinded following consummation, and no such judgment, order, decree, stipulation or injunction shall be in effect;

(d) the Buyer shall have delivered to the Seller the Buyer Certificate; and

(e) the Seller shall have received such other certificates and instruments (including certificates of good standing of the Buyer in its jurisdiction of organization, certificates as to the incumbency of officers and the adoption of authorizing resolutions) as it shall reasonably request in connection with the Closing.

ARTICLE VI

POST-CLOSING COVENANTS

6.1 Proprietary Information. From and after the Closing, the Seller shall not disclose or make use of (except to pursue its rights, under this Agreement or the Ancillary Agreements), and shall use its best efforts to cause all of its Affiliates not to disclose or make use of, any knowledge, information or documents of a confidential nature or not generally known to the public with respect to Acquired Assets, the Seller's business or the Buyer or its business (including the financial information, technical information or data relating to the Seller's products and names of customers of the Seller, except to the extent that such knowledge, information or documents shall have become public knowledge other than through improper disclosure by the Seller or an Affiliate. The Seller shall enforce, for the benefit of the Buyer, all confidentiality, invention assignments and similar agreements between the Seller and any other party relating to the Acquired Assets or the business of the Seller which are not Assigned Contracts.

6.2 Solicitation and Hiring. For a period of one (1) year after the Closing Date, the Seller shall not, either directly or indirectly (including through an Affiliate), (a) solicit or attempt to induce any Restricted Employee to terminate his employment with the Buyer or any subsidiary of the Buyer or (b) hire or attempt to hire any Restricted Employee; provided, that this clause (b) shall not apply to any individual whose employment with the Buyer or a subsidiary of the Buyer has been terminated for a period of six months or longer. The Seller shall enforce, for the benefit of the Buyer, all confidentiality, non-solicitation and non-hiring assignments and similar agreements between the Seller and any other party which are not Assigned Contracts.

6.3 [Intentionally Omitted.]

6.4 Tax Matters.

(a) All transfer taxes, deed excise stamps and similar charges related to the sale of the Acquired Assets contemplated by this Agreement shall be paid by the Seller. The Seller will file all necessary Tax Returns and other documentation with respect to all such Taxes and, if required by applicable law, the Buyer will, and will cause its Affiliates to, join in the execution of any such Tax Returns and other documentation.

(b) The Parties agree to report the transactions contemplated by this Agreement for U.S. federal income tax purposes as a "reorganization" within the meaning of Section 368(a) of the Code unless otherwise required by law or a taxing authority; provided, however, that it is understood and agreed that the Buyer makes no representations or warranties to the Seller regarding the Tax treatment of the transactions contemplated by this Agreement.

6.5 Sharing of Data.

(a) The Seller shall have the right for a period of seven years following the Closing Date to have reasonable access to such books, records and accounts, including financial and tax information, correspondence, production records, employment records and other records that are transferred to the Buyer pursuant to the terms of this Agreement for the limited purposes of concluding its involvement in the business conducted by the Seller prior to the Closing Date and for complying with its obligations under applicable securities, tax, environmental, employment or other laws and regulations. The Buyer shall have the right for a period of seven years following the Closing Date to have reasonable access to those books, records and accounts, including financial and accounting records (including the work papers of the Seller's independent accountants), tax records, correspondence, production records, employment records and other records that are retained by the Seller pursuant to the terms of this Agreement to the extent that any of the foregoing is needed by the Buyer for the purpose of conducting the business of the Seller after the Closing and complying with its obligations under applicable securities, tax, environmental, employment or other laws and regulations. Neither the Buyer nor the Seller shall destroy any such books, records or accounts retained by it without first providing the other Party with the opportunity to obtain or copy such books, records, or accounts at such other Party's expense.

(b) Promptly upon request by the Buyer made at any time following the Closing Date, the Seller shall authorize the release to the Buyer of all files pertaining to the Seller, the Acquired Assets or the business or operations of the Seller held by any federal, state, county or local authorities, agencies or instrumentalities.

6.6 Use of Name. The Seller shall not use, and shall not permit any Affiliate to use, the name "Potentia" or any name reasonably similar thereto after the Closing Date in connection with any business related to, competitive with, or an outgrowth of, the business conducted by the Seller on the date of this Agreement.

6.7 Cooperation in Litigation. From and after the Closing Date, each Party shall fully cooperate with the other in the defense or prosecution of any litigation or proceeding already instituted or which may be instituted hereafter against or by such other Party relating to or arising

out of the conduct of the business of the Seller or the Buyer prior to or after the Closing Date (other than litigation among the Parties and/or their Affiliates arising out the transactions contemplated by this Agreement). The Party requesting such cooperation shall pay the reasonable out-of-pocket expenses incurred in providing such cooperation (including legal fees and disbursements) by the Party providing such cooperation and by its officers, directors, employees and agents, but shall not be responsible for reimbursing such Party or its officers, directors, employees and agents, for their time spent in such cooperation.

6.8 Reorganization of Seller. On the Closing Date immediately following the Closing, the Seller shall merge into Potentia Holding LLC. The Seller agrees that such limited liability company shall not use the name "Potentia" or any name reasonably similar thereto. The Seller further agrees that the limited liability company shall not distribute, transfer or assign the Buyer Closing Shares or the Buyer Holdback Shares to its members except in compliance with applicable law and before the earliest to occur of (a) the date six (6) months after the Closing Date, (b) the Sale of the Buyer and (c) an Initial Public Offering.

ARTICLE VII

INDEMNIFICATION

7.1 Indemnification by the Seller. The Seller shall indemnify the Buyer in respect of, and hold the Buyer harmless against, any and all Damages incurred or suffered by the Buyer or any Affiliate thereof resulting from, relating to or constituting:

(a) any breach, as of the date of this Agreement or as of the Closing Date, of any representation or warranty of the Seller contained in this Agreement, any Ancillary Agreement or any other agreement or instrument furnished by the Seller to the Buyer pursuant to this Agreement;

(b) any failure to perform any covenant or agreement of the Seller contained in this Agreement, any Ancillary Agreement or any agreement or instrument furnished by the Seller to the Buyer pursuant to this Agreement; or

(c) any Retained Liabilities.

7.2 Indemnification by the Buyer. The Buyer shall indemnify the Seller in respect of, and hold it harmless against, any and all Damages incurred or suffered by the Seller resulting from, relating to or constituting:

(a) any breach, as of the date of this Agreement or as of the Closing Date, of any representation or warranty of the Buyer contained in this Agreement, any Ancillary Agreement or any other agreement or instrument furnished by the Buyer to the Seller pursuant to this Agreement;

(b) any failure to perform any covenant or agreement of the Buyer contained in this Agreement, any Ancillary Agreement or any other agreement or instrument furnished by the Buyer to the Seller pursuant to this Agreement; or

(c) any Assumed Liabilities.

7.3 Indemnification Claims.

(a) An Indemnified Party shall give written notification to the Indemnifying Party of the commencement of any Third Party Action. Such notification shall be given within 20 days after receipt by the Indemnified Party of notice of such Third Party Action, and shall describe in reasonable detail (to the extent known by the Indemnified Party) the facts constituting the basis for such Third Party Action and the amount of the claimed damages; provided, however, that no delay or failure on the part of the Indemnified Party in so notifying the Indemnifying Party shall relieve the Indemnifying Party of any liability or obligation hereunder except to the extent of any damage or liability caused by or arising out of such failure. Within 20 days after delivery of such notification, the Indemnifying Party may, upon written notice thereof to the Indemnified Party, assume control of the defense of such Third Party Action with counsel reasonably satisfactory to the Indemnified Party; provided that (i) the Indemnifying Party may only assume control of such defense if (A) it acknowledges in writing to the Indemnified Party that any damages, fines, costs or other liabilities that may be assessed against the Indemnified Party in connection with such Third Party Action constitute Damages for which the Indemnified Party shall be indemnified pursuant to this Article VII and (B) the *ad damnum* is less than or equal to the amount of Damages for which the Indemnifying Party is liable under this Article VII and (ii) the Indemnifying Party may not assume control of the defense of Third Party Action involving criminal liability or in which equitable relief is sought against the Indemnified Party. If the Indemnifying Party does not, or is not permitted under the terms hereof to, so assume control of the defense of a Third Party Action, the Indemnified Party shall control such defense. The Non-controlling Party may participate in such defense at its own expense. The Controlling Party shall keep the Non-controlling Party advised of the status of such Third Party Action and the defense thereof and shall consider in good faith recommendations made by the Non-controlling Party with respect thereto. The Non-controlling Party shall furnish the Controlling Party with such information as it may have with respect to such Third Party Action (including copies of any summons, complaint or other pleading which may have been served on such party and any written claim, demand, invoice, billing or other document evidencing or asserting the same) and shall otherwise cooperate with and assist the Controlling Party in the defense of such Third Party Action. The fees and expenses of counsel to the Indemnified Party with respect to a Third Party Action shall be considered Damages for purposes of this Agreement if (i) the Indemnified Party controls the defense of such Third Party Action pursuant to the terms of this Section 7.3(a) or (ii) the Indemnifying Party assumes control of such defense and the Indemnified Party reasonably concludes that the Indemnifying Party and the Indemnified Party have conflicting interests or different defenses available with respect to such Third Party Action. The Indemnifying Party shall not agree to any settlement of, or the entry of any judgment arising from, any Third Party Action without the prior written consent of the Indemnified Party, which shall not be unreasonably withheld, conditioned or delayed; provided that the consent of the Indemnified Party shall not be required if the Indemnifying Party agrees in writing to pay any amounts payable pursuant to such settlement or judgment and such settlement or judgment includes a complete release of the Indemnified Party from further liability and has no other adverse effect on the Indemnified Party. The Indemnified Party shall not agree to any settlement of, or the entry of any judgment arising from, any such Third Party Action without the prior

written consent of the Indemnifying Party, which shall not be unreasonably withheld, conditioned or delayed.

(b) In order to seek indemnification under this Article VII, an Indemnified Party shall deliver a Claim Notice to the Indemnifying Party.

(c) Within 20 days after delivery of a Claim Notice, the Indemnifying Party shall deliver to the Indemnified Party a Response, in which the Indemnifying Party shall: (i) agree that the Indemnified Party is entitled to receive all of the Claimed Amount, (ii) agree that the Indemnified Party is entitled to receive the Agreed Amount or (iii) dispute that the Indemnified Party is entitled to receive any of the Claimed Amount.

(d) Notwithstanding the other provisions of this Section 7.3, if a third party asserts (other than by means of a lawsuit) that an Indemnified Party is liable to such third party for a monetary or other obligation which may constitute or result in Damages for which such Indemnified Party may be entitled to indemnification pursuant to this Article VII, and such Indemnified Party reasonably determines that it has a valid business reason to fulfill such obligation, then (i) such Indemnified Party shall be entitled to satisfy such obligation, without prior notice to or consent from the Indemnifying Party, (ii) such Indemnified Party may subsequently make a claim for indemnification in accordance with the provisions of this Article VII, and (iii) such Indemnified Party shall be reimbursed, in accordance with the provisions of this Article VII, for any such Damages for which it is entitled to indemnification pursuant to this Article VII (subject to the right of the Indemnifying Party to dispute the Indemnified Party's entitlement to indemnification, or the amount for which it is entitled to indemnification, under the terms of this Article VII).

7.4 Survival of Representations and Warranties. All representations and warranties that are covered by the indemnification agreements in Section 7.1(a) and Section 7.2(a) shall (a) survive the Closing and (b) shall expire on the date six (6) months following the Closing Date, except that (i) the representations and warranties set forth in Sections 2.1, 2.3, 3.1 and 3.3 shall survive the Closing without limitation and (ii) the representations and warranties set forth in Sections 2.9 shall survive until 60 days following expiration of all statutes of limitation applicable to the matters referred to therein. If an Indemnified Party delivers to an Indemnifying Party, before expiration of a representation or warranty, either a Claim Notice based upon a breach of such representation or warranty, or an Expected Claim Notice based upon a breach of such representation or warranty, then the applicable representation or warranty shall survive until, but only for purposes of, the resolution of the matter covered by such notice. If the legal proceeding or written claim with respect to which an Expected Claim Notice has been given is definitively withdrawn or resolved in favor of the Indemnified Party, the Indemnified Party shall promptly so notify the Indemnifying Party. The rights to indemnification set forth in this Article VII shall not be affected by (i) any investigation conducted by or on behalf of an Indemnified Party or any knowledge acquired (or capable of being acquired) by an Indemnified Party, whether before or after the date of this Agreement or the Closing Date (including through supplements to the Disclosure Schedule permitted by Section 4.6), with respect to the inaccuracy or noncompliance with any representation, warranty, covenant or obligation which is the subject of indemnification hereunder or (ii) any waiver by an Indemnified Party of any closing condition

relating to the accuracy of any representations and warranties or the performance of or compliance with agreements and covenants.

7.5 Limitations.

(a) Notwithstanding anything to the contrary herein, (i) the aggregate liability of the Seller for Damages under Section 7.1(a) shall not exceed the Share Value of the Buyer Holdback Shares and (ii) the Seller shall be liable for only that portion of the aggregate Damages under Section 7.1(a) for which it would otherwise be liable which exceeds $50,000; provided that the limitations set forth in this sentence shall not apply to a claim pursuant to Section 7.1(a) relating to a breach of the representations and warranties set forth in Sections 2.1, 2.3, 2.13, 2.14 or 2.25. For purposes solely of this Article VII, all representations and warranties of the Seller in Article II (other than Sections 2.7 and 2.32) shall be construed as if the term "material" and any reference to "Seller Material Adverse Effect" (and variations thereof) were omitted from such representations and warranties. If the Seller is liable for Damages in excess of the Share Value of the Buyer Holdback Shares, such amount shall be paid by check or wire transfer of immediately available funds.

(b) Notwithstanding anything to the contrary herein, (i) the aggregate liability of the Buyer for Damages under Section 7.2 shall not exceed $100,000 and shall be payable in shares of Buyer Common Stock at the Share Value, and (ii) the Buyer shall be liable for only that portion of the aggregate Damages under Section 7.2(a) for which it would otherwise be liable which exceeds $50,000; provided that the limitation set forth in this sentence shall not apply to a claim pursuant to Section 7.2(a) relating to a breach of the representations and warranties set forth in Sections 3.1 or 3.3. For purposes solely of this Article VII, all representations and warranties of the Buyer in Article III shall be construed as if the term "material" were omitted from such representations and warranties.

(c) Except with respect to claims based on fraud, after the Closing, the rights of the Indemnified Parties under this Article VII and Section 10.13 shall be the exclusive remedy of the Indemnified Parties with respect to claims resulting from or relating to any misrepresentation, breach of warranty or failure to perform any covenant or agreement contained in this Agreement.

7.6 Disbursement of Buyer Holdback Shares. Within five business days after the date six (6) months after the Closing Date, the Buyer shall issue to the Seller any Buyer Holdback Shares retained by the Buyer after taking into account all Buyer Holdback Shares that have been canceled due to claims for indemnification made by the Buyer prior to such date. Notwithstanding the foregoing, if the Buyer has previously delivered to the Seller a Claim Notice and the claim covered by such Claim Notice has not been resolved, the Buyer shall retain that number of Buyer Holdback Shares that is equal to the amount of Damages covered by such Claim Notice divided by the Share Value (rounded to the nearest whole number with 0.5 being rounded up). Any such Buyer Holdback Shares shall only be released upon the resolution of the claim that is the subject of such Claim Notice.

7.7 Treatment of Indemnity Payments. Any payments made to an Indemnified Party pursuant to this Article VII shall be treated as an adjustment to the Transaction Consideration for tax purposes.

ARTICLE VIII

TERMINATION

8.1 Termination of Agreement. The Parties may terminate this Agreement prior to the Closing (whether before or after Requisite Stockholder Approval), as provided below:

(a) the Parties may terminate this Agreement by mutual written consent;

(b) the Buyer may terminate this Agreement by giving written notice to the Seller in the event the Seller is in breach of any representation, warranty or covenant contained in this Agreement, and such breach (i) individually or in combination with any other such breach, would cause the conditions set forth in clauses (b) or (c) of Section 5.2 not to be satisfied and (ii) is not cured within 20 days following delivery by the Buyer to the Seller of written notice of such breach;

(c) the Buyer may terminate this Agreement at any time prior to delivery of the Final Report to the Buyer if a Key Product Event shall have occurred;

(d) the Buyer may terminate this Agreement if, at any time prior to the Closing, the FDA issues guidelines or rulings that would have a material adverse effect on the Buyer's ability to proceed with the clinical development of APL-2 following the Closing;

(e) if an Assessment is conducted and results in a Negative Assessment Determination, the Buyer may terminate this Agreement within 20 days after the Assessment Committee issues the Negative Assessment Determination;

(f) the Buyer may terminate this Agreement in the event the Seller shall have not obtained the approval of this Agreement by at least 97% of the stockholders of the Seller (on an as-converted to Common Stock basis) within 20 business days from the date of this Agreement;

(g) the Seller may terminate this Agreement by giving written notice to the Buyer in the event the Buyer is in breach of any representation, warranty or covenant contained in this Agreement, and such breach (i) individually or in combination with any other such breach, would cause the conditions set forth in clauses (a) or (b) of Section 5.3 not to be satisfied and (ii) is not cured within 20 days following delivery by the Seller to the Buyer of written notice of such breach;

(h) either Party may terminate this Agreement by giving written notice to the other Party at any time after the stockholders of the Seller have voted on whether to approve the sale of the Acquired Assets contemplated by this Agreement in the event such matter failed to receive the Requisite Stockholder Approval;

(i) the Buyer may terminate this Agreement by giving written notice to the Seller if the Closing shall not have occurred on or before January 31, 2016 by reason of the failure of any condition precedent under Section 5.1 or 5.2 (unless the failure results primarily from a breach by the Buyer of any representation, warranty or covenant contained in this Agreement); or

(j) the Seller may terminate this Agreement by giving written notice to the Buyer if the Closing shall not have occurred on or before January 31, 2016 by reason of the failure of any condition precedent under Section 5.1 or 5.3 (unless the failure results primarily from a breach by the Seller of any representation, warranty or covenant contained in this Agreement).

8.2 Effect of Termination. If either Party terminates this Agreement pursuant to Section 8.1, except as otherwise provided in Section 4.9(d), all obligations of the Parties hereunder shall terminate without any liability of either Party to the other Party (except for any liability of a Party for willful breaches of this Agreement).

ARTICLE IX

DEFINITIONS

For purposes of this Agreement, each of the following terms shall have the meaning set forth below.

"2006 Preferred Stock" shall mean the Seller's Series 2006 Preferred Stock, par value $0.0001 per share.

"2007 Preferred Stock" shall mean the Seller's Series 2007 Preferred Stock, par value $0.0001 per share.

"Acquired Assets" shall mean all of the assets, properties and rights of the Seller existing as of the Closing, including:

(a) all cash, short-term investments, deposits, bank accounts and other similar assets;

(b) all trade and other accounts receivable and notes and loans receivable that are payable to the Seller, and all rights to unbilled amounts for products delivered or services provided, together with any security held by the Seller for the payment thereof;

(c) all inventories of raw materials, work in process, finished goods, supplies, packaging materials, spare parts and similar items, wherever located, including consignment inventory and inventory held on order or in transit;

(d) all computers, machinery, equipment, tools and tooling, furniture, fixtures, supplies, leasehold improvements, motor vehicles and other tangible personal property;

(e) all real property, leaseholds and subleaseholds in real property, and easements, rights-of-way and other appurtenants thereto;

(f) all Intellectual Property;

(g) all rights under Assigned Contracts;

(h) all securities owned by the Seller;

(i) all claims, prepayments, deposits, refunds, causes of action, chooses in action, rights of recovery, rights of setoff and rights of recoupment;

(j) all Permits and Registrations;

(k) all books, records, accounts, ledgers, files, documents, correspondence, lists (including customer and prospect lists), employment records, manufacturing and procedural manuals, Intellectual Property records, sales and promotional materials, studies, reports and other printed or written materials;

(l) all insurance policies of the Seller, as well as all proceeds which may be payable thereunder; and

(m) all rights of the Seller in and with respect to the assets associated with its Employee Benefit Plans.

"Affiliate" shall mean any affiliate, as defined in Rule 12b-2 under the Securities Exchange Act of 1934.

"Agreed Amount" shall mean part, but not all, of the Claimed Amount.

"AMD Program" shall have the meaning set forth in Section 4.9(a).

"Ancillary Agreements" shall mean the Voting Agreement, the bill of sale and other instruments of conveyance referred to in Section 1.5(b)(iii), and the instrument of assumption and other instruments referred to in Section 1.5(b)(iv).

"Anti-Kickback Statute" shall mean the Federal Healthcare Program Anti-Kickback Statute (42 U.S.C. §1320a-7b(b).

"APL-1" shall mean the drug compound, referred to by Seller as "POT-4" and by the Buyer as "APL-1," consisting of a Compstatin analog encompassed by the claims of Group 1 or Group 2 of the patent rights licensed under the Amended and Restated Patent License Agreement, dated March 28, 2008, by and between the Seller and The Trustees of the University of Pennsylvania, as amended by the First Amendment dated October 14, 2009.

"APL-2" shall mean the principal drug compound of the Buyer, containing two copies of the APL-1/POT-4 peptide and a clearance modifying moiety.

"Assessment" shall have the meaning set forth in Section 4.9(e).

"Assessment Committee" shall have the meaning set forth in Section 4.9(e).

"Assessment Request" shall have the meaning set forth in Section 4.9(e).

"Assigned Contracts" shall mean any contracts, agreements or instruments to which the Seller is a party, including any agreements or instruments securing any amounts owed to the Seller, any leases or subleases of real property, any employment contracts and any licenses or sublicenses relating to Intellectual Property.

"Assumed Liabilities" shall mean all of the following liabilities of the Seller:

(a) all liabilities of the Seller set forth on the face of (and not solely in any notes to) the Most Recent Balance Sheet, to the extent they have not been paid or discharged prior to the Closing;

(b) all liabilities of the Seller which have arisen after the date of the Most Recent Balance Sheet in the Ordinary Course of Business, including with respect to frequency and amount, to the extent that they have not been paid or discharged prior to the Closing; provided that this clause (b) shall not encompass any such liabilities which relate to any breach of contract, breach of warranty, tort, infringement or violation of law or which arose out of any charge, complaint, action, suit, proceeding, hearing, investigation, claim or demand;

(c) all obligations of the Seller arising after the Closing under the Assigned Contracts; and

(d) all liabilities set forth on Schedule 1.2(a).

"Buyer" shall have the meaning set forth in the first paragraph of this Agreement.

"Buyer Certificate" shall mean a certificate to the effect that each of the conditions specified in clauses (a) through (c) (insofar as clause (c) relates to Legal Proceedings involving the Buyer) of Section 5.3 is satisfied in all respects.

"Buyer Closing Shares" shall mean (a) the shares of Buyer Common Stock issuable as the Transaction Consideration, minus (b) the Buyer Holdback Shares.

"Buyer Common Stock" shall mean the shares of common stock, $0.0001 par value per share, of the Buyer.

"Buyer Holdback Shares" shall mean 80,000 of the shares of Buyer Common Stock otherwise issuable as the Transaction Consideration.

"CERCLA" shall mean the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

"Claim Notice" shall mean written notification which contains (a) a description of the Damages incurred or reasonably expected to be incurred by the Indemnified Party and the Claimed Amount of such Damages, to the extent then known, (b) a statement that the Indemnified Party is entitled to indemnification under Article VII for such Damages and a

reasonable explanation of the basis therefor, and (c) a demand for payment in the amount of such Damages.

"Claimed Amount" shall mean the amount of any Damages incurred or reasonably expected to be incurred by the Indemnified Party.

"Closing" shall mean the closing of the transactions contemplated by this Agreement.

"Closing Date" shall mean two (2) business days after the satisfaction or waiver of all of the conditions to the obligations of the Parties to consummate the transactions contemplated hereby (excluding the delivery at the Closing of any of the documents set forth in Article V) or such other date as the Parties may mutually agree upon. Notwithstanding the foregoing, at the Buyer's option, the Closing Date shall not be earlier than 30 days after Seller's delivery to the Buyer of the Final Report, and, if an Assessment is conducted, then either (a) two (2) business days after the Assessment Committee issues a Positive Assessment Determination, or (b) 21 days after the Assessment Committee issues a Negative Assessment Determination.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Common Stock" shall mean the Seller's common stock, par value $0.0001 per share.

"Controlling Party" shall mean the party controlling the defense of any Third Party Action.

"CTAs" shall have the meaning set forth in Section 2.14(b).

"Damages" shall mean any and all debts, obligations and other liabilities (whether absolute, accrued, contingent, fixed or otherwise, or whether known or unknown, or due or to become due or otherwise), diminution in value, monetary damages, fines, fees, penalties, interest obligations, deficiencies, losses and expenses (including amounts paid in settlement, interest, court costs, costs of investigators, fees and expenses of attorneys, accountants, financial advisors and other experts, and other expenses of litigation).

"Deferred Consent" shall mean an agreement to assign or transfer any contract, lease, authorization, license or permit, or any claim, right or benefit arising thereunder or resulting therefrom, if an attempted assignment or transfer thereof, without the consent of a third party thereto or of the issuing Governmental Entity, as the case may be, would constitute a breach thereof.

"Deferred Item" shall mean the contract, lease, authorization, license or permit to which Deferred Consent relates.

"Development Plan" shall mean the development plan and timeline for the AMD Program agreed to by the Seller and the Buyer in connection with the execution of this Agreement, as modified from time to time in accordance with the terms and conditions of this Agreement. The Development Plan shall include the design of the Phase 1 Clinical Trial, the budget for the AMD Program through the delivery of the Final Report and the allocation of

responsibility between the Seller and the Buyer for funding the costs of conducting the AMD Program.

"Disclosure Schedule" shall mean the disclosure schedule provided by the Seller to the Buyer on the date hereof and accepted in writing by the Buyer, as the same may be supplemented pursuant to Section 4.6.

"Disclosure Statement " shall mean a written proxy or information statement which includes a summary of this Agreement and such disclosure as may be required by applicable securities laws in connection with the issuance of the Buyer Closing Shares.

"Dispute" shall mean the dispute resulting if the Indemnifying Party in a Response disputes its liability for all or part of the Claimed Amount.

"EMA" shall mean the European Medicines Agency in the European Union.

"Employee Benefit Plan" shall mean any "employee pension benefit plan" (as defined in Section 3(2) of ERISA), any "employee welfare benefit plan" (as defined in Section 3(1) of ERISA), and any other written or oral plan, agreement or arrangement involving direct or indirect compensation, including insurance coverage, severance benefits, disability benefits, deferred compensation, bonuses, stock options, stock purchase, phantom stock, stock appreciation or other forms of incentive compensation or post-retirement compensation.

"Environmental Law" shall mean any federal, state or local law, statute, rule, order, directive, judgment, Permit or regulation or the common law relating to the environment, occupational health and safety, or exposure of persons or property to Materials of Environmental Concern, including any statute, regulation, administrative decision or order pertaining to: (i) the presence of or the treatment, storage, disposal, generation, transportation, handling, distribution, manufacture, processing, use, import, export, labeling, recycling, registration, investigation or remediation of Materials of Environmental Concern or documentation related to the foregoing; (ii) air, water and noise pollution; (iii) groundwater and soil contamination; (iv) the release, threatened release, or accidental release into the environment, the workplace or other areas of Materials of Environmental Concern, including emissions, discharges, injections, spills, escapes or dumping of Materials of Environmental Concern; (v) transfer of interests in or control of real property which may be contaminated; (vi) community or worker right-to-know disclosures with respect to Materials of Environmental Concern; (vii) the protection of wild life, marine life and wetlands, and endangered and threatened species; (viii) storage tanks, vessels, containers, abandoned or discarded barrels and other closed receptacles; and (ix) health and safety of employees and other persons. As used above, the term "release" shall have the meaning set forth in CERCLA.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" shall mean any entity which is, or at any applicable time was, a member of (1) a controlled group of corporations (as defined in Section 414(b) of the Code), (2) a group of trades or businesses under common control (as defined in Section 414(c) of the

Code), or (3) an affiliated service group (as defined under Section 414(m) of the Code or the regulations under Section 414(o) of the Code), any of which includes or included the Seller.

"European Union" shall mean, collectively, the European Union as a legal entity and the countries that are officially recognized as member states of the European Union at any relevant time.

"Excluded Assets" shall mean the following assets of the Seller:

(a) the corporate charter, qualifications to conduct business as a foreign corporation, arrangements with registered agents relating to foreign qualifications, taxpayer and other identification numbers, seals, minute books, stock transfer books and other documents relating to the organization and existence of the Seller as a corporation;

(b) all rights relating to refunds, recovery or recoupment of Taxes of the Seller;

(c) any of the rights of the Seller under this Agreement or under the Ancillary Agreements;

(d) any right to attorney-client or other professional privilege owned by the Seller with respect to any of the Acquired Assets; and

(e) those assets listed on Schedule 1.1(b) attached hereto.

"Expected Claim Notice" shall mean a notice that, as a result of a legal proceeding instituted by or written claim made by a third party, an Indemnified Party reasonably expects to incur Damages for which it is entitled to indemnification under Article VII.

"Exploit" shall mean research, develop, design, test, modify, make, use, sell, have made, used and sold, import, reproduce, market, distribute, commercialize, support, maintain, correct and create derivative works of.

"FDA" shall mean the United States Food and Drug Administration.

"FDA Act" shall mean the Federal Food, Drug and Cosmetic Act, as amended.

"Federal False Claims Act" shall have the meaning set forth in Section 2.14(d).

"Final Report" shall mean the final report from the contract research organization conducting the Phase 1 Clinical Trial incorporating the feedback from the Buyer and its consultants and provided no later than four months after receipt of the final data from the Phase I Clinical Trial.

"Financial Statements" shall mean:

(a) the unaudited balance sheets and statements of income, changes in stockholders' equity and cash flows of the Seller as of the end of and for each of the years ended December 31, 2012 and December 31, 2013; and

(b) the Most Recent Balance Sheet and the unaudited statements of income, changes in stockholders' equity and cash flows for the eight (8) months ended as of the Most Recent Balance Sheet Date.

"GAAP" shall mean United States generally accepted accounting principles.

"Governmental Entity" shall mean any federal, state, local or foreign government or any court, arbitrational tribunal, administrative agency or commission or government authority acting under the authority of the federal or any state, local or foreign government or of the European Union. For the purpose of regulatory matters in the European Union, "Governmental Entity" shall include any notified body accredited by a member state of the European Union to conduct a conformity assessment pursuant to the medical devices laws of the European Union, as applicable.

"HIPAA" shall mean the Health Insurance Portability and Accountability Act of 1996, as amended.

"IND" shall mean an investigational new drug application (including any amendment or supplement thereto) submitted to the FDA pursuant to Part 312 of Title 21 of the U.S. Code of Federal Regulations, including any amendments thereto.

"Indemnified Party" shall mean a party entitled, or seeking to assert rights, to indemnification under Article VII of this Agreement.

"Indemnifying Party" shall mean the party from whom indemnification is sought by the Indemnified Party.

"Initial Public Offering" shall mean the closing of the sale of shares of Buyer Common Stock to the public at a price per share equal to at least $3.75 (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Buyer Common Stock), in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, resulting in at least $40,000,000 of gross proceeds, net of underwriting discounts and commissions, to the Buyer.

"Intellectual Property" shall mean the following subsisting throughout the world:

(a) Patent Rights;

(b) Trademarks and all goodwill in the Trademarks

(c) copyrights, designs, data and database rights and registrations and applications for registration thereof, including moral rights of authors;

(d) formulae, processes, designs, inventions, invention disclosures, statutory invention registrations, trade secrets and confidential business information, know-how, scientific and technical information, data and technology, including medical, clinical, toxicological and other scientific data, manufacturing and product processes, techniques and analytical

methodology, research and development information, financial, marketing and business data, pricing and cost information, business and marketing plans and customer and supplier lists and information, whether patentable or nonpatentable, whether copyrightable or noncopyrightable and whether or not reduced to practice; and

(e) other proprietary rights relating to any of the foregoing (including remedies against infringement thereof and rights of protection of interest therein under the laws of all jurisdictions).

"Intellectual Property Registrations" shall mean Patent Rights, registered Trademarks, registered copyrights and designs, mask work registrations, and applications for each of the foregoing.

"Key Product Event" shall mean any serious adverse event that (a) is determined by the safety review committee overseeing the safety of the Phase 1 clinical trial to be directly related to intravitreally administered APL-2 (and not predominantly related to any compound with which APL-2 is co-administered) and to have: (i) resulted in death; (ii) been life-threatening; (iii) required inpatient hospitalization or prolongation of existing hospitalization; (iv) resulted in persistent or significant disability or incapacity; (v) resulted in a congenital anomaly or birth defect; or (vi) required significant intervention to prevent permanent impairment or damage; and (b) results in the FDA's placing a clinical hold on the Phase 1 clinical trial. A "Key Product Event" shall also mean (x) accumulation of aggregates in the eye, or (y) the recommendation by the safety review committee that the administration of APL-2 to participants in the Phase I clinical trial be halted.

"Lease" shall mean any lease or sublease pursuant to which the Seller leases or subleases from another party any real property.

"Legal Proceeding" shall mean any action, suit, proceeding, claim, arbitration or investigation before any Governmental Entity or before any arbitrator.

"MAA" shall mean a Marketing Authorization Application filed with the EMA, and all amendments and supplements thereto filed with the EMA.

"Materials of Environmental Concern" shall mean any: pollutants, contaminants or hazardous substances (as such terms are defined under CERCLA), pesticides (as such term is defined under the Federal Insecticide, Fungicide and Rodenticide Act), solid wastes and hazardous wastes (as such terms are defined under the Resource Conservation and Recovery Act), chemicals, other hazardous, radioactive or toxic materials, oil, petroleum and petroleum products (and fractions thereof), or any other material (or article containing such material) listed or subject to regulation under any law, statute, rule, regulation, order, Permit, or directive due to its potential, directly or indirectly, to harm the environment or the health of humans or other living beings.

"Most Recent Balance Sheet" shall mean the unaudited consolidated balance sheet of the Seller as of the Most Recent Balance Sheet Date.

"Most Recent Balance Sheet Date" shall mean August 31, 2014.

"NDA" shall mean a New Drug Application (as more fully described in 21 C.F.R. 314.50 et seq. or its successor regulation) and all amendments and supplements thereto submitted to the FDA.

"Negative Assessment Determination" shall have the meaning set forth in Section 4.9(e).

"Nominee" shall mean a wholly owned subsidiary of the Buyer designated by the Buyer to purchase the Acquired Assets and assume the Assumed Liabilities.

"Non-controlling Party" shall mean the party not controlling the defense of any Third Party Action.

"Ordinary Course of Business" shall mean the ordinary course of business consistent with past custom and practice (including with respect to frequency and amount), and includes settling any Retained Liabilities.

"Parties" shall mean the Buyer and the Seller.

"Patent Rights" shall mean all patents, patent applications, utility models, design registrations and certificates of invention and other governmental grants for the protection of inventions or industrial designs.

"Permits" shall mean all permits, licenses, registrations, certificates, orders, approvals, franchises, variances and similar rights issued by or obtained from any Governmental Entity (including those issued or required under Environmental Laws and those relating to the occupancy or use of owned or leased real property).

"Phase 1 Clinical Trial" shall mean the Phase 1 clinical trial of APL-2 summarized in the Development Plan.

"Phase 1 Summary" shall have the meaning set forth in Section 4.9(e).

"Positive Assessment Determination" shall have the meaning set forth in Section 4.9(e).

"Product Candidates" shall mean APL-1 and APL-2.

"Reasonable Best Efforts" shall mean best efforts, to the extent commercially reasonable.

"Registrations" shall mean any investigational new drug applications, new drug applications, or similar regulatory applications of the Seller that have been submitted to or approved by the FDA or any applicable Governmental Entity.

"Regulatory Approval" shall mean (a) as to any Product Candidate in the United States, the approval by the FDA of a New Drug Application, or a supplement to a New Drug Application, for such Product Candidate, in each case as required to market such Product Candidate, (b) as to any Product Candidate in the European Union, either the approval by the EMA of a Marketing Authorization Application for such Product Candidate in the European Union or the approval by the relevant Regulatory Authority in any three (3) of the United

Kingdom, Germany, France, Italy and Spain of a Marketing Authorization Application for such Product Candidate in such country, and (c) as to any Product Candidate in Australia, approval by the relevant Australian Regulatory Authority.

"Regulatory Authority" shall mean the FDA or any health regulatory authority in another country that is a counterpart to the FDA and holds responsibility for granting Regulatory Approval for any Product Candidate in such country, including the EMA, and any successor(s) thereto.

"Requisite Stockholder Approval" shall mean the approval of the sale of the Acquired Assets by the Seller to the Buyer as contemplated by this Agreement by a majority of the votes represented by the outstanding shares of capital stock of the Seller entitled to vote thereon, and a majority of the Series 2006 Preferred Stock and Series 2007 Preferred Stock, voting together as a separate class.

"Response" shall mean a written response containing the information provided for in Section 7.3(c).

"Restricted Employee" shall mean any person who was an employee of the Buyer on either the date of this Agreement or the Closing Date.

"Retained Liabilities" shall mean any and all liabilities or obligations (whether known or unknown, absolute or contingent, liquidated or unliquidated, due or to become due and accrued or unaccrued, and whether claims with respect thereto are asserted before or after the Closing) of the Seller which are not Assumed Liabilities. The Retained Liabilities shall include, without limitation, all liabilities and obligations of the Seller:

(a) for income, transfer, sales, use or other Taxes arising in connection with the consummation of the transactions contemplated by this Agreement (including any income Taxes arising as a result of the transfer by the Seller to the Buyer of the Acquired Assets);

(b) for costs and expenses incurred in connection with this Agreement or the consummation of the transactions contemplated by this Agreement;

(c) under this Agreement or the Ancillary Agreements;

(d) for any Taxes of the Seller, including deferred taxes or taxes measured by income of the Seller earned prior to the Closing, any Taxes related to the Acquired Assets that were incurred in or are attributable to any taxable period (or portion thereof) ending on or before the Closing Date, any Taxes for another person for which the Seller is liable, including, but not limited to Taxes for which the Seller is liable by reason of Treasury Regulations Section 1.1502-6 (or any comparable or similar provision of federal, state, local or foreign law), being a transferee or successor, any contractual obligation or otherwise, any liabilities for federal or state income tax and FICA taxes of employees of the Seller which the Seller is legally obligated to withhold, any liabilities of the Seller for employer FICA and unemployment taxes incurred, and any liabilities of the Seller for sales, use or excise taxes or customs and duties;

(e) under any agreements, contracts, leases or licenses which are listed on Schedule 1.1(b);

(f) arising prior to the Closing under the Assigned Contracts, and all liabilities for any breach, act or omission by the Seller prior to the Closing under any Assigned Contract, subject to any allocation of AMD Program costs in the Development Plan;

(g) arising out of events, conduct or conditions existing or occurring prior to the Closing that constitute a violation of or non-compliance with any law, rule or regulation (including Environmental Laws), any judgment, decree or order of any Governmental Entity, or any Permit or that give rise to liabilities or obligations with respect to Materials of Environmental Concern;

(h) to pay severance benefits to any employee of the Seller whose employment is terminated (or treated as terminated) in connection with the consummation of the transactions contemplated by this Agreement, and all liabilities resulting from the termination of employment of employees of the Seller prior to the Closing that arose under any federal or state law or under any Employee Benefit Plan established or maintained by the Seller;

(i) to indemnify any person or entity by reason of the fact that such person or entity was a director, officer, employee, or agent of the Seller or was serving at the request of the Seller as a partner, trustee, director, officer, employee, or agent of another entity (whether such indemnification is for judgments, damages, penalties, fines, costs, amounts paid in settlement, losses, expenses, or otherwise and whether such indemnification is pursuant to any statute, charter document, bylaw, agreement, or otherwise);

(j) injury to or death of persons or damage to or destruction of property occurring prior to the Closing (including any workers compensation claim); and

(k) for medical, dental and disability (both long-term and short-term benefits), whether insured or self-insured, owed to employees or former employees of the Seller based upon (i) exposure to conditions in existence prior to the Closing or (ii) disabilities existing prior to the Closing (including any such disabilities which may have been aggravated following the Closing).

"Sale of the Buyer" shall mean (a) a merger or consolidation in which the Buyer or a subsidiary of the Buyer is a constituent party and the Buyer issues shares of its capital stock pursuant to such merger or consolidation, except any such merger or consolidation involving the Buyer or a subsidiary in which the shares of capital stock of the Buyer outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, at least a majority, by voting power, of the capital stock of (1) the surviving or resulting corporation or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation; or (b) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Buyer or any subsidiary of the Buyer of all or substantially all the assets of the Buyer and its subsidiaries taken

as a whole, or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Buyer if substantially all of the assets of the Buyer and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Buyer.

"Safety Notice" shall have the meaning set forth in Section 2.14(i).

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Security Interest" shall mean any mortgage, pledge, security interest, encumbrance, charge or other lien (whether arising by contract or by operation of law), other than (a) mechanic's, materialmen's, and similar liens, (b) liens arising under worker's compensation, unemployment insurance, social security, retirement, and similar legislation and (c) liens on goods in transit incurred pursuant to documentary letters of credit, in each case arising in the Ordinary Course of Business of the Seller and not material to the Seller.

"Seller" shall have the meaning set forth in the first paragraph of this Agreement.

"Seller Certificate" shall mean a certificate to the effect that each of the conditions specified in clause (a) of Section 5.1 and clauses (a) through (d) (insofar as clause (d) relates to Legal Proceedings involving the Seller) of Section 5.2 is satisfied in all respects.

"Seller Exclusively Licensed Intellectual Property Registrations" shall mean Intellectual Property Registrations under which the Seller has been granted any exclusive license by any third party.

"Seller Intellectual Property" shall mean the Seller Owned Intellectual Property and the Seller Licensed Intellectual Property.

"Seller Licensed Intellectual Property" shall mean all Intellectual Property that is licensed to the Seller by any third party.

"Seller Material Adverse Effect" shall mean any material adverse change, event, circumstance or development with respect to, or material adverse effect on, (a) the business, assets, liabilities, capitalization, prospects, condition (financial or other), or results of operations of the Seller or (b) the ability of the Buyer to operate the business of the Seller immediately after the Closing. For the avoidance of doubt, the parties agree that the terms "material", "materially" or "materiality" as used in this Agreement with an initial lower case "m" shall have their respective customary and ordinary meanings, without regard to the meaning ascribed to Seller Material Adverse Effect.

"Seller Owned Intellectual Property" shall mean all Intellectual Property owned or purported to be owned by the Seller, in whole or in part.

"Seller Owned Intellectual Property Registrations" shall mean Intellectual Property Registrations that are owned by, or are registered or filed in the name of, the Seller, alone or jointly with others.

"Seller Plan" shall mean any Employee Benefit Plan maintained, or contributed to, by the Seller or any ERISA Affiliate.

"Seller Registrations" shall mean Intellectual Property Registrations that are registered or filed in the name of the Seller, alone or jointly with others.

"Share Value" shall mean $1.25 per Buyer Closing Share (subject to adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting the Buyer Closing Shares occurring after the date of this Agreement and prior to the Closing).

"Stark law" shall have the meaning set forth in Section 2.14(e).

"Subsidiary" shall mean any corporation, partnership, trust, limited liability company or other non-corporate business enterprise in which the Seller (or another Subsidiary) holds stock or other ownership interests representing (a) more than 50% of the voting power of all outstanding stock or ownership interests of such entity or (b) the right to receive more than 50% of the net assets of such entity available for distribution to the holders of outstanding stock or ownership interests upon a liquidation or dissolution of such entity.

"Taxes" shall mean any and all taxes, charges, fees, duties, contributions, levies or other similar assessments or liabilities in the nature of a tax, including, without limitation, income, gross receipts, corporation, ad valorem, premium, value-added, net worth, capital stock, capital gains, documentary, recapture, alternative or add-on minimum, disability, estimated, registration, recording, excise, real property, personal property, sales, use, license, lease, service, service use, transfer, withholding, employment, unemployment, insurance, social security, national insurance, business license, business organization, environmental, workers compensation, payroll, profits, severance, stamp, occupation, windfall profits, customs duties, franchise and other taxes of any kind whatsoever imposed by the United States of America or any state, local or foreign government, or any agency or political subdivision thereof, and any interest, fines, penalties, assessments or additions to tax imposed with respect to such items or any contest or dispute thereof.

"Tax Returns" shall mean any and all reports, returns, declarations, or statements relating to Taxes, including any schedule or attachment thereto and any related or supporting work papers or information with respect to any of the foregoing, including any amendment thereof.

"Third Party Action" shall mean any suit or proceeding by a person or entity other than a Party for which indemnification may be sought by a Party under Article VII.

"Trademarks" shall mean all registered trademarks and service marks, logos, Internet domain names, corporate names and doing business designations and all registrations and applications for registration of the foregoing, and any common law trademarks and service marks and trade dress.

"Transaction Consideration" shall mean the 8,200,000 shares of Buyer Common Stock issuable by the Buyer as consideration for the Acquired Assets at the Closing, as set forth in Section 1.3 (such number of shares being subject to adjustment in the event of any stock

dividend, stock split, combination or other similar recapitalization affecting the Buyer Common Stock occurring after the date of this Agreement and prior to the Closing).

"Voting Agreement" shall mean a voting agreement in substantially the form attached hereto as Exhibit E.

ARTICLE X

MISCELLANEOUS

10.1 Press Releases and Announcements. Neither Party shall issue any press release or public announcement relating to the subject matter of this Agreement without the prior written approval of the other Party; provided, however, that either Party may make any public disclosure it believes in good faith is required by applicable law, regulation or stock market rule (in which case the disclosing Party shall use reasonable efforts to advise the other Party and provide it with a copy of the proposed disclosure prior to making the disclosure).

10.2 No Third Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any person other than the Parties and their respective successors and permitted assigns.

10.3 Entire Agreement. This Agreement (including the documents referred to herein) constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, with respect to the subject matter hereof; provided that the Confidentiality Agreement dated January 1, 2014 between the Buyer and the Seller shall remain in effect in accordance with its terms.

10.4 Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. Neither Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Party; provided that the Buyer may assign some or all of its rights, interests and/or obligations hereunder to one or more Affiliates of the Buyer. Any attempted assignment in contravention of this provision shall be void.

10.5 Counterparts and Facsimile Signature. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile signature and by electronic delivery of a signature in a .pdf file.

10.6 Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

10.7 Notices. All notices, requests, demands, claims, and other communications hereunder shall be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly delivered when delivered by hand, four business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, or one business day

after it is sent for next business day delivery via a reputable nationwide overnight courier service, in each case to the intended recipient as set forth below:

If to the Seller:	Copy to:
Potentia Pharmaceuticals, Inc. 6400 Westwind Way, Suite A Crestwood, KY 40014 Attn: David M. Darst, Jr., Director	Frost Brown Todd LLC 400 West Market Street 32nd Floor Louisville, KY 40202 Attn: Alan K. MacDonald
If to the Buyer:	Copy to:
Apellis Pharmaceuticals, Inc. 6400 Westwind Way, Suite A Crestwood, KY 40014 Attn: Cedric Francois, CEO	WilmerHale 60 State Street Boston, MA 02109 Attn: Stuart Falber

Either Party may give any notice, request, demand, claim, or other communication hereunder using any other means (including personal delivery, expedited courier, messenger service, telecopy, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the party for whom it is intended. Either Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

10.8 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of laws of any jurisdictions other than those of the State of Delaware.

10.9 Amendments and Waivers. The Parties may mutually amend any provision of this Agreement at any time prior to the Closing; provided, however, that any amendment effected subsequent to the Requisite Stockholder Approval shall be subject to any restrictions contained in the Delaware General Corporation law. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each of the Parties. No waiver by either Party of any right or remedy hereunder shall be valid unless the same shall be in writing and signed by the Party giving such waiver. No waiver by either Party with respect to any default, misrepresentation, or breach of warranty or covenant hereunder shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

10.10 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of

the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction declares that any term or provision hereof is invalid or unenforceable, the Parties agree that the court making the determination of invalidity or unenforceability shall have the power to limit the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified.

10.11 Expenses. Except as set forth in Article VII, each Party shall bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby.

10.12 Submission to Jurisdiction. Each Party (a) submits to the exclusive personal jurisdiction of the Court of Chancery of the State of Delaware, New Castle County, or, if that court does not have jurisdiction, a federal court sitting in Wilmington, Delaware in any action or proceeding arising out of or relating to this Agreement or the Ancillary Agreements, (b) agrees that all claims in respect of such action or proceeding may be heard and determined in any such court, (c) waives any claim of inconvenient forum or other challenge to venue in such court, (d) agrees not to bring any action or proceeding arising out of or relating to this Agreement or the Ancillary Agreements in any other court and (e) waives any right it may have to a trial by jury with respect to any action or proceeding arising out of or relating to this Agreement or the Ancillary Agreements. Each Party agrees to accept service of any summons, complaint or other initial pleading made in the manner provided for the giving of notices in Section 10.7, provided that nothing in this Section 10.12 shall affect the right of either Party to serve such summons, complaint or other initial pleading in any other manner permitted by law.

10.13 Specific Performance. Each Party acknowledges and agrees that the other Party would be damaged irreparably in the event any of the provisions of this Agreement (including Sections 6.1, 6.2 and 6.3) are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each Party agrees that the other Party shall be entitled to an injunction or other equitable relief to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state thereof having jurisdiction over the Parties and the matter, in addition to any other remedy to which it may be entitled, at law or in equity.

10.14 Construction.

(a) The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against either Party.

(b) Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

(c) Any reference herein to “including” shall be interpreted as “including without limitation”.

(d) Any reference to any Article, Section or paragraph shall be deemed to refer to an Article, Section or paragraph of this Agreement, unless the context clearly indicates otherwise.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

APELLIS PHARMACEUTICALS, INC.

By: /s/ Cedric Francois
Title: President

POTENTIA PHARMACEUTICALS, INC.

By: /s/ David Darst
Title: Director

Exhibit A

BILL OF SALE

This Bill of Sale dated [●] is executed and delivered by Potentia Pharmaceuticals, Inc., a Delaware corporation (the "Seller"), to Apellis Pharmaceuticals, Inc., a Delaware corporation (the "Buyer"). All capitalized words and terms used in this Bill of Sale and not defined herein shall have the respective meanings ascribed to them in the Asset Purchase Agreement dated September [●], 2014 between the Seller and the Buyer (the "Agreement").

WHEREAS, pursuant to the Agreement, the Seller has agreed to sell, transfer, convey, assign and deliver to the Buyer substantially all of the assets of the Seller, and the Buyer has agreed to assume certain of the liabilities of the Seller;

NOW, THEREFORE, in consideration of the mutual promises set forth in the Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Seller hereby agrees as follows:

1. The Seller hereby sells, transfers, conveys, assigns and delivers to the Buyer, its successors and assigns, to have and to hold forever, all right, title and interest in, to and under all of the Acquired Assets.

2. The Seller hereby covenants and agrees that it will, at the request of the Buyer and without further consideration, execute and deliver, and will cause its employees to execute and deliver, such other instruments of sale, transfer, conveyance and assignment, and take such other action, as may reasonably be necessary to more effectively sell, transfer, convey, assign and deliver to, and vest in, the Buyer, its successors and assigns, good, clear, record and marketable title to the Assets hereby sold, transferred, conveyed, assigned and delivered, or intended so to be, and to put the Buyer in actual possession and operating control thereof, to assist the Buyer in exercising all rights with respect thereto and to carry out the purpose and intent of the Agreement.

3. The Seller does hereby irrevocably constitute and appoint the Buyer, its successors and assigns, its true and lawful attorney, with full power of substitution, in its name or otherwise, and on behalf of the Seller, or for its own use, to claim, demand, collect and receive at any time and from time to time any and all of the Acquired Assets, and to prosecute the same at law or in equity and, upon discharge thereof, to complete, execute and deliver any and all necessary instruments of satisfaction and release.

4. The Seller, by its execution of this Bill of Sale, and the Buyer, by its acceptance of this Bill of Sale, each hereby acknowledges and agrees that neither the representations and warranties nor the rights, remedies or obligations of any party under the Agreement shall be deemed to be enlarged, modified or altered in any way by this instrument.

IN WITNESS WHEREOF, the Seller and the Buyer have caused this instrument to be duly executed under seal as of and on the date first above written.

POTENTIA PHARMACEUTICALS, INC.

By: _____

Title: _____

Attest:

_____

ACCEPTED:

APELLIS PHARMACEUTICALS, INC.

By: _____

Title: _____

Exhibit B

PATENT ASSIGNMENT

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Potentia Pharmaceuticals, Inc. ("Assignor"), hereby assigns to Apellis Pharmaceuticals, Inc., a Delaware corporation having a place of business at 6400 Westwind Way, Suite A, Crestwood, KY 40014 ("Buyer" and herein also referred to as "Assignee"), all of Assignor's right, title and interest in and to the below-identified patents, patent registrations and patent applications ("Patent Rights"), including all rights to sue for past infringement, the same to be held and enjoyed by Buyer, its successors and assigns, in and throughout the United States of America, its territories and all foreign countries, including but not limited to Assignor's right, title and interest in and to the invention(s) described in said Patent Rights and such letters patents as may issue from patent applications included within the Patent Rights, including but not limited to non-provisionals, continuations, divisionals, reissues, reexaminations, extensions, and substitutions of said application(s) or such patents, and all priority rights appertaining thereto; said Patent Rights to be held and enjoyed by said Assignee for its own use and behalf and for its successors, assigns and legal representatives, to the full end of the term for which said letters patents may be granted as fully and entirely as the same would have been held by Assignor had this assignment and sale not been made. Assignor hereby conveys all of Assignor's rights arising under or pursuant to any and all United States laws and international agreements, treaties or laws relating to the protection of industrial property by the filing of any such application(s) within the Patent Rights, including but not limited to any cause(s) of action and damages accruing prior to this assignment. Assignor hereby acknowledges that this assignment, being of Assignor's entire right, title and interest in and to said invention(s), carries with it the right in Assignee to apply for and obtain from competent authorities in all countries of the world any and all letters patent by attorneys and agents of Assignee's selection and the right to procure the grant of all letters patent to Assignee in its own name as assignee of Assignee's entire right, title and interest therein;

AND, Assignor hereby further agrees for ourselves and our executors and administrators to execute upon request any other lawful documents and likewise to perform any other lawful acts which may be deemed necessary to secure fully the aforesaid invention(s) to said Assignee, its successors, assigns, and legal representatives, including the execution of non-provisional, substitution, continuation, divisional, reissue, reexamination, or corresponding foreign or international patent applications but at Assignee's own expense and charge;

AND, Assignor hereby further agrees to provide factual statements or testimony in any interference or other proceeding in which said invention(s) or any application or patent directed thereto may be involved;

AND, Assignor hereby authorizes and requests the Director of the United States Patent and Trademark Office and such patent office officials in foreign countries as are duly authorized by their laws to issue patents to issue such letters patent as shall be granted upon applications included within the Patent Rights, or applications based thereon, to said Assignee, its successors, assigns, or legal representatives:

Docket No.	Country	Case Type	Application Status	Application Number	Filing Date	Publication Number	Publication Date	Patent Number	Issue Date	Title
[●][1]	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]

1 NTD: To be provided to Company

Executed as of the day of [●].

POTENTIA PHARMACEUTICALS, INC.

By: _____

Name: _____

Title: _____

[Signature Page to Patent Assignment]

Exhibit C

TRADEMARK ASSIGNMENT

Potentia Pharmaceuticals, Inc., a Delaware corporation having a place of business at [●] (the "Seller"), has used and is using the trademarks identified on Schedule A and is the owner of the trademark applications and registrations identified on Schedule A, including the goodwill of the business connected with the use of, and symbolized by, said marks.

For good and valuable consideration, the receipt of which is hereby acknowledged, the Seller hereby assigns to Apellis Pharmaceuticals, Inc., a Delaware corporation having a place of business at 6400 Westwind Way, Suite A, Crestwood, KY 40014 (the "Buyer"), the entire right, title and interest in and to the trademark applications and registrations listed on Schedule A and the trademarks which are the subjects thereof, including the goodwill of the business connected with the use of, and symbolized by, said marks.

The Seller further agrees, for itself, its successors and assigns, to execute such further documents and to perform such further lawful acts as may reasonably be requested by the Buyer to effectuate this assignment.

Witness my hand and seal this [●] day of [●], [●].

POTENTIA PHARMACEUTICALS, INC.

By: _____

Title: _____

County of)

State of)

Then personally appeared the above named of the Seller and acknowledged the foregoing act to be his or her free act and deed, before me, this [●] day of [●], [●].

_____

Notary Public

My commission expires:

DECLARATION OF ACCEPTANCE

The Buyer hereby agrees to this assignment of the listed trademark applications and registrations from the Seller and applies for recording of this Assignment in the registers of the corresponding Trademark offices.

Witness my hand and seal this [●] day of [●], [●].

APELLIS PHARMACEUTICALS, INC.

By: _____

Title: _____

State of)

County of) ss.

Then personally appeared the above named of the Buyer and acknowledged the foregoing act to be his or her free act and deed, before me, this [●] day of [●], [●].

_____

Notary Public

My commission expires:

SCHEDULE A

Trademark Applications and Registrations in the United States of America

APPLICATIONS

TRADEMARK	SERIAL NO.	FILING DATE

REGISTRATIONS

TRADEMARK	REG. NO.	REG. DATE

Exhibit D

This Instrument of Assumption of Liabilities dated [●], is made by Apellis Pharmaceuticals, Inc., a Delaware corporation (the "Buyer"), in favor of Potentia Pharmaceuticals, Inc., a Delaware corporation (the "Seller"). All capitalized words and terms used in this Instrument of Assumption of Liabilities and not defined herein shall have the respective meanings ascribed to them in the Asset Purchase Agreement dated [September] [●], 2014 between the Seller and the Buyer (the "Agreement").

WHEREAS, pursuant to the Agreement, the Seller has agreed to sell, transfer, convey, assign and deliver to the Buyer substantially all of the assets of the Seller; and

WHEREAS, in partial consideration therefor, the Agreement requires the Buyer to assume certain of the liabilities of the Seller;

NOW, THEREFORE, in consideration of the mutual promises set forth in the Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Buyer hereby agrees as follows:

1. The Buyer hereby assumes and agrees to perform, pay and discharge the Assumed Liabilities.

2. The Buyer does not hereby assume or agree to perform, pay or discharge, and the Seller shall remain unconditionally liable for, any and all liabilities or obligations (whether known or unknown, whether absolute or contingent, whether liquidated or unliquidated, whether due or to become due, and whether claims with respect thereto are asserted before or after the Closing) of the Seller which are not Assumed Liabilities.

3. Nothing contained herein shall require the Buyer to perform, pay or discharge any liability, obligation or commitment expressly assumed by the Buyer herein so long as the Buyer in good faith contests or causes to be contested the amount or validity thereof.

4. Nothing herein shall be deemed to deprive the Buyer of any defenses, set-offs or counterclaims which the Seller may have had or which the Buyer shall have with respect to any of the Assumed Liabilities (the "Defenses and Claims"). The Seller hereby transfers, conveys and assigns to the Buyer all Defenses and Claims and agrees to cooperate with the Buyer to maintain, secure, perfect and enforce such Defenses and Claims, including the signing of any documents, the giving of any testimony or the taking of any such other action as is reasonably requested by the Buyer in connection with such Defenses and Claims.

5. The Buyer, by its execution of this Instrument of Assumption of Liabilities, and the Seller, by its acceptance of this Instrument of Assumption of Liabilities, each hereby acknowledges and agrees that neither the representations and warranties nor the rights, remedies or obligations of either party under the Agreement shall be deemed to be enlarged, modified or altered in any way by this instrument.

IN WITNESS WHEREOF, the Buyer and the Seller have caused this instrument to be duly executed under seal as of and on the date first above written.

APELLIS PHARMACEUTICALS, INC.

By: _____

Title: _____

Attest:

_____

ACCEPTED:

POTENTIA PHARMACEUTICALS, INC.

By: _____

Title: _____

Exhibit E

VOTING AGREEMENT

This is a Voting Agreement (this "**Agreement**"), dated as of [●], between Apellis Pharmaceuticals, Inc., a Delaware corporation ("**Apellis**"), and Potentia Pharmaceuticals, Inc., a Delaware corporation ("**Potentia**").

A. This Agreement is being executed and delivered under the terms of the Asset Purchase Agreement dated as of September [22], 2014 between Apellis and Potentia (the "**Asset Purchase Agreement**") pursuant to which Apellis or its Nominee will purchase substantially all of the assets and assume certain of the liabilities of Potentia, for which Apellis will pay consideration consisting of 8,200,000 shares of Apellis common stock (such number of shares being subject to adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting Apellis common stock occurring after the date of the Asset Purchase Agreement and prior to the Closing) (such shares and any other securities of the Company, by whatever name called, which carry voting rights, which are subsequently acquired by Potentia being referred to collectively as the "**Transaction Shares**").

C. The Asset Purchase Agreement provides that Potentia shall execute and deliver this Agreement to Apellis at the Closing of the Transaction.

D. For purposes of this Agreement, capitalized terms used and not defined herein shall have the respective meanings ascribed to them in the Asset Purchase Agreement.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Representations.

Potentia represents and warrants to Apellis that Potentia has full corporate power and authority to enter into, execute and deliver this Agreement and to perform fully Potentia's obligations hereunder (including the proxy described in Section 2(b) below). This Agreement has been duly and validly executed and delivered by Potentia and constitutes the legal, valid and binding obligation of Potentia, enforceable against Potentia in accordance with its terms.

2. Agreement to Vote Shares; Irrevocable Proxy.

(a) Potentia agrees that during the term of this Agreement:

(i) on any matter submitted for a vote of holders of common stock of Apellis, Potentia will vote (or abstain from voting) the Transaction Shares in the same ratio(s) as the other holders of Apellis common stock vote their shares. For example, if the other holders of Apellis common stock vote 87% in favor of a resolution, 9% against, and 4% abstain, then the Transaction Shares will be voted in the same ratios;

(ii) if holders of common stock of Apellis are requested to vote their shares through the execution of an action by written consent in lieu of any meeting of stockholders of Apellis, Potentia will execute a written consent or consents, only with respect to that percentage of the Transaction Shares equal to the percentage of the shares of Apellis common stock held by the other holders of Apellis common stock for which written consents are executed and delivered.

(b) Potentia hereby constitutes and appoints Apellis and any designee of Apellis, and each of them individually, as its proxies and attorneys-in-fact, with full power of substitution and resubstitution, to represent and vote (or act by written consent) during the term of this Agreement with respect to the Transaction Shares in the manner set forth in Section 2(a). This proxy and power of attorney is given in consideration of the agreements and covenants of Apellis and Potentia in connection with the transactions contemplated by this Agreement and the Asset Purchase Agreement and, as such, is coupled with an interest and shall be irrevocable unless and until this Agreement terminates. Potentia shall take such further action or execute such other instruments as may be necessary to effectuate the intent of this proxy. The proxy and power of attorney granted hereunder shall terminate upon the termination of this Agreement.

3. No Voting Trusts or Other Arrangement.

Except as provided in the Voting Agreement dated as of July 30, 2013 by and among Apellis and the Stockholders (as defined therein), as amended from time to time (the "**Existing Voting Agreement**") to which Potentia shall become a party on the date hereof, Potentia revokes any and all previous proxies with respect to the Transaction Shares and agrees that it will not, and will not permit any entity under Potentia's control to, deposit any of the Transaction Shares in a voting trust, grant any proxies with respect to the Transaction Shares or subject any of the Transaction Shares to any arrangement with respect to the voting of the Transaction Shares other than agreements entered into with Apellis.

4. Transfer and Encumbrance; Legend.

(a) Potentia agrees that during the term of this Agreement, Potentia will not, directly or indirectly, transfer, sell, offer, exchange, assign, or otherwise dispose of ("**Transfer**") any of the Transaction Shares or enter into any contract, option or other agreement with respect to, or consent to, a Transfer of any of the Transaction Shares or Potentia's voting interest therein, except as permitted by the Asset Purchase Agreement.

Any attempted Transfer of the Transaction Shares or any interest therein in violation of this Section 4 shall be null and void. This Section 4 shall not prohibit a Transfer of the Transaction Shares to a successor to Potentia in connection with the reorganization of Potentia as a Delaware limited liability company as contemplated by the Asset Purchase Agreement; provided that the successor agrees in a writing reasonably satisfactory in form and substance to Apellis to be bound by all of the terms of this Agreement.

(b) All certificates representing Transaction Shares owned or hereafter acquired by Potentia or any transferee of Potentia bound by this Agreement shall have affixed thereto a legend substantially in the following form:

> "The shares of stock represented by this certificate are subject to certain voting agreements as set forth in a Voting Agreement, as amended and/or restated from time to time, by and among the registered owner of this certificate and the Company, a copy of which is available for inspection at the offices of the Secretary of the Company."

5. Termination.

This Agreement shall terminate upon the earliest to occur of (a) the date Potentia or any successor to whom Potentia has transferred the Transaction Shares as permitted by this Agreement and who is bound by the terms of this Agreement ceases to own or control any Transaction Shares, (b) the Sale of the Buyer, or (c) an Initial Public Offering, as those terms are defined in the Asset Purchase Agreement.

6. Specific Performance.

Each Party acknowledges that it will be impossible to measure in money the damage to the other Party if a Party fails to comply with any of the obligations imposed by this Agreement, that every such obligation is material and that, in the event of any such failure, the other party will not have an adequate remedy at law or damages. Accordingly, each Party agrees that, in addition to remedies at law or damages, the other Party shall be entitled to an injunction to prevent breaches of this Agreement and to specific enforcement of this Agreement and its terms and provisions in any action instituted in any court of the United States or any state thereof having jurisdiction over the Parties and the matter, and will not oppose such relief on the basis that the other Party has an adequate remedy at law. Each Party agrees that it will not seek, and agrees to waive any requirement for, the securing or posting of a bond in connection with the other party's seeking or obtaining such equitable relief.

7. Entire Agreement.

This Agreement, together with the Existing Voting Agreement, supersedes all prior agreements, written or oral, between the Parties with respect to the subject matter hereof and contains the entire agreement between the parties with respect to the subject matter hereof. This Agreement may not be amended or supplemented, and no provisions hereof may be modified or waived, except by an instrument in writing signed by both of the parties hereto. No waiver of any provisions hereof by either party shall be deemed a waiver of any other provisions hereof by such party, nor shall any such waiver be deemed a continuing waiver of any provision hereof by such party. To the extent the the provisions of the Existing Voting Agreement conflict with the provisions of this Agreement, the provisions of the Existing Voting Agreement shall control and supersede the provisions of this Agreement.

8. Notices.

All notices, requests, demands, claims, and other communications hereunder shall be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly delivered four business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, or one business day after it is sent for next business day delivery via a reputable nationwide overnight courier service, in each case to the intended recipient as set forth below:

If to the Seller:

Potentia Pharmaceuticals, Inc.
6400 Westwind Way, Suite A
Crestwood, KY 40014
Attn: David M. Darst, Director

Copy to:

Frost Brown Todd LLC
400 W. Market Street, Suite 3200
Louisville, KY 40202
Attn: Alan K. MacDonald

If to the Buyer:

Apellis Pharmaceuticals, Inc.
6400 Westwind Way, Suite A
Crestwood, KY 40014
Attn: Cedric Francois, CEO

Copy to:

WilmerHale
60 State Street
Boston, MA 02109
Attn: Stuart Falber.

Either Party may give any notice, request, demand, claim, or other communication hereunder using any other means (including personal delivery, expedited courier, messenger service, telecopy, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the party for whom it is intended. Either Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

9. Miscellaneous.

(a) This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of Laws of any jurisdiction other than those of the State of Delaware.

(b) Each Party (a) submits to the exclusive personal jurisdiction of the Court of Chancery of the State of Delaware, New Castle County, or, if that court does not have jurisdiction, a federal court sitting in Wilmington, Delaware in any action or proceeding arising out of or relating to this Agreement, (b) agrees that all claims in respect of such action or proceeding may be heard and determined in any such court, (c) waives any claim of inconvenient forum or other challenge to venue in such court, (d) agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court and (e) waives any right it may have to a trial by jury with respect to any action or proceeding arising out of or relating to this Agreement. Each Party agrees to accept service of any summons, complaint or other initial pleading made in the manner provided for the giving of notices in Section 8, provided that nothing in this Section 9 shall affect the right of either Party to serve such summons, complaint or other initial pleading in any other manner permitted by law.

(c) If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

(d) This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

(e) Each Party shall execute and deliver such additional documents as may be necessary or desirable to effect the transactions contemplated by this Agreement.

(f) All Section headings herein are for convenience of reference only and are not part of this Agreement, and no construction or reference shall be derived therefrom.

(g) Neither Party may assign any of its rights or obligations under this Agreement without the prior written consent of the other Party, except that Potentia may assign, in its sole discretion, all or any of its rights, interests and obligations hereunder to

a successor as provided in Section 4. Any assignment contrary to the provisions of this Section 9(g) shall be null and void.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement as of the date first written above.

APELLIS PHARMACEUTICALS, INC.

By: _____

Title: _____

POTENTIA PHARMACEUTICALS, INC.

By: _____

Title: _____

POTENTIA PHARMACEUTICALS INC.
ACCREDITED INVESTOR QUESTIONNAIRE
(Natural Persons)

Responses to this Accredited Investor Questionnaire will be used by Potentia Pharmaceuticals, Inc. (the "Company") and a potential acquirer of substantially all the assets of the Company (the "Potential Buyer") to qualify equityholders of the Company for purposes of federal and state securities laws with respect to a potential issuance of securities by the Potential Buyer to the equityholders of the Company in connection with a potential acquisition of substantially all the assets of the Company by the Potential Buyer.

1. BASIC INFORMATION:

Name _____

Address _____

Telephone _____ Fax _____

2. REPRESENTATIONS:

The undersigned hereby represents as follows:

☒ **(Check all that apply)**

☐ that he or she is an accredited investor as defined in Rule 501(a)(4), (5) or (6) of Regulation D based on the following:

- ☐ The equityholder is a natural person whose individual net worth, or joint net worth with that person's spouse, excluding the value of the equityholder's primary residence, at the time of his purchase exceeds $1,000,000.
- ☐ The equityholder is a natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.

------ *or* ------

☐ that he or she is not an accredited investor as defined in Rule 501(a)(4), (5) or (6) of Regulation D.

The above information is true and correct in all respects. The undersigned recognizes that the Company and the Potential Buyer are relying on the truth and accuracy of such information so that they may rely on certain exemptions from registration under the Securities Act of 1933, as amended, and the securities laws of certain states in connection with a potential issuance of securities by the Potential Buyer. **The undersigned agrees to notify the Company promptly of any changes in the foregoing information which may occur prior to the investment.**

Signature: _____

Print Name: _____

Dated: _____

POTENTIA PHARMACEUTICALS INC.
ACCREDITED INVESTOR QUESTIONNAIRE
(Entities)

Responses to this Accredited Investor Questionnaire will be used by Potentia Pharmaceuticals, Inc. (the "Company") and a potential acquirer of substantially all the assets of the Company (the "Potential Buyer") to qualify equityholders of the Company for purposes of federal and state securities laws with respect to a potential issuance of securities by the Potential Buyer to the equityholders of the Company in connection with a potential acquisition of substantially all the assets of the Company by the Potential Buyer.

1. BASIC INFORMATION:

Name _____

Address _____

Telephone _____ Email _____ Fax _____

2. REPRESENTATIONS. The undersigned hereby represents as follows:

☒ **(Check all that apply)**

☐ that it is an accredited investor as defined in Rule 501(a) of Regulation D by virtue of its being:

☐ a bank as defined in section 3(a)(2) of the Securities Act of 1933 (the "Securities Act") or a savings and loan association or other institution as defined in section 3(a)(5)(A) of the Securities Act, acting in either an individual or fiduciary capacity;

☐ a broker or dealer registered pursuant to section 15 of the Securities Exchange Act of 1934;

☐ an insurance company as defined in section 2(13) of the Securities Act;

☐ an investment company registered under the Investment Company Act of 1940 or a business development company as defined in section 2(a)(48) of that Act;

☐ a Small Business Investment Company licensed by the U.S. Small Business Administration under section 301(c) or (d) of the Small Business Investment Act of 1958;

☐ a plan established and maintained by a state, its political subdivisions, or an agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, which plan has total assets in excess of $5,000,000;

☐ an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, which satisfies one of the following criteria: (i) the investment decision for such plan is made by a plan fiduciary, as defined in section 3(21) of such Act, which is either a bank, a savings and loan association, an insurance company, or a registered investment adviser;

(ii) such plan has total assets in excess of $5,000,000; or (iii) such plan is a self-directed plan and its investment decisions are made solely by persons who are "accredited investors" within the meaning of Rule 501(a) under the Securities Act;

☐ a private business development company as defined in section 202(a)(22) of the Investment Advisers Act of 1940;

☐ an organization described in section 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts or similar business trust, or a partnership, which was not formed for the specific purpose of investing in the Company, and which has total assets in excess of $5,000,000;

☐ a trust with total assets in excess of $5,000,000, which was not formed for the specific purpose of investing in the Company and whose investment in the Company is directed by a person with such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of an investment in the Company; or

☐ any entity in which all of the equity owners are "accredited investors" within the meaning of Rule 501(a) under the Securities Act.

------ *or* ------

☐ that it is not an accredited investor as defined in Rule 501(a) of Regulation D.

The above information is true and correct in all respects. The undersigned recognizes that the Company and the Potential Buyer are relying on the truth and accuracy of such information so that they may rely on certain exemptions from registration under the Securities Act of 1933, as amended, and the securities laws of certain states in connection with a potential issuance of securities by the Potential Buyer. **The undersigned agrees to notify the Company promptly of any changes in the foregoing information which may occur prior to the investment.**

ENTITY NAME: _____

By: _____
Signature of Authorized Representative

_____
Printed Name of Authorized Representative

_____
Printed Title of Authorized Representative

Exhibit 3.1

FOURTH AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
APELLIS PHARMACEUTICALS, INC.

(Pursuant to Sections 242 and 245 of the
General Corporation Law of the Slate of Delaware)

Apellis Pharmaceuticals, Inc., a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware (the "**General Corporation Law**"),

DOES HEREBY CERTIFY:

1. That the name of this corporation is Apellis Pharmaceuticals, Inc. (the "**Corporation**"), and that original Certificate of Incorporation was initially filed with the Secretary of State of Delaware on September 25, 2009, which was subsequently amended by that Certain First Amendment to the Certificate of Incorporation, filed with the Secretary of State of Delaware on February 22, 2010.

2. The Corporation filed an Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware on April 26, 2010,

3. The Corporation filed a Second Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware on April 15, 2011.

4. The Corporation filed a Third Amended and Restated Certificate of Incorporation with the Secretary of State of Delaware on July 27, 2011, which was subsequently amended by that certain Amendment to the Third Amended and Restated Certificate of Incorporation, filed with the Secretary of State of Delaware on July 2, 2012 (as amended, the "**Third Certificate of Incorporation**").

5. This Fourth Amended and Restated Certificate of Incorporation (this "**Certificate of Incorporation**"), which amends and restates the Third Certificate of Incorporation, was duly adopted in accordance with the provisions of Section 242 and 245 of the General Corporation Law, and was approved by written consent of the stockholders of the corporation pursuant to Section 228(d) of the General Corporation Law. Prompt notice of such action will be given to stockholders who did not consent in writing:

The text of the Third Certificate of Incorporation of this corporation be amended and restated in its entirety to read as follows:

FIRST: The name of this corporation is **Apellis Pharmaceuticals, Inc.**

SECOND: The address of the registered office of the Corporation in the State of Delaware is 615 S. Dupont Highway, in the City of Dover, County of Kent, Delaware 19901. The name of its registered agent at such address is Capitol Services, Inc.

THIRD: The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law.

FOURTH:

Contemporaneously with the filing of this Certificate of Incorporation with the Secretary of the State of Delaware, each share of the Series 2010 Preferred Stock issued and outstanding immediately prior to the filing of this Certificate of Incorporation with the Secretary of the State of Delaware, shall be and hereby is automatically and without any further action by the Company or any stockholder reclassified as and converted into one share of the Series A Preferred Stock, par value $0.0001 per share (the "**Series A Preferred Stock**") (the "**Series A Reclassification**").

Contemporaneously with the filing of this Certificate of Incorporation with the Secretary of the State of Delaware, each share of the Series 2011 Preferred Stock issued and outstanding immediately prior to the filing of this Certificate of Incorporation with the Secretary of the State of Delaware, shall be and hereby is automatically and without any further action by the Company or any stockholder reclassified as and converted into one share of the Series B Preferred Stock, par value $0.0001 per share (the "**Series B Preferred Stock**") (the "**Series B Reclassification**", and together with the Series A Reclassification, the "**Reclassification**."

From and after the Reclassification, (i) each share of Series 2010 Preferred Stock and all rights with respect thereto shall terminate, except the right of the holders thereof, upon surrender of their certificates, if applicable, to receive certificates for the number of shares of Series A Preferred Stock into which such shares of Series 2010 Preferred Stock have been reclassified as and converted into, and (ii) each share of Series 2011 Preferred Stock and all rights with respect thereto shall terminate, except the right of the holders thereof, upon surrender of their certificates] if applicable, to receive certificates for the number of shares of Series B Preferred Stock into which such shares of Series 2011 Preferred Stock have been reclassified as and converted into. The shares of Series 2010 Preferred Stock and Series 2011 Preferred Stock so converted and reclassified shall be cancelled and shall not be reissuable by the Corporation. Any stock certificate that, immediately prior to the Reclassification, represented shares of Series 2010 Preferred Stock shall, from and after the Reclassification, automatically and without the necessity of presenting the same for exchange, represent that number of shares of Series A Preferred Stock as equals the number of shares of Series 2010 Preferred Stock represented by such certificate immediately prior to the Reclassification. Any Stock certificate that, immediately prior to the Reclassification, represented shares of Series 2011 Preferred Stock shall, from and after the Reclassification, automatically and without the necessity of presenting the same for exchange, represent that number of shares of Series B Preferred Stock as equals the number of shares of Series 2011 Preferred Stock represented by such certificate immediately prior to the Reclassification.

The total number of shares of all classes of stock which the Corporation shall have authority to issue is (i) 48,500,000 shares of Common Stock, $0.0001 par value per share ("**Common Stock**"), and (ii) 30,750,000 shares of Preferred Stock, $0.0001 par value per share ("**Preferred Stock**"), of which 2,670,000 shares have been designated Series A Preferred Stock, 7,280,000 shares have been designated Series B Preferred Stock, and 20,800,000 shares have been designated Series C Preferred Stock, par value $0.0001 (the "**Series C Preferred Stock**").

The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.

A. COMMON STOCK

1. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights, powers and preferences of the holders of the Preferred Stock set forth herein.

2. Voting. The holders of the Common Stock are entitled to one vote for each share of Common Stock held at all meetings of stockholders (and written actions in lieu of meetings); provided, however, that, except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to the Certificate of Incorporation that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to the Certificate of Incorporation or pursuant to the General Corporation Law. There shall be no cumulative voting. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by (in addition to any vote of the holders of one or more series of Preferred Stock that may be required by the terms of the Certificate of Incorporation) the affirmative vote of the holders of shares of capital stock of the Corporation representing a majority of the votes represented by all outstanding shares of capital stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law.

B. PREFERRED STOCK

Unless otherwise indicated, references to "sections" or "subsections" in this Part B of this Article Fourth refer to sections and subsections of Part B of this Article Fourth.

1. Dividends.

The Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation (other than dividends on shares of Common Stock payable in shares of Common Stock) unless (in addition to the obtaining of any consents required elsewhere in the Certificate of Incorporation) the holders of the Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Preferred Stock in an amount at least equal to (i) in the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, that dividend per share of Preferred Stock as would equal the product of (A) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common

Stock and (B) the number of shares of Common Stock issuable upon conversion of such share of Preferred Stock, in each case calculated on the record date for determination of holders entitled to receive such dividend. The "**Series A Original Issue Price**" shall mean $1.00 per share, the "**Series B Original Issue Price**" shall mean $1.10 per share, and the "**Series C Original Issue Price**" shall mean $1.25 per share, in each case subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the such shares.

2. Liquidation, Dissolution or Winding Up; Certain Mergers, Consolidations and Asset Sales.

2.1 Preferential Payments to Holders of Series C Preferred Stock. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event (as defined below), the holders of shares of Series C Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment shall be made to the holders of Series A Preferred Stock, Series B Preferred Stock, Common Stock or any other class or series of stock ranking on liquidation junior to the Series C Preferred Stock by reason of their ownership thereof, an amount per share equal to the Series C Original Issue Price, plus any dividends declared but unpaid thereon (the amount payable pursuant to this sentence is hereinafter referred to as the "**Series C Liquidation Amount**"). If upon any such liquidation, dissolution or winding up of the Corporation the remaining assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series C Preferred Stock and any class or series of stock ranking on liquidation on a parity with the Series C Preferred Stock the full amount to which they shall be entitled, the holders of shares of Series C Preferred Stock and any class or series of stock ranking on liquidation on a parity with the Series C Preferred Stock shall share ratably in any distribution of the remaining assets and funds of the Corporation in proportion to the respective amounts which would otherwise be payable in respect of such shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full in both cases.

2.2 Preferential Payments to Holders of Series A Preferred Stock and Series B Preferred Stock. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, and only after the payment of all preferential amounts required to be paid to the holders of Series C Preferred Stock and any other class or series of stock of the Corporation ranking on liquidation on a parity with the Series C Preferred Stock, the holders of shares of Series A Preferred Stock and Series B Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment shall be made to the holders of Common Stock or any other class or series of stock ranking on liquidation junior to the Series A Preferred Stock and Series B Preferred Stock by reason of their ownership thereof, an amount per share equal to (i) with respect to the Series A Preferred Stock, the Series A Original Issue Price, plus any dividends declared but unpaid thereon (the amount payable pursuant to this clause (i) is hereinafter referred to as the "**Series A Liquidation Amount**"), and (ii) with respect to the Series B Preferred Stock, the Series B Original Issue Price, plus any dividends declared but unpaid thereon (the amount payable pursuant to this clause (ii) is hereinafter referred to as the "**Series B Liquidation Amount**"). If upon any such liquidation, dissolution or winding up of the Corporation the remaining assets of the

Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series A Preferred Stock and Series B Preferred Stock and any class or series of stock ranking on liquidation on a parity with the Series A Preferred Stock and Series B Preferred Stock the full amount to which they shall be entitled, the holders of shares of Series A Preferred Stock and Series B Preferred Stock and any class or series of stock ranking on liquidation on a parity with the Series A Preferred Stock and Series B Preferred Stock shall share ratably in any distribution of the remaining assets and funds of the Corporation in proportion to the respective amounts which would otherwise be payable in respect of such shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full in both cases.

2.3 As-Converted Payments. Notwithstanding, the foregoing provisions set forth in Subsections 2.1 or 2.2, if, in connection with any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or a Deemed Liquidation Event, (i) the amount that the holders of Series A Preferred Stock, Series B Preferred Stock or Series C Preferred Stock would be entitled to be paid had they (as well as each other series of Preferred Stock deemed to have converted into Common Stock pursuant to this Subsection 2.3) first converted their shares of such series of Preferred Stock into Common Stock immediately prior to voluntary or involuntary liquidation, dissolution or winding up of the Corporation, or a Deemed Liquidation Event (the "**As-Converted Payment**"), is greater than (ii) the amount to which such holders would be entitled under Subsections 2.1 or 2.2, as the case may be, had they not so converted their shares of such series of Preferred Stock, then such holders shall be entitled to receive such greater As-Converted Payment amount with respect to shares of such series of Preferred Stock, without first having to convert such shares of such series of Preferred Stock into Common Stock, and such As-Converted Payment amount shall be deemed to be the Series A Liquidation Amount, Series B Liquidation Amount or Series C Liquidation Amount, as applicable. If any such holder shall be deemed to have converted shares of a series of Preferred Stock into Common Stock pursuant to this Subsection 2,3, then such holder shall not be entitled to receive any distribution with respect to shares of such series of Preferred Stock that would otherwise be made to holders of Preferred Stock that have not converted (or have not been deemed to have converted) into shares of Common Stock.

2.4 Distribution of Remaining Assets. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, after the payment of all preferential amounts required to be paid to the holders of shares of Preferred Stock and any other class or series of stock of the Corporation ranking on liquidation on a parity with the Preferred Stock, the remaining assets of the Corporation available for distribution to its stockholders shall be distributed among the holders of the shares of Common Stock, pro rata based on the number of shares held by each such holder.

2.5 Deemed Liquidation Events.

2.5.1 Definition. Each of the following events shall be considered a "Deemed Liquidation Event" unless the holders of at least a majority of the outstanding shares of Preferred Stock elect otherwise by written notice sent to the Corporation prior to the effective date of any such event:

(a) a merger or consolidation in which

(i) the Corporation is a constituent party or

(ii) a subsidiary of the Corporation is a constituent party and the Corporation issues shares of its capital stock pursuant to such merger or consolidation,

except any such merger or consolidation involving the Corporation or a subsidiary in which the shares of capital stock of the Corporation outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, at least a majority, by voting power, of the capital stock of (1) the surviving or resulting corporation or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation; or

(b) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Corporation or any subsidiary of the Corporation of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole, or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Corporation if substantially all of the assets of the Corporation and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Corporation.

2.5.2 Effecting a Deemed Liquidation Event.

(a) The Corporation shall not have the power to effect a Deemed Liquidation Event referred to in Subsection 2.5.1(a)(i) unless the agreement or plan of merger or consolidation for such transaction (the "**Merger Agreement**") provides that the consideration payable to the stockholders of the Corporation shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 2.1 through 2.4.

(b) In the event of a Deemed Liquidation Event referred to in Subsection 2.5.1(a)(ii) or 2.5.l(b), if the Corporation does not effect a dissolution of the Corporation under the General Corporation Law within 90 days after such Deemed Liquidation Event, then (i) the Corporation shall send a written notice to each holder of Preferred Stock no later than the 90th day after the Deemed Liquidation Event advising such holders of their right (and the requirements to be met to secure such right) pursuant to the terms of the following clause (ii) to require the redemption of such shares of Preferred Stock, and (ii) if the holders of at least a majority of the then outstanding shares of Preferred Stock so request in a written instrument delivered to the Corporation not later than 120 days after such Deemed Liquidation Event, the Corporation shall use the consideration received by the Corporation for such Deemed Liquidation Event (net of any retained liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board of Directors of the Corporation), together with my other assets of the Corporation available for distribution to its stockholders, all to the extent permitted by Delaware law governing distributions to stockholders (the "**Available Proceeds**"), on the 150th day after such Deemed Liquidation Event, to redeem all outstanding shares of Preferred Stock at a price per share equal to the Series A Liquidation Amount, Series B Liquidation Amount, or Series

C Liquidation Amount, as the case may be, in accordance with the priorities set forth in Subsections 2.1 through 2.4 above. Notwithstanding the foregoing, in the event of a redemption pursuant to the preceding sentence, if the Available Proceeds are not sufficient to redeem all outstanding shares of Preferred Stock at such amounts, the Corporation shall first redeem all outstanding shares of Series C Preferred Stock (or, if the Available Proceeds are not sufficient to redeem all outstanding shares of Series C Preferred Stock, a pro rata portion of each holder's shares of Series C Preferred Stock), and then, to the extent Available Proceeds remain available for redemption, redeem all outstanding shares of Series A Preferred Stock and Series B Preferred Stock (or, if the Available Proceeds are not sufficient to redeem all outstanding shares of Series A Preferred Stock and Series B Preferred Stock, a pro rata portion of each holder's shares of Series A Preferred Stock and Series B Preferred Stock). Prior to the distribution or redemption provided for in this Subsection 2.5.2(b), the Corporation shall not expend or dissipate the consideration received for such Deemed Liquidation Event, except to discharge expenses incurred in connection with such Deemed Liquidation Event or in the ordinary course of business.

2.5.3 Amount Deemed Paid or Distributed. The amount deemed paid or distributed to the holders of capital stock of the Corporation upon any such merger, consolidation, sale, transfer, exclusive license, other disposition or redemption shall be the cash or the value of the property, rights or securities paid or distributed to such holders by the Corporation or the acquiring person, firm or other entity. The value of such property, rights or securities shall be determined in good faith by the Board of Directors of the Corporation.

2.5.4 Allocation of Escrow and Contingent Consideration. In the event of a Deemed Liquidation Event pursuant to Subsection 2.5.1(a)(i), if any portion of the consideration payable to the stockholders of the Corporation is payable only upon satisfaction of contingencies (the "**Additional Consideration**"), the Merger Agreement shall provide that (a) the portion of such consideration that is not Additional Consideration (such portion, the "**Initial Consideration**") shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 2.1 through 2.4 as if the Initial Consideration were the only consideration payable in connection with such Deemed Liquidation Event and (b) any Additional Consideration which becomes payable to the stockholders of the Corporation upon satisfaction of such contingencies shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 2.1 through 2.4 after taking into account the previous payment of the Initial Consideration as part of the same transaction.

3. Voting.

3.1 General. On any matter presented to the stockholders of the Corporation for their action or consideration at any meeting of stockholders of the Corporation (or by written consent of stockholders in lieu of meeting), each holder of outstanding shares of Preferred Stock shall be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Preferred Stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter. Except as provided by law or by the other provisions of the Certificate of Incorporation, holders of Preferred Stock shall vote together with the holders of Common Stock, and with the holders of any other series of Preferred Stock the terms of which so provide, as a single class.

3.2 Election of Directors. So long as there are at least 1,920,000 shares of Series C Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series C Preferred Stock) issued and outstanding, the holders of record of the shares of Series C Preferred Stock, exclusively and as a separate class, shall be entitled to elect two (2) directors of the Corporation (the "**Preferred Directors**"); provided, however, that, if the holders of Series C Preferred Stock lose their right, in accordance with and pursuant to Section 1(b)(i) of that certain Voting Agreement, dated as of July 30, 2013 (the "**Voting Agreement**"), by and among the Coloration and the parties named therein, to designate members of the Board of Directors of the Corporation, then holders of record of the shares of Preferred Stock, voting a single class, shall be entitled to elect the Preferred Directors in lieu thereof. The holders of record of shares of Common Stock, voting as a single class, shall be entitled to elect one (1) director of the Corporation. The holders of record of the shares of Preferred Stock and the holders of record of the shares of Common Stock, voting together as a single class on an as-converted to Common Stock basis, shall be entitled to elect two (2) directors of the Corporation. Any director elected as provided in the preceding sentence may be removed without cause by, and only by, the affirmative vote of the holders of the shares of the class or series of capital stock entitled to elect such director or directors, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of stockholders. If the holders of shares of the class or series of stock entitled to elect a director or directors fail to elect a sufficient number of directors to fill all directorships for which they are entitled to elect directors, pursuant to the first sentence of this Subsection 3.2, then any directorship not so filled shall remain vacant until such time as the holders of the shares of the class or series of stock entitled to elect such director elect a person to fill such directorship by vote or written consent in lieu of a meeting; and no such directorship may be filled by stockholders of the Corporation other than by the stockholders of the Corporation that are entitled to elect a person to fill such directorship. At any meeting held for the purpose of electing a director, the presence in person or by proxy of the holders of a majority of the outstanding shares of the class or series entitled to elect such director shall constitute a quorum for the purpose of electing such director. Except as otherwise provided in this Subsection 3.2, a vacancy in any directorship filled by the holders of any class or series shall be filled only by vote, or written consent in lieu of a meeting of the holders of such class or series or by any remaining director or directors elected by the holders of each class or series pursuant to this Subsection 3.2.

3.3 Series C Preferred Stock Protective Provisions. At any time when at least 1,920,000 shares of Series C Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series C Preferred Stock) are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of the holders of at least a majority of the then outstanding shares of Series C Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class, and any such act or transaction entered into without such consent or vote shall be null and void *ab initio* and of no force or effect; provided, however, that the written consent or affirmative vote of the outstanding shares of Series C Preferred Stock pursuant to the foregoing shall no longer be required if Morningside Venture Investments Limited is an Affected Holder (as defined below in Subsection 5A).

3.3.1 liquidate, dissolve or wind-up the business and affairs of the Corporation, effect any merger or consolidation or any other Deemed Liquidation Event, or consent to any of the foregoing;

3.3.2 amend, alter or repeal any provision of the Certificate of Incorporation or Bylaws of the Corporation;

3.3.3 create, or authorize the creation of, or issue or obligate itself to issue shares of, any additional class or series of capital stock unless the same ranks junior to the Series C Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends and rights of redemption, or increase the authorized number of shares of Series C Preferred Stock or increase the authorized number of shares of any additional class or series of capital stock unless the same ranks junior to the Series C Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends and rights of redemption;

3.3.4 (i) reclassify, alter or amend any existing security of the Corporation that is pari passu with the Series C Preferred Stock in respect of the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends or rights of redemption, if such reclassification, alteration or amendment would render such other security senior to the Series C Preferred Stock in respect of any such right, preference or privilege, or (ii) reclassify, alter or amend any existing security of the Corporation that is junior to the Series C Preferred Stock in respect of the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends or rights of redemption, if such reclassification, alteration or amendment would render such other security senior to or pari passu with the Series C Preferred Stock in respect of any such right, preference or privilege;

3.3.5 purchase or redeem (or permit any subsidiary to purchase or redeem) or pay or declare any dividend or make any distribution on, any shares of capital stock of the Corporation other than (i) redemptions of or dividends or distributions on the Series C Preferred Stock as expressly authorized herein, (ii) dividends or other distributions payable on the Common Stock solely in the form of additional shares of Common Stock and (iii) repurchases of stock from former employees, officers, directors, consultants or other persons who performed services for the Corporation or any subsidiary in connection with the cessation of such employment or service at the lower of the original purchase price or the then-current fair market value thereof or (iv) as approved by the Board of Directors, including the approval of the Preferred Directors;

3.3.6 create, or authorize the creation of, or issue, or authorize the issuance of any debt security, or permit any subsidiary to take any such action with respect to any debt security unless such debt security has received the prior approval of the Board of Directors, including the approval of the Preferred Directors; or

3.3.7 create, or hold capital stock in, any subsidiary that is not wholly owned (either directly or through one or more other subsidiaries) by the Corporation, or sell, transfer or otherwise dispose of any capital stock of any direct or indirect subsidiary of the Corporation, or permit any direct or indirect subsidiary to sell, lease, transfer, exclusively license or otherwise dispose (in a single transaction or series of related transactions) of all or substantially all of the assets of such subsidiary.

3.4 Series B Preferred Stock Protective Provisions. So long as shares of Series B Preferred Stock are outstanding, the Corporation shall not, whether by way of amendment, merger, consolidation or otherwise, without the prior written consent of the holders of at least a majority of the then outstanding shares of Series B Preferred Stock, voting as a single class, amend, alter or change the rights, preferences, or privileges of the Series B Preferred Stock so as to materially adversely affect the Series B Preferred Stock; provided that the separate vote of the holders of Series B Preferred Stock shall not be required for the Corporation to authorize, create or designate, or incur any obligation to issue or issue shares of, any class or series of stock ranking on par or senior to the Series B Preferred Stock, with respect to voting rights, dividends, conversion, distributions upon liquidation of the Corporation or redemption rights.

3.5 Series A Preferred Stock Protective Provisions. So long as shares of Series A Preferred Stock are outstanding, the Corporation shall not, whether by way of amendment, merger, consolidation or otherwise, without the prior written consent of the holders of at least a majority of the then outstanding shares of Series A Preferred Stock, voting as a single class, amend, alter or change the rights, preferences, or privileges of the Series A Preferred Stock so as to materially adversely affect the Series A Preferred Stock; provided that the separate vote of the holders of Series A Preferred Stock shall not be required for the Corporation to authorize, create or designate, or incur any obligation to issue or issue shares of, any class or series of stock ranking on par or senior to the Series A Preferred Stock, with respect to voting rights, dividends, conversion, distributions upon liquidation of the Corporation or redemption rights.

3.6 Preferred Stock Protective Provisions. So long as shares of Preferred Stock are outstanding, the Corporation shall not without the prior written consent of the holders of at least a majority of the then outstanding shares of Preferred Stock, voting as a single class, liquidate, dissolve or wind-up the business and affairs of the Corporation, effect any merger or consolidation or any other Deemed Liquidation Event, or consent to any of the foregoing.

4. Optional Conversion.

The holders of the Preferred Stock shall have conversion rights as follows (the “Conversion Rights”).

4.1 Right to Convert.

4.1.1 Preferred Stock. Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable shares of Common Stock as is determined (i) the case of Series A Preferred Stock, by dividing the Series A Original Issue Price by the Series A Conversion Price (as defined below) in effect at the time of conversion, (ii) in the case of the Series B Preferred Stock, by dividing the Series B Original Issue Price by the Series B Conversion Price (as defined below) in effect at the time of conversion, and (iii) in the case of the Series C Preferred Stock, by dividing the Series C Original Issue Price by the Series C Conversion Price (as defined below) in effect at the time of

conversion; provided, however, that the conversion of any shares of Series C Preferred Stock pursuant to and in accordance with the preceding clause (iv) prior to the closing of the Second Tranche (as defined below in Subsection 5A) shall require the prior unanimous approval of the Board of Directors of the Corporation unless such conversion is conditioned and made effective upon the consummation of a Deemed Liquidation Event, in which case the approval of the Board of Directors shall not be required for the conversion of shares of Series C Preferred Stock into shares of Common Stock pursuant to the preceding clause (iii). The "**Series A Conversion Price**" is currently $1.00. The "**Serial B Conversion Price**" is currently $1.10. The "**Series C Conversion Price**" is currently $1.25. Such Series A Conversion Price, Series B Conversion Price and Series C Conversion Price, and the rate at which shares of Preferred Stock may be converted into shares of Common Stock, shall be subject to adjustment as provided below.

4.1.2 Termination of Conversion Rights. In the event of a liquidation, dissolution or winding up of the Corporation or a Deemed Liquidation Event, the Conversion Rights shall terminate at the close of business on the last full day preceding the date fixed for the payment of any such amounts distributable on such event to the holders of Preferred Stock.

4.2 Fractional Shares. No fractional shares of Common Stuck shall be issued upon conversion of the Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the fair market value of a share of Common Stock as determined in good faith by the Board of Directors of the Corporation. Whether or not fractional shares would be issuable upon such conversion shall be determined on the basis of the total number of shares of Preferred Stock the holder is at the time converting into Common Stock and the aggregate number of shares of Common Stock issuable upon such conversion.

4.3 Mechanics of Conversion.

4.3.1 Notice of Conversion. In order for a holder of Preferred Stock to voluntarily convert shares of Preferred Stock into shares of Common Stock, such holder shall surrender the certificate or certificates for such shares of Preferred Stock (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate), at the office of the transfer agent for the Preferred Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent), together with written notice that such holder elects to convert all or any number of the shares of the Preferred Stock represented by such certificate or certificates and if applicable, any event on which such conversion is contingent. Such notice shall state such holder's name or the names of the nominees in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. If required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his, her or its attorney duly authorized in writing. The close of business on the date of receipt by the transfer agent (or by the Corporation if the Corporation serves as its own transfer agent) of such certificates (or lost certificate affidavit and agreement) and notice shall be the time of conversion (the "**Conversion Time**"), and the shares of Common Stock issuable upon conversion of the shares represented by such certificate

shall be deemed to be outstanding of record as of such date. The Corporation shall, as soon as practicable after the Conversion Time, (i) issue and deliver to such holder of Preferred Stock, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion in accordance with the provisions hereof and a certificate for the number (if any) of the shares of Preferred Stock represented by the surrendered certificate that were not converted into Common Stock, (ii) pay in cash such amount as provided in Subsection 4.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and (iii) pay all declared but unpaid dividends on the shares of Preferred Stock converted.

4.3.2 Reservation of Shares. The Corporation shall at all times when the Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued capital stock, for the purpose of effecting the conversion of the Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to the Certificate of Incorporation. Before taking any action which would cause an adjustment reducing the Series A Conversion Price, Series B Conversion Price or Series C Conversion Price below the then par value of the shares of Common Stock issuable upon conversion of the Preferred Stock, the Corporation will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and nonassessable shares of Common Stock at such adjusted Series A Conversion Price, Series B Conversion Price or Series C Conversion Price.

4.3.3 Effect of Conversion. All shares of Preferred Stock which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the Conversion Time, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor, to receive payment in lieu of any fraction of a share otherwise issuable upon such conversion as provided in Subsection 4.2 and to receive payment of any dividends declared but unpaid thereon. Any shares of Preferred Stock so converted shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of such series of Preferred Stock accordingly.

4.3.4 No Further Adjustment. Upon any such conversion, no adjustment to the Series A Conversion Price, Series B Conversion Price or Series C Conversion Price shall be made for any declared but unpaid dividends on the Series A Preferred Stock, Series B Preferred Stock or Series C Preferred Stock surrendered for conversion or on the Common Stock delivered upon conversion.

4.3.5 Taxes. The Corporation shall pay any and all issue and other similar taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Preferred Stock pursuant to this Section 4. The Corporation

shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock by a name other than that in which the shares of Preferred Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

4.4 [*Intentionally Omitted*.]

4.5 Adjustment for Stock Splits and Combinations. If the Corporation shall at any time or from time to time after the date on which the first share of Series C Preferred Stock was issued (the "**Series C Original Issue Date**") effect a subdivision of the outstanding Common Stock, the Conversion Price of each series of Preferred Stock in effect immediately before that subdivision shall be proportionately decreased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase in the aggregate number of shares of Common Stock outstanding. If the Corporation shall at any time or from time to time after the Series C Original Issue Date combine the outstanding shares of Common Stock, the Conversion Price of each series of Preferred Stock in effect immediately before the combination shall be proportionately increased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in the aggregate number of shares of Common Stock outstanding. Any adjustment under this subsection shall become effective at the close of business on the date the subdivision or combination becomes effective.

4.6 Adjustment for Certain Dividends and Distributions. In the event the Corporation at any time or from time to time after the Series C Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable on the Common Stock in additional shares of Common Stock, then and in each such event the Conversion Price of each series of Preferred Stock in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying such Conversion Price then in effect by a fraction:

(1) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and

(2) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution.

Notwithstanding the foregoing, (a) if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Conversion Price of each series of Preferred Stock shall be recomputed accordingly as of the close of business on such record date and thereafter the Conversion Price of each series of Preferred Stock shall be adjusted pursuant to this subsection as of the time of actual payment of such dividends or

distributions; and (b) that no such adjustment in the Conversion Price for any series of Preferred Stock shall be made if the holders of such series of Preferred Stock simultaneously receive a dividend or other distribution of shares of Common Stock in a number equal to the number of shares of Common Stock as they would have received if all outstanding shares of such series of Preferred Stock had been converted into Common Stock on the date of such event.

4.7 Adjustments for Other Dividends and Distribution. In the event the Corporation at any time or from time to time after the Series C Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation (other than a distribution of shares of Common Stock in respect of outstanding shares of Common Stock) or in other property and the provisions of Section 1 do not apply to such dividend or distribution, then and in each such event the holders of Preferred Stock shall receive, simultaneously with the distribution to the holders of Common Stock, a dividend or other distribution of such securities or other property in an amount equal to the amount of such securities or other property as they would have received if all outstanding shares of Preferred Stock had been converted into Common Stock on the date of such event.

4.8 Adjustment for Merger or Reorganization, etc. Subject to the provisions of Subsection 25, if there shall occur any reorganization, recapitalization, reclassification, consolidation or merger involving the Corporation in which the Common Stock (but not the Preferred Stock) is converted into or exchanged for securities, cash or other property (other than a transaction covered by Subsections 4.4, 4.6 or 4.7), then, following any such reorganization, recapitalization, reclassification, consolidation or merger, each share of Preferred Stock shall thereafter be convertible in lieu of the Common Stock into which it was convertible prior to such event into the kind and amount of securities, cash or other property which a holder of the number of shares of Common Stock of the Corporation issuable upon conversion of one share of such series of Preferred Stock immediately prior to such reorganization, recapitalization, reclassification, consolidation or merger would have been entitled to receive pursuant to such transaction; and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors of the Corporation) shall be made in the application of the provisions in this Section 4 with respect to the rights and interests thereafter of the holders of Preferred Stock, to the end that the provisions set forth in this Section 4 shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other property thereafter deliverable upon the conversion of the Preferred Stock. For the avoidance of doubt, nothing in this Subsection 4.8 shall be construed as preventing the holders of Series A Preferred Stock from seeking any appraisal rights to which they are otherwise entitled under the General Corporation Law in connection with a merger triggering an adjustment hereunder, nor shall this Subsection 4.8 be deemed conclusive evidence of the fair value of the shares of any series of Preferred Stock in any such appraisal proceeding.

4.9 Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price for any series of Preferred Stock pursuant to this Section 4, the Corporation at its expense shall, as promptly as reasonably practicable but in any event not later than 10 days thereafter, compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of such series of Preferred Stock a certificate setting forth such adjustment or readjustment (including the kind and amount of securities, cash or other property into which such series of Preferred Stock is convertible), identifying the series of

Preferred Stock to which it applies and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, as promptly as reasonably practicable after the written request at any time of any holder of any series of Preferred Stock (but in any event not later than 10 days thereafter), furnish or cause to be furnished to such holder a certificate setting forth (i) the Conversion Price for such series of Preferred Stock then in effect, and (ii) the number of shares of Common Stock and the amount, if any, of other securities, cash or property which then would be received upon the conversion of such series of Preferred Stock.

4.10 Notice of Record Date. In the event:

(a) the Corporation shall take a record of the holders of its Common Stock (or other capital stock or securities at the time issuable upon conversion of the Preferred Stock) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of capital stock of any class or any other securities, or to receive any other security; or

(b) of any capital reorganization of the Corporation, any reclassification of the Common Stock of the Corporation, or any Deemed Liquidation Event; or

(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Corporation,

then, and in each such case, the Corporation will send or cause to be sent to the holders of the Preferred Stock a notice specifying, as the case may be, (i) the record date for such dividend, distribution or right, and the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up is proposed to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other capital stock or securities at the time issuable upon the conversion of the Preferred Stock) shall be entitled to exchange their shares of Common Stock (or such other capital stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up, and the amount per share and character of such exchange applicable to the Preferred Stock and the Common Stock. Such notice shall be sent at least 10 days prior to the record date or effective date for the event specified m such notice.

5. Mandatory Conversion.

5.1 Trigger Events.

5.1.1 All outstanding shares of Preferred Stock shall automatically be converted into shares of Common Stock, at the then effective conversion rate upon the closing of the sale of shares of Common Stock to the public at a price per share equal to at least three (3) times the Series C Original Issue Price (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Common Stock), in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, resulting in at least $40,000,000 of gross proceeds, net of underwriting discounts and Commissions to the Corporation (the time of such closing is referred to herein as the "**QPO Mandatory Conversion Time**").

5.1.2 Notwithstanding the foregoing, all outstanding shares of Series C Preferred Stock shall automatically be converted into shares of Common Stock, at the then effective conversion rate upon the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least a majority of the then outstanding shares of Series C Preferred Stock (the time of such closing or the date and time specified or the time of the event specified in such vote or written consent is referred to herein as the "**Series C Mandatory Conversion Time**").

5.1.3 Notwithstanding the foregoing, all outstanding shares of Series A Preferred Stock and Series B Preferred Stock shall automatically be converted into shares of Common Stock, at the then effective conversion rate upon the date and time, or the occurrence of an event, specified by vote or written consent of the holders of at least 60% of the then outstanding shares of Series A Preferred Stock and Series B Preferred Stock, voting together as a separate class (the date and time specified or the time of the event specified in such vote or written consent is referred to herein as the "**Series A/B Mandatory Conversion Time**" and, together with the QPO Mandatory Conversion Time and Series C Mandatory Conversion Time, the "**Mandatory Conversion Time**").

5.1.4 Any shares converted pursuant to Subsections 5.1.1, 5.1.2 and 5.1.3 may not be reissued by the Corporation.

5.2 Procedural Requirements. All holders of record of shares of Preferred Stock being converted shall be sent written notice of the Mandatory Conversion Time and the place designated for mandatory conversion of all applicable shares of Preferred Stock pursuant to this Section 5. Such notice need not be sent in advance of the occurrence of the Mandatory Conversion Time. Upon receipt of such notice, each holder of shares of Preferred Stock affected by such conversion shall surrender his, her or its certificate or certificates for all such shares (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation at the place designated in such notice. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. All rights with respect to the Preferred Stock so converted, including the rights, if any, to receive notices and vote (other than as a holder of Common Stock), will terminate at the Mandatory Conversion Time (notwithstanding the failure of the holder or holders thereof to surrender the certificates at or prior to such time), except only the rights of the holders thereof, upon surrender of their certificate or certificates (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of this Subsection 5.2. As soon as practicable after the Mandatory Conversion Time and the surrender of the certificate or certificates (or lost certificate affidavit and agreement) for the Preferred Stock so converted, the Corporation shall issue and deliver to such holder, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof, together with cash as provided in Subsection 4.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and the payment of any declared but unpaid dividends on the shares of the Preferred Stuck converted. Such converted Preferred

Stock shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of the affected Preferred Stock accordingly.

5A. Special Mandatory Conversion.

5A.1. Trigger Event. If any Second Tranche Offeree (as defined in Section 5A.3 below) does not participate fully in the Second Tranche by purchasing in the aggregate in the Second Tranche, at least such holder's Second Tranche Designated Amount (as defined in Section 5A.3 below) (such holder, an "**Affected Holder**") and within the time period specified by the Corporation, provided that the Corporation:

(a) has achieved the Milestone (as defined in this Section 5A.1 below), and

(b) has sent to each Second Tranche Offeree fifteen (15) days prior written notice of, and the opportunity to purchase such holder's Second Tranche Designated Amount),

then each share of Series C Preferred Stock owned or held by such Affected Holder, shall automatically, and without any further action on the part of such Affected Holder, be converted into shares of Common Stock immediately after the consummation of the Second Tranche Closing (as defined in the Series C Stock Purchase Agreement) at the rate of one (1) share of Common Stock for every four (4) shares of Series C Preferred Stock owned or held by such Affected Holder immediately prior to the consummation of the Second Tranche Closing. For purposes of determining whether a holder of shares of Series C Preferred Stock purchased its Second Tranche Closing Designated Amount, all shares of Series C Preferred Stock purchased by Affiliates (as defined below) of such holder, shall be aggregated with all shares of Series C Preferred Stock purchased by such holder (provided that no shares of Series C Preferred Stock shall be attributed to more than one entity or person within any such group of affiliated entities or persons). Such conversion is referred to as a "**Special Mandatory Conversion**."

5A.2. Procedural Requirements. Upon a Special Mandatory Conversion, each Affected Holder subject to such Special Mandatory Conversion shall be sent written notice of such Special Mandatory Conversion and the place designated for surrender of certificates in connection with mandatory conversion pursuant to this Section 5A of all such shares of Series C Preferred Stock. Upon receipt of such notice, such Affected Holder shall surrender his, her or its certificate or certificates of all such shares of Series C Preferred Stock (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation at the place designated in such notice. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duty authorized in writing. All rights with respect to the Series C Preferred Stock converted pursuant to this Section 5A, including the rights, if any, to receive

notices and vote (other than as a holder of Common Stock), will terminate at the time of the applicable Special Mandatory Conversion (notwithstanding the failure of the Affected Holder or Affected Holders thereof to surrender the certificates for such shares at or prior to such time), except only the rights of the Affected Holders thereof, upon surrender of their certificate or certificates therefor (or lost certificate affidavit and agreement), to receive the items provided for in the next sentence of this Section 5A.2. As soon as practicable after a Special Mandatory Conversion and the surrender of the certificate or certificates (or lost certificate affidavit and agreement) for an Affected Holder's shares of Series C Preferred Stock so converted pursuant to such Special Mandatory Conversion, the Corporation shall issue and deliver to such Affected Holder, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof, together with cash as provided in Section 4.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion. No dividends of any kind whether declared, undeclared, accruing or otherwise shall be paid in respect of such shares. Such converted shares of Series C Preferred Stock shall be retired and cancelled and may not be reissued as shares of such series, and the Company may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Series C Preferred Stock accordingly.

5A.3. Definitions. For purposes of this Section 5A, the following definitions shall apply;

5A.3.1 "**Affiliate**" shall mean, with respect to any holder of shares of Preferred Stock, any person, entity or firm which, directly or indirectly, controls, is controlled by or is under common control with such holder, including, without limitation, any entity of which the holder is a partner or member, any partner, officer, director, member or employee of such holder and any venture capital fund now or hereafter existing of which the holder is a partner or member which is controlled by or under common control with one or more general partners of such holder or shares the same management company with such holder,

5A.3.2 "**Application**" shall mean an investigational new drug application, or its foreign equivalent, regarding the Company's product filed by the Corporation with a regulatory authority.

5A.3.3 "**Milestone**" shall be deemed to have been achieved by the Corporation when: (A) the Application receives Regulatory Approval, and (B) the chief executive officer of the Corporation certifies in writing that (i) Regulatory Approval has been received and (ii) there are no other consents, approvals, registrations, licenses or authorizations required to commence dozing of human patients.

5A.3.4 "**Regulatory Approval**" means, with respect to the Application, any approval, registration, license, or authorization from a regulatory authority in a country or other jurisdiction that is necessary to initiate dosing of human patients in such country or jurisdiction.

5A.3.5 "**Second Tranche**" shall have the meaning given it in the Series C Stock Purchase Agreement.

5A.3.6 "**Second Tranche Designated Amount**" means, with respect to a Second Tranche Offeree, that number of shares of Series C Preferred Stock as is set forth under the heading "Offered Second Tranche Shares" on Exhibit A-2 to the Series C Stock Purchase Agreement.

5A.3.7 "**Second Tranche Offeree**" shall have the meaning given it in the Series C Stock Purchase Agreement.

6. Redemption. Except as specifically set forth in Subsection 2.5.2, holders of shares of Preferred Stock do not have any rights to redeem such shares of Preferred Stock.

7. Acquired Shares. Any shares of Preferred Stock that are acquired by the Corporation or any of its subsidiaries shall be automatically and immediately cancelled and retired and shall not be reissued, sold or transferred. Neither the Corporation nor any of its subsidiaries may exercise any voting or other rights granted to the holders of Preferred Stock following redemption.

8. Waiver. Any of the rights, powers, preferences and other terms set forth herein may be waived (i) with respect to the Series C Preferred Stock on behalf of all holders of Series C Preferred Stock by the affirmative written consent or vote of the holders of at least a majority of the shares of Series C Preferred Stock then outstanding, (ii) with respect to the Series B Preferred Stock on behalf of all holders of Series B Preferred Stock by the affirmative written consent or vote of the holders of at least a majority of the shares of Series B Preferred Stock then outstanding, and (iii) with respect to the Series A Preferred Stock on behalf of all holders of Series A Preferred Stock by the affirmative written consent or vote of the holders of at least a majority of the shares of Series A Preferred Stock then outstanding.

9. Notices. Any notice required or permitted by the provisions of this Article Fourth to be given to a holder of shares of Preferred Stock shall be mailed, postage prepaid, to the post office address last shown on the records of the Corporation, or given by electronic communication in compliance with the provisions of the General Corporation Law, and shall be deemed sent upon such mailing or electronic transmission; provided, however, that any such notice given to a holder of Preferred Stock that is a non-U.S. resident shall be by overnight courier and deemed given three (3) days following deposit with such overnight courier, or by electronic communication in compliance with the provisions of the General Corporation Law.

FIFTH: Subject to any additional vote required by the Certificate of Incorporation or Bylaws, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind any or all of the Bylaws of the Corporation.

SIXTH: Subject to any additional vote required by the Certificate of Incorporation, the number of directors of the Corporation shall be determined in the manner set forth in the Bylaws of the Corporation.

SEVENTH: Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

EIGHTH: Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws of the Corporation may provide. The books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

NINTH: To the fullest extent permitted by law, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the General Corporation Law or any other law of the State of Delaware is amended after approval by the stockholders of this Article Ninth to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law as so amended.

Any repeal or modification of the foregoing provisions of this Article Ninth by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director occurring prior to, such repeal or modification.

TENTH:

1. Right to Indemnification of Directors and Officers. The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (an "**Indemnified Person**") who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "**Proceeding**"), by reason of the fact that such person, or a person for whom such person is the legal representative, is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, limited liability company, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Indemnified Person in such Proceeding. Notwithstanding the preceding sentence, except as otherwise provided in Section 3 of this Article Tenth, the Corporation shall be required to indemnify an Indemnified Person in connection with a Proceeding (or part thereof) commenced by such Indemnified Person only if the commencement of such Proceeding (or part thereof) by the Indemnified Person was authorized in advance by the Board of Directors.

2. Prepayment of Expenses of Directors and Officers. The Corporation shall pay the expenses (including attorneys' fees) incurred by an Indemnified Person in defending any Proceeding in advance of its final disposition, provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the Indemnified Person to repay all amounts advanced if it should be ultimately determined that the Indemnified Person is not entitled to be indemnified under this Article Tenth or otherwise.

3. Claims by Directors and Officers. If a claim for indemnification or advancement of expenses under this Article Tenth is not paid in full within 30 days after a written claim therefor by the Indemnified Person has been received by the Corporation, the Indemnified Person may file suit to recover the unpaid amount of such claim and if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Corporation shall have the burden of proving that the Indemnified Person is not entitled to the requested indemnification or advancement of expenses under applicable law.

4. Indemnification of Employees and Agents. The Corporation may indemnify and advance expenses to any person who was or is made or is threatened to be made or is otherwise involved in any Proceeding by reason of the fact that such person, or a person for whom such person is the legal representative, is or was an employee or agent of the Corporation or, while an employee or agent of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, limited liability company, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees*)* reasonably incurred by such person in connection with such Proceeding. The ultimate determination of entitlement to indemnification of persons who are non-director or officer employees or agents shall be made in such manner as is determined by the Board of Directors in its sole discretion. Notwithstanding the foregoing sentence, the Corporation shall not be required to indemnify a person in connection with a Proceeding initiated by such person if the Proceeding was not authorized in advance by the Board of Directors.

5. Advancement of Expenses of Employees and Agents. The Corporation may pay the expenses (including attorneys' fees) incurred by an employee or agent in defending any Proceeding in advance of its final disposition on such terms and condition as may be determined by the Board of Directors.

6. Non-Exclusivity of Rights. The rights conferred on any person by this Article Tenth shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the certificate of incorporation, these by-laws, agreement, vote of stockholders or disinterested directors or otherwise.

7. Other Indemnification. The Corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer or employee of another Corporation, partnership, limited liability company, joint venture, trust, organization or other enterprise shall be reduced by any amount such person may collect as indemnification from such other Corporation, partnership, limited liability company, joint venture, trust, organization or other enterprise.

8. Insurance. The Board of Directors may, to the full extent permitted by applicable law as it presently exists, or may hereafter be amended from time to time, authorize an appropriate officer or officers to purchase and maintain at the Corporation's expense insurance: (a) to indemnify the Corporation for any obligation which it incurs as a result of the indemnification of directors, officers and employees under the provisions of this Article Tenth; and (b) to indemnify or insure directors, officers and employees against liability in instances in which they may not otherwise be indemnified by the Corporation under the provisions of this Article Tenth.

9. Amendment or Repeal. Any repeal or modification of the foregoing previsions of this Article Tenth shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification. The rights provided hereunder shall inure to the benefit of any Indemnified Person and such person's heirs, executors and administrators.

ELEVENTH: The Corporation renounces, to the fullest extent permitted by law, any interest or expectancy of the Corporation in, or in being offered an opportunity to participate in, any Excluded Opportunity. An "**Excluded Opportunity**" is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of, (i) any director of the Corporation who is not an employee of the Corporation or any of its subsidiaries, or (ii) any holder of Preferred Stock or any partner, member, director, stockholder, employee or agent of any such holder, other than someone who is an employee of the Corporation or any of its subsidiaries (collectively, "**Covered Persons**"), unless such matter, transaction or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Covered Person expressly and solely in such Covered Person's capacity as a director of the Corporation.

TWELFTH: Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery in the State of Delaware shall be the sole and exclusive forum for any stockholder (including a beneficial owner) to bring (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim against the Corporation, its directors, officers or employees arising pursuant to any provision of the Delaware General Corporation Law or the Corporation's certificate of incorporation or bylaws or (iv) any action asserting a claim against the Corporation, its directors, officers or employees governed by the internal affairs doctrine, except for, as to each of (i) through (iv) above, any claim as to which the Court of Chancery determines that there is an indispensable party not subject to the jurisdiction of the Court of Chancery (and the indispensable party does not consent to the personal jurisdiction of the Court of Chancery within ten days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery, or for which the Court of Chancery does not have subject matter jurisdiction. If any provision or provisions of this Article TWELFTH shall be held to be invalid, illegal or unenforceable as applied to any person or entity or circumstance for any reason whatsoever, then, to the fullest extent permitted by law, the validity,

legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Article TWELFTH (including, without limitation, each portion of any sentence of this Article TWELFTH containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) and the application of such provision to other persons or entities and circumstances shall not in any way be affected or impaired thereby.

* * *

IN WITNESS WHEREOF, this Fourth Amended and Restated Certificate of Incorporation has been executed by a duly authorized officer of this corporation on this 29th day of July, 2013.

By: /s/ Cedric Francois
Cedric Francois, Chief Executive Officer

FIRST AMENDMENT TO THE
FOURTH AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
APELLIS PHARMACEUTICALS, INC.,
a Delaware corporation

The undersigned, Cedric Francois, hereby certifies that:

1. He is the duly elected and acting Chief Executive Officer of Apellis Pharmaceutical Inc., a Delaware corporation.

2. The original Certificate of incorporation of the Corporation (the "Certificate") was filed with the Secretary of State of Delaware on September 25, 2009.

3. The Certificate was amended by that First Amendment to the Certificate of Incorporation dated February 22, 2010, and amended and restated by that First Amended and Restated Certificate of Incorporation dated April 26, 2010, the Second Amended and Restated Certificate of incorporation dated April 15, 2011, the Third Amended and Restated Certificate of Incorporation dated July 15, 2011, the Amendment to the Third Amended and Restated Certificate of Incorporation dated July 2, 2012 and (he Fourth Amended and Restated Certificate of Incorporation dated July 29, 2013 (the "Fourth Amended Certificate").

4. The fourth paragraph of the introduction to Article IV of the Fourth Amended Certificate is hereby amended in accordance with Section 242 of the Delaware General Corporation Law to read in its entirety as follows:

"The total number of shares of all classes of stock which the Corporation shall have authority to issue is Sixty-Five Million (65,000,000) shares of Common Stock, par value $0.0001 per share ("**Common Stock**"), and Thirty-Right Million Seven Hundred Thousand (38,700,000) shares of Preferred Stock, par value $0.0001 per share ("**Preferred Stock**"), of which 2,670,000 shares have been designated Series A Preferred Stock, 7,280,000 shares have been designated Series B Preferred Stock, and 28,750,000 shares have been designated Series C Preferred Stock (the "**Series C Preferred Stock**")."

5. The Board of Directors of the Corporation adopted the amendments set forth above by unanimous vote at a regularly scheduled meeting, as provided in the Delaware General Corporation Law and the Bylaws of the Corporation.

6. The amendments set forth above were adopted by a majority of the stockholders entitled to vote thereon by written consent as provided in the Delaware General Corporation Law and the Fourth Amended Certificate.

* * * *

The undersigned hereby acknowledges that the foregoing First Amendment to the Fourth Amended and Restated Certificate of Incorporation is its act and deed on this 25th day of November, 2014.

APELLIS PHARMACEUTICALS, INC.

By: /s/ Cedric Francois
Cedric Francois, its Chief Executive Officer

BYLAWS

OF

APELLIS PHARMACEUTICALS, INC.

TABLE OF CONTENTS

	PAGE
ARTICLE I CORPORATE OFFICES	1
1.1 Registered Office	1
1.2 Other Offices	1
ARTICLE II MEETINGS OF STOCKHOLDERS	1
2.1 Place Of Meetings	1
2.2 Annual Meeting	1
2.3 Special Meeting	1
2.4 Notice Of Stockholders' Meetings	2
2.5 Manner Of Giving Notice; Affidavit Of Notice	2
2.6 Quorum	2
2.7 Adjourned Meeting; Notice	2
2.8 Conduct Of Business	3
2.9 Voting	3
2.10 Introduction of Business at Meetings of Stockholders	3
2.11 Waiver Of Notice	4
2.12 Stockholder Action By Written Consent Without A Meeting	4
2.13 Record Date For Stockholder Notice; Voting; Giving Consents	4
2.14 Proxies	5
ARTICLE III DIRECTORS	5
3.1 Powers	5
3.2 Number Of Directors	6
3.3 Election, Qualification And Term Of Office Of Directors	6
3.4 Resignation And Vacancies	6
3.5 Place Of Meetings; Meetings By Telephone	7
3.6 Regular Meetings	7
3.7 Special Meetings; Notice	7
3.8 Quorum	8
3.9 Waiver Of Notice	8
3.10 Board Action By Written Consent Without A Meeting	8
3.11 Fees And Compensation Of Directors	8
3.12 Approval Of Loans To Officers	8
3.13 Removal Of Directors	9
3.14 Chairman Of The Board Of Directors	9
ARTICLE IV COMMITTEES	9
4.1 Committees Of Directors	9
4.2 Committee Minutes	10
4.3 Meetings And Action Of Committees	10
ARTICLE V OFFICERS	10
5.1 Officers	10
5.2 Appointment Of Officers	10
5.3 Subordinate Officers	11
5.4 Removal And Resignation Of Officers	11
5.5 Vacancies In Offices	11
5.6 Chief Executive Officer	11
5.7 President	11
5.8 Vice Presidents	12
5.9 Secretary	12
5.10 Treasurer	12
5.11 Representation Of Shares Of Other Corporations	13
5.12 Authority And Duties Of Officers	13

ARTICLE VI INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS 13
6.1 Indemnification Of Directors And Officers 13
6.2 Indemnification Of Others 13
6.3 Payment Of Expenses In Advance. 14
6.4 Indemnity Not Exclusive 14
6.5 Insurance 14
6.6 Conflicts 14
ARTICLE VII RECORDS AND REPORTS 15
7.1 Maintenance And Inspection Of Records 15
7.2 Inspection By Directors 15
7.3 Annual Statement To Stockholders 15
ARTICLE VIII GENERAL MATTERS 16
8.1 Checks 16
8.2 Execution Of Corporate Contracts And Instruments 16
8.3 Stock Certificates; Partly Paid Shares 16
8.4 Special Designation On Certificates 16
8.5 Lost Certificates 17
8.6 Construction; Definitions 17
8.7 Dividends 17
8.8 Fiscal Year 17
8.9 Seal 18
8.10 Transfer Of Stock 18
8.11 Stock Transfer Agreements 18
8.12 Registered Stockholders 18
ARTICLE IX AMENDMENTS 18

ARTICLE I

CORPORATE OFFICES

1.1 Registered Office.

The registered office of the corporation shall be in the City of Wilmington, County of New Castle, State of Delaware. The name of the registered agent of the corporation at such location is The Corporation Trust Company.

1.2 Other Offices.

The Board of Directors may at any time establish other offices at any place or places where the corporation is qualified to do business.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 Place of Meetings.

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the Board of Directors. In the absence of any such designation, stockholders' meetings shall be held at the registered office of the corporation.

2.2 Annual Meeting.

The annual meeting of stockholders shall be held on such date, time and place, either within or without the State of Delaware, as may be designated by resolution of the Board of Directors each year. At the meeting, directors shall be elected and any other proper business may be transacted.

2.3 Special Meeting.

A special meeting of the stockholders may be called at any time by the Board of Directors, the chairman of the board, the chief executive officer, the president or by one or more stockholders holding shares in the aggregate entitled to cast not less than ten percent of the votes at that meeting.

If a special meeting is called by any person or persons other than the Board of Directors, the president or the chairman of the board, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the chairman of the board, the president, any vice president, or the secretary of the

corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The officer receiving the request shall cause notice to be promptly given to the stockholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.5 of this Article II, that a meeting will be held at the time requested by the person or persons calling the meeting, not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after the receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this Section 2.3 shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board of Directors or the president or chairman may be held.

2.4 Notice of Stockholders' Meetings.

All notices of meetings with stockholders shall be in writing and shall be sent or otherwise given in accordance with Section 2.5 of these Bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. The notice shall specify the place, date, and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

2.5 Manner of Giving Notice; Affidavit of Notice.

Written notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the corporation. An affidavit of the secretary or an assistant secretary or of the transfer agent of the corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

2.6 Quorum.

The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (a) the chairman of the meeting or (b) the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

2.7 Adjourned Meeting; Notice.

When a meeting at which a quorum is present or represented is adjourned to another time or place, unless these Bylaws otherwise require, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business that might have been

transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.8 Conduct of Business.

The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including the manner of voting and the conduct of business.

2.9 Voting.

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.13 of these Bylaws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of Delaware (relating to voting rights of fiduciaries, pledgors and joint owners of stock and to voting trusts and other voting agreements).

Except as may be otherwise provided in the certificate of incorporation, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

2.10 Introduction of Business at Meetings of Stockholders.

At an annual meeting of the stockholders, only such business shall be conducted as shall have been brought before the annual meeting (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the corporation who is a stockholder of record at the time of giving of notice provided for in this Section 2.10, who shall be entitled to vote at such annual meeting and who complies with the notice procedures set forth in this Section 2.10. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a stockholder's notice must be delivered or mailed to, and received at, the principal executive offices of the corporation not less than sixty (60) days nor more than ninety (90) days prior to the annual meeting, regardless of any postponement, deferrals, or adjournments of that meeting to a later date; provided, however, that in the event that less than seventy (70) days' notice or prior public disclosure of the date of the annual meeting is given or made to stockholders, notice by the stockholder to be timely must be received no later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting the following: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (ii) the name and address, as they appear on the corporation's books, of the stockholder proposing such business; (iii) the class and number of shares of the corporation which are beneficially owned by the stockholder; and (iv) any material interest of the stockholder in such business. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at the stockholder meeting, except in accordance with the procedures set forth in this Section 2.10. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and, in accordance with the provisions of these Bylaws, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

2.11 Waiver of Notice.

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the certificate of incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice unless so required by the certificate of incorporation or these Bylaws.

2.12 Stockholder Action by Written Consent Without a Meeting.

Unless otherwise provided in the certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action that may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice, and without a vote if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Written consents representing actions taken by the stockholder may be executed by telex, telecopy or other facsimile transmission, and such facsimile shall be valid and binding to the same extent as if it were an original.

Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. If the action which is consented to is such as would have required the filing of a certificate under any section of the General Corporation Law of Delaware if such action had been voted on by stockholders at a meeting thereof, then the certificate filed under such section shall state, in lieu of any statement required by such section concerning any vote of stockholders, that written notice and written consent have been given as provided in Section 228 of the General Corporation Law of Delaware.

2.13 Record Date for Stockholder Notice; Voting; Giving Consents.

In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action.

If the Board of Directors does not so fix a record date:

(a) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(b) The record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is delivered to the corporation.

(c) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

2.14 Proxies.

Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by a written proxy, signed by the stockholder and filed with the secretary of the corporation, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the stockholder or the stockholder's attorney-in-fact. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(e) of the General Corporation Law of Delaware.

ARTICLE III

DIRECTORS

3.1 Powers.

Subject to the provisions of the General Corporation Law of Delaware and any limitations in the certificate of incorporation or these Bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors.

3.2 Number of Directors.

Upon the adoption of these bylaws, the number of directors constituting the entire Board of Directors shall be two (2). The number of directors constituting the entire Board of Directors may be changed from time to time by resolution of the Board of Directors.

3.3 Election, Qualification and Term of Office of Directors.

Except as provided in Section 3.4 of these Bylaws, directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. Directors need not be stockholders unless so required by the certificate of incorporation or these Bylaws, wherein other qualifications for directors may be prescribed. Each director, including a director elected to fill a vacancy, shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal.

Elections of directors need not be by written ballot.

3.4 Resignation and Vacancies.

Any director may resign at any time upon written notice to the attention of the Secretary of the corporation. When one or more directors so resigns and the resignation is effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies as set forth below, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies.

Unless otherwise provided in the certificate of incorporation or these Bylaws:

(a) Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

(b) Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the certificate of incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected.

If at any time, by reason of death or resignation or other cause, the corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the certificate of incorporation or these Bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the General Corporation Law of Delaware.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten (10) percent of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the General Corporation Law of Delaware as far as applicable.

3.5 Place of Meetings; Meetings by Telephone.

The Board of Directors of the corporation may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the certificate of incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 Regular Meetings.

Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

3.7 Special Meetings; Notice.

Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the chairman of the board, the chief executive officer, the president, any vice president, the secretary or any two directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or facsimile, addressed to each director at that director’s address as it is shown on the records of the corporation. If the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. If the notice is delivered personally or by telephone or by facsimile, it shall be delivered personally or by telephone or facsimile at least forty-eight (48) hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose or the place of the meeting, if the meeting is to be held at the principal executive office of the corporation.

3.8 Quorum.

At all meetings of the Board of Directors, a majority of the authorized number of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum is not present at any meeting of the Board of Directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.9 Waiver of Notice.

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the certificate of incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice unless so required by the certificate of incorporation or these Bylaws.

3.10 Board Action by Written Consent Without a Meeting.

Unless otherwise restricted by the certificate of incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the board or committee. Written consents representing actions taken by the board or committee may be executed by telex, telecopy or other facsimile transmission, and such facsimile shall be valid and binding to the same extent as if it were an original.

3.11 Fees and Compensation of Directors.

Unless otherwise restricted by the certificate of incorporation or these Bylaws, the Board of Directors shall have the authority to fix the compensation of directors. No such compensation shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

3.12 Approval of Loans to Officers.

The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiary, including any officer or

employee who is a director of the corporation or its subsidiary, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the corporation. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in this section contained shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

3.13 Removal of Directors.

Unless otherwise restricted by statute, by the certificate of incorporation or by these Bylaws, any director or the entire Board of Directors may be removed, with cause, by the holders of a majority of the shares then entitled to vote at an election of directors; provided, however, that the directors elected by the holders of a particular class or series of stock may be removed with cause only by a vote of the holders of a majority of the outstanding shares of such class or series.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

3.14 Chairman of The Board of Directors.

The corporation may also have, at the discretion of the Board of Directors, a chairman of the Board of Directors who shall not be considered an officer of the corporation.

ARTICLE IV

COMMITTEES

4.1 Committees of Directors.

The Board of Directors may designate one or more committees, solely by unanimous consent of all the directors. Except as provided in the Certificate of Incorporation, each committee shall consist of one or more of the directors of the corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, or in these Bylaws, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by this chapter to be submitted to stockholders for approval or (ii) adopting, amending or repealing any Bylaw of the corporation.

4.2 Committee Minutes.

Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

4.3 Meetings and Action of Committees.

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Section 3.5 (place of meetings and meetings by telephone), Section 3.6 (regular meetings), Section 3.7 (special meetings and notice), Section 3.8 (quorum), Section 3.9 (waiver of notice), and Section 3.10 (action without a meeting) of these Bylaws, with such changes in the context of such provisions as are necessary to substitute the committee and its members for the Board of Directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the Board of Directors and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

ARTICLE V

OFFICERS

5.1 Officers.

The officers of the corporation shall be a chief executive officer, a president, a secretary, and a treasurer. The corporation may also have, at the discretion of the Board of Directors, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and any such other officers as may be appointed in accordance with the provisions of Section 5.3 of these Bylaws. Any number of offices may be held by the same person.

5.2 Appointment of Officers.

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 or 5.5 of these Bylaws, shall be appointed by the Board of Directors, subject to the rights, if any, of an officer under any contract of employment.

5.3 Subordinate Officers.

The Board of Directors may appoint, or empower the chief executive officer or the president to appoint, such other officers and agents as the business of the corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these Bylaws or as the Board of Directors may from time to time determine.

5.4 Removal and Resignation of Officers.

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the Board of Directors at any regular or special meeting of the board or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the attention of the Secretary of the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5 Vacancies in Offices.

Any vacancy occurring in any office of the corporation shall be filled by the Board of Directors.

5.6 Chief Executive Officer.

Subject to such supervisory powers, if any, as may be given by the Board of Directors to the chairman of the board, if any, the chief executive officer of the corporation shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and the officers of the corporation. He or she shall preside at all meetings of the stockholders and, in the absence or nonexistence of a chairman of the board, at all meetings of the Board of Directors and shall have the general powers and duties of management usually vested in the office of chief executive officer of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

5.7 President.

Subject to such supervisory powers, if any, as may be given by the Board of Directors to the chairman of the board (if any) or the chief executive officer, the president shall have general supervision, direction, and control of the business and other officers of the corporation. He or she shall have the general powers and duties of management usually vested in the office of president of a corporation and such other powers and duties as may be prescribed by the Board of Directors, these Bylaws or the chief executive officer.

5.8 Vice Presidents.

In the absence or disability of the chief executive officer and president, the vice presidents, if any, in order of their rank as fixed by the Board of Directors or, if not ranked, a vice president designated by the Board of Directors, shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors, these Bylaws, the president or the chief executive officer.

5.9 Secretary.

The secretary shall keep or cause to be kept, at the principal executive office of the corporation or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of directors, committees of directors, and stockholders. The minutes shall show the time and place of each meeting, the names of those present at directors' meetings or committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation's transfer agent or registrar, as determined by resolution of the Board of Directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors required to be given by law or by these Bylaws. He or she shall keep the seal of the corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors, these Bylaws, the chief executive officer or the president.

5.10 Treasurer.

The treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The treasurer shall deposit all moneys and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board of Directors. He or she shall disburse the funds of the corporation as may be ordered by the Board of Directors, shall render to the president, the chief executive officer, or the directors, upon request, an account of all his or her transactions as treasurer and of the financial condition of the corporation, and shall have other powers and perform such other duties as may be prescribed by the Board of Directors, the Bylaws, the chief executive officer or the president.

5.11 Representation Of Shares Of Other Corporations.

The chairman of the board, the chief executive officer, the president, any vice president, the treasurer, the secretary or assistant secretary of this corporation, or any other person authorized by the Board of Directors or the chief executive officer or the president or a vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by the person having such authority.

5.12 Authority and Duties of Officers.

In addition to the foregoing authority and duties, all officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the Board of Directors.

ARTICLE VII

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS

6.1 Indemnification of Directors and Officers.

The corporation shall, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware, indemnify each of its directors and officers against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was a director, officer, employee or agent of the corporation. For purposes of this Section 6.1, a "director" or "officer" of the corporation includes any person (a) who is or was a director or officer of the corporation, (b) who is or was serving at the request of the corporation as a director or officer of another corporation, limited liability company, partnership, joint venture, trust or other enterprise, or (c) who was a director or officer of an entity which was a predecessor entity of the corporation or of another corporation, limited liability company, partnership, joint venture, trust or other enterprise at the request of such predecessor entity.

6.2 Indemnification of Others.

The corporation shall have the power, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware, to indemnify each of its employees and agents (other than directors and officers) against expenses (including attorneys' fees), judgments,

fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an employee or agent of the corporation. For purposes of this Section 6.2, an "employee" or "agent" of the corporation (other than a director or officer) includes any person (a) who is or was an employee or agent of the corporation, (b) who is or was serving at the request of the corporation as an employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise, or (c) who was an employee or agent of an entity which was a predecessor entity of the corporation or of another corporation, limited liability company, partnership, joint venture, trust or other enterprise at the request of such predecessor entity.

6.3 Payment of Expenses in Advance.

Expenses incurred in defending any action or proceeding for which indemnification is required pursuant to Section 6.1 or for which indemnification is permitted pursuant to Section 6.2 following authorization thereof by the Board of Directors shall be paid by the corporation in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of the indemnified party to repay such amount if it shall ultimately be determined that the indemnified party is not entitled to be indemnified as authorized in this Article VI.

6.4 Indemnity Not Exclusive.

The indemnification provided by this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office, to the extent that such additional rights to indemnification are authorized in the certificate of incorporation.

6.5 Insurance.

The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liability under the provisions of the General Corporation Law of Delaware.

6.6 Conflicts.

No indemnification or advance shall be made under this Article VI, except where such indemnification or advance is mandated by law or the order, judgment or decree of any court of competent jurisdiction, in any circumstance where it appears:

(a) That it would be inconsistent with a provision of the certificate of incorporation, or these Bylaws at the time of the accrual of the alleged cause of the action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(b) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

ARTICLE VII

RECORDS AND REPORTS

7.1 Maintenance and Inspection of Records.

The corporation shall, either at its principal executive offices or at such place or places as designated by the Board of Directors, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these Bylaws as amended to date, accounting books, and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in Delaware or at its principal place of business.

7.2 Inspection by Directors.

Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders, and its other books and records for a purpose reasonably related to his or her position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

7.3 Annual Statement to Stockholders.

The Board of Directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

ARTICLE VIII

GENERAL MATTERS

8.1 Checks.

From time to time, the Board of Directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the corporation, and only the persons so authorized shall sign or endorse those instruments.

8.2 Execution of Corporate Contracts and Instruments.

The Board of Directors, except as otherwise provided in these Bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.3 Stock Certificates; Partly Paid Shares.

The shares of a corporation shall be represented by certificates, provided that the Board of Directors of the corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the corporation by the chairman or vice-chairman of the Board of Directors, or the president or vice-president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of such corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

8.4 Special Designation on Certificates.

If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent

such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

8.5 Lost Certificates.

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and canceled at the same time. The corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate previously issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or the owner's legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

8.6 Construction; Definitions.

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Delaware General Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

8.7 Dividends.

The directors of the corporation, subject to any restrictions contained in (a) the General Corporation Law of Delaware or (b) the certificate of incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property, or in shares of the corporation's capital stock.

The directors of the corporation may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the corporation, and meeting contingencies.

8.8 Fiscal Year.

The fiscal year of the corporation shall be fixed by resolution of the Board of Directors and may be changed by the Board of Directors.

8.9 Seal.

The corporation may adopt a corporate seal, which may be altered at pleasure, and may use the same by causing it or a facsimile thereof, to be impressed or affixed or in any other manner reproduced.

8.10 Transfer of Stock.

Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction in its books.

8.11 Stock Transfer Agreements.

The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of Delaware.

8.12 Registered Stockholders.

The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE IX

AMENDMENTS

The Bylaws of the corporation may be adopted, amended or repealed by the stockholders entitled to vote; provided, however, that the corporation may, in its certificate of incorporation, confer the power to adopt, amend or repeal Bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal Bylaws.

Exhibit 4.2

INVESTORS' RIGHTS AGREEMENT

TABLE OF CONTENTS

		Page
1.	Definitions. For purposes of this Agreement:	1
2.	Registration Rights. The Company covenants and agrees as follows:	5
2.1	Demand Registration	5
2.2	Company Registration	6
2.3	Underwriting Requirements	7
2.4	Obligations of the Company	8
2.5	Furnish Information	9
2.6	Expenses of Registration	10
2.7	Delay of Registration	10
2.8	Indemnification	10
2.9	Reports Under Exchange Act	12
2.10	Limitations on Subsequent Registration Rights	13
2.11	Market Stand-off Agreement	13
2.12	Restrictions on Transfer	13
2.13	Termination of Registration Rights	15
3.	Financial Information and Reporting.	15
3.1	Delivery of Financial Statements	15
3.2	Inspection	16
3.3	Termination of Information Rights	16
3.4	Confidentiality	17
4.	Rights to Future Stock Issuances.	17
4.1	Right of First Offer	17
4.2	Termination	19
5.	Additional Covenants.	19
5.1	Insurance	19
5.2	Employee Agreements	19
5.3	Employee Stock	19
5.4	Qualified Small Business Stock	20
5.5	Matters Requiring Investor Director Approval	20
5.6	Board Matters	21
5.7	Successor Indemnification	21
5.8	Expenses of Counsel	21
5.9	Indemnification Matters	22
5.10	Most Favored Nation	22
6.	Miscellaneous.	23
6.1	Successors and Assigns	23

6.2	Governing Law	23
6.3	Counterparts	23
6.4	Titles and Subtitles	23
6.5	Notices	23
6.6	Amendments and Waivers	24
6.7	Severability	24
6.8	Aggregation of Stock	24
6.9	Additional Investors	25
6.10	Entire Agreement	25
6.11	Dispute Resolution	25
6.12	Delays or Omissions	25
6.13	Acknowledgment	26

Schedule A - Schedule of Investors

Schedule B - Schedule of Key Holders

Exhibit A - Form of Noncompetition and Nonsolicitation Agreement

INVESTORS' RIGHTS AGREEMENT

THIS INVESTORS' RIGHTS AGREEMENT is made as of the 30th day of July, 2013, by and among Apellis Pharmaceuticals, Inc., a Delaware corporation (the "**Company**"), and each of the investors listed on Schedule A hereto, each of which is referred to in this Agreement as an "**Investor**"**,** and each of the stockholders listed on Schedule B hereto, each of whom is referred to herein as a "**Key Holder**" and any Additional Purchaser (as defined in the Purchase Agreement) that becomes a party to this Agreement in accordance with Section 6.9 hereof.

RECITALS

WHEREAS, certain of the Investors (the "**Existing Investors**") hold shares of the Company's Series A Preferred Stock, Series B Preferred Stock and/or shares of Common Stock issued upon conversion thereof and possess information rights, preemptive rights, and other rights pursuant to that certain Second Amended and Restated Stockholders Agreement dated as of July 29, 2011, by and between the Company and such Investors (the "**Prior Agreement**"); and

WHEREAS, the Existing Investors are holders of at least a majority of the Outstanding Shares (as defined in the Prior Agreement), and desire to amend and restate the Prior Agreement in its entirety and to supersede the Prior Agreement by this Agreement, the Right of Refusal and Co-Sale Agreement and the Voting Agreement; and

WHEREAS, certain of the Investors are parties to that certain Series C Preferred Stock Purchase Agreement of even date herewith between the Company and certain of the Investors (the "**Purchase Agreement**"), under which certain of the Company's and such Investors' obligations are conditioned upon the execution and delivery of this Agreement;

NOW, THEREFORE, in consideration of mutual covenants set forth herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree that the relevant sections of the Prior Agreement shall be amended, restated, superseded and replaced in its entirety by this Agreement, and the parties to this Agreement further agree as follows:

1. Definitions. For purposes of this Agreement:

1.1 "**Affiliate**" means, with respect to any specified Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such Person, including without limitation any general partner, managing member, officer or director of such Person or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person.

1.2 "**Common Stock**" means shares of the Company's common stock, par value $0.0001 per share.

1.3 "**Competitor**" means a Person engaged, directly or indirectly (including through any partnership, limited liability company, corporation, joint venture or similar arrangement (whether now existing or formed hereafter)), in development of complement inhibitorsfor indicators presently considered by the Company, but shall not include any financial

investment firm or collective investment vehicle that, together with its Affiliates, holds less than 20% of the outstanding equity of any Competitor and does not, nor do any of its Affiliates, have a right to designate any members of the Board of Directors of any Competitor.

1.4 "**Damages**" means any loss, damage, claim or liability (joint or several) to which a party hereto may become subject under the Securities Act, the Exchange Act, or other federal or state law, insofar as such loss, damage, claim or liability (or any action in respect thereof) arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in any registration statement of the Company, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto; (ii) an omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading; or (iii) any violation or alleged violation by the indemnifying party (or any of its agents or Affiliates) of the Securities Act, the Exchange Act, any state securities law, or any rule or regulation promulgated under the Securities Act, the Exchange Act, or any state securities law.

1.5 "**Derivative Securities**" means any securities or rights convertible into, or exercisable or exchangeable for (in each case, directly or indirectly), Common Stock, including options and warrants.

1.6 "**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

1.7 "**Excluded Registration**" means (i) a registration relating-to the sale of securities to employees of the Company or a subsidiary pursuant to a stock option, stock purchase, or similar plan; (ii) a registration relating to an SEC Rule 145 transaction; (iii) a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities; or (iv) a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered.

1.8 "**Excluded Securities**" means (i) Common Stock issued as a stock dividend to holders of Common Stock or upon any subdivision of shares of Common Stock; (ii) Preferred Stock issued as a stock dividend to holders of Preferred Stock or upon any subdivision of shares of Preferred Stock; (iii) the issuance of shares of Common Stock, or options exercisable therefor, including options outstanding on the date of this Agreement, issued or issuable to current or former employees, officers or directors of, or consultants or advisers to, the Company pursuant to stock purchase or stock option plans or similar arrangements approved by the Board of Directors; (iv) securities issued or issuable in connection with a bona fide non-equity financing transaction (*e.g.* equipment financing arrangements and bank lines of credit) that is approved by the Board of Directors; (v) securities issued solely in consideration for the acquisition (whether by merger or otherwise) by the Company or any of its subsidiaries of all or substantially all of the stock or assets of any other entity in a transaction that is approved by the Board of Directors; (vi) shares of Common Stock issued in a Qualified IPO; (vii) securities issued to a strategic partner in connection with a development, collaboration or other similar agreement that is approved by the Board of Directors; or (viii) securities issued, sold or exchanged by the Company as to which the holders of

at least a majority of the shares of the Series B Preferred Stock and the Series C Preferred Stock, voting together, has elected to designate as Excluded Securities.

1.9 "**FOIA Party**" means a Person that, in the reasonable determination of the Board of Directors, may be subject to, and thereby required to disclose non-public information furnished by or relating to the Company under, the Freedom of Information Act, 5 U.S.C. 552 ("**FOIA**"), any state public records access law, any state or other jurisdiction's laws similar in intent or effect to FOIA, or any other similar statutory or regulatory requirement.

1.10 "**Form S-1**" means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC.

1.11 "**Form S-3**" means such form under the Securities Act as in effect on the date hereof or any registration form under the Securities Act subsequently adopted by the SEC that permits incorporation of substantial information by reference to other documents filed by the Company with the SEC.

1.12 "**GAAP**" means generally accepted accounting principles in the United States.

1.13 "**Holder**" means any holder of Registrable Securities who is a party to this Agreement.

1.14 "**Immediate Family Member**" means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, of a natural person referred to herein.

1.15 "**Initiating Holders**" means, collectively, Holders who properly initiate a registration request under this Agreement.

1.16 "**IPO**" means the Company's first underwritten public offering of its Common Stock under the Securities Act.

1.17 "**Key Employee**" means any executive-level employee (including division director and vice president-level positions) as well as any employee who, either alone or in concert with others, develops, invents, programs, or designs any Company Intellectual Property (as defined in the Purchase Agreement).

1.18 "**New Securities**" means, collectively, equity securities of the Company, whether or not currently authorized, as well as rights, options, or warrants to purchase such equity securities, or securities of any type whatsoever that are, or may become, convertible or exchangeable into or exercisable for such equity securities.

1.19 "**Person**" means any individual, corporation, partnership, trust, limited liability company, association or other entity.

1.20 "**Preferred Stock**" means, collectively, shares of the Company's Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock.

1.21 "**Qualified IPO**" means a firm commitment underwritten public offering of shares of Common Stock at a price per share equal to at least $3.75 (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Common Stock), pursuant to an effective registration statement under the Securities Act of 1933, as amended, resulting in at least $40,000,000 of gross proceeds, net of underwriting discounts and commissions, to the Company.

1.22 "**Registrable Securities**" means (i) the Common Stock issuable or issued upon conversion of the Preferred Stock; (ii) any Common Stock, or any Common Stock issued or issuable (directly or indirectly) upon conversion and/or exercise of any other securities of the Company, acquired by the Investors after the date hereof; and (iii) any Common Stock issued as (or issuable upon the conversion or exercise of any warrant, right, or other security that is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares referenced in clauses (i) and (ii) above; excluding in all cases, however, any Registrable Securities sold by a Person in a transaction in which the applicable rights under this Agreement are not assigned pursuant to Section 6.1, and excluding for purposes of Section 2 any shares for which registration rights have terminated pursuant to Section 2.13 of this Agreement.

1.23 "**Registrable Securities then outstanding**" means the number of shares determined by adding the number of shares of outstanding Common Stock that are Registrable Securities and the number of shares of Common Stock issuable (directly or indirectly) pursuant to then exercisable and/or convertible securities that are Registrable Securities.

1.24 "**Restricted Securities**" means the securities of the Company required to bear the legend set forth in Section 2.12(b) hereof.

1.25 "**SEC**" means the Securities and Exchange Commission.

1.26 "**SEC Rule 144**" means Rule 144 promulgated by the SEC under the Securities Act.

1.27 "**SEC Rule 145**" means Rule 145 promulgated by the SEC under the Securities Act.

1.28 "**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

1.29 "**Selling Expenses**" means all underwriting discounts, selling commissions, and stock transfer taxes applicable to the sale of Registrable Securities, and fees and disbursements of counsel for any Holder, except for the fees and disbursements of the Selling Holder Counsel borne and paid by the Company as provided in Section 2.6.

1.30 "**Series A Preferred Stock**" means shares of the Company's Series A Preferred Stock, par value $0.0001 per share.

1.31 "**Series B Preferred Stock**" means shares of the Company's Series B Preferred Stock, par value $0.0001 per share.

1.32 "**Series C Directors**" means those members of the Board of Directors who are designated pursuant to Section l(b)(i) of the Voting Agreement and elected by holders of Series C Preferred Stock in accordance with Subsection 3.2 Part B of Article Fourth of the Company's Fourth Amended and Restated Certificate of Incorporation (as amended and in effect from time to time).

1.33 "**Series C Preferred Stock**" means shares of the Company's Series C Preferred Stock, par value $0.0001 per share.

2. Registration Rights. The Company covenants and agrees as follows:

2.1 Demand Registration.

(a) Form S-1 Demand. If at any time after the earlier of (i) five (5) years after the date of this Agreement or (ii) one hundred eighty (180) days after the effective date of the registration statement for the IPO, the Company receives a request from Holders of a majority of the Registrable Securities then outstanding that the Company file a Form S-1 registration statement with respect to the Registrable Securities then outstanding having an anticipated aggregate offering price of at least $5,000,000, then the Company shall (x) within ten (10) days after the date such request is given, give notice thereof (the "**Demand Notice**") to all Holders other than the Initiating Holders; and (y) as soon as practicable, and in any event within sixty (60) days after the date such request is given by the Initiating Holders, file a Form S-l registration statement under the Securities Act covering all Registrable Securities that the Initiating Holders requested to be registered and any additional Registrable Securities requested to be included in such registration by any other Holders, as specified by notice given by each such Holder to the Company within twenty (20) days of the date the Demand Notice is given, and in each case, subject to the limitations of Section 2.1(c) and Section 2.3.

(b) Form S-3 Demand. If at any time when it is eligible to use a Form S-3 registration statement, the Company receives a request from Holders of at least thirty percent (30%) of the Registrable Securities then outstanding that the Company file a Form S-3 registration statement with respect to outstanding Registrable Securities of such Holders having an anticipated aggregate offering price, net of Selling Expenses, of at least $1,000,000, then the Company shall (i) within ten (10) days after the date such request is given, give a Demand Notice to all Holders other than the Initiating Holders; and (ii) as soon as practicable, and in any event within forty-five (45) days after the date such request is given by the Initiating Holders, file a Form S-3 registration statement under the Securities Act covering all Registrable Securities requested to be included in such registration by any other Holders, as specified by notice given by each such Holder to the Company within twenty (20) days of the date the Demand Notice is given, and in each case, subject to the limitations of Section 2.1(c) and Section 2.3. There shall be no limit to the aggregate number of registrations that the Company may be required to effect pursuant to this Section 2.1(b); provided, however, that the Company shall not be required to effect more than one (1) registration pursuant to this Section 2.1(b) in any 12-month period.

(c) Notwithstanding the foregoing obligations, if the Company furnishes to Holders requesting a registration pursuant to this Section 2.1 a certificate signed by the Company's chief executive officer stating that in the good faith judgment of the Company's Board of Directors it would be materially detrimental to the Company and its stockholders for such registration statement to either become effective or remain effective for as long as such registration statement otherwise would be required to remain effective, because such action would (i) materially interfere with a significant acquisition, corporate reorganization, or other similar transaction involving the Company; (ii) require premature disclosure of material information that the Company has a bona fide business purpose for preserving as confidential; or (iii) render the Company unable to comply with requirements under the Securities Act or Exchange Act, then the Company shall have the right to defer taking action with respect to such filing, and any time periods with respect to filing or effectiveness thereof shall be tolled correspondingly, for a period of not more than thirty (30) days after the request of the Initiating Holders is given; provided, however, that the Company may not invoke this right more than once in any twelve (12) month period ; and provided further that the Company shall not register any securities for its own account or that of any other stockholder during such thirty (30) day period other than an Excluded Registration.

(d) The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Section 2.1(a)(i) during the period that is sixty (60) days before the Company's good faith estimate of the date of filing of, and ending on a date that is one hundred eighty (180) days after the effective date of, a Company-initiated registration, provided, that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement to become effective; (ii) after the Company has effected two registrations pursuant to Section 2.1(a); or (iii) if the Initiating Holders propose to dispose of shares of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made pursuant to Section 2.1(b). The Company shall not be obligated to effect, or to take any action to effect, "any registration pursuant to Section 2.1(b) (i) during the period that is thirty (30) days before the Company's good faith estimate of the date of filing of, and ending on a date that is ninety (90) days after the effective date of, a Company-initiated registration, provided, that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement to become effective; or (ii) if the Company has effected one registration pursuant to Section 2.1(b) within the twelve (12) month period immediately preceding the date of such request. A registration shall not be counted as "effected" for purposes of this Subsection 2.1(d) until such time as the applicable registration statement has been declared effective by the SEC, unless the Initiating Holders withdraw their request for such registration, elect not to pay the registration expenses therefor, and forfeit their right to one demand registration statement pursuant to Subsection 2.6, in which case such withdrawn registration statement shall be counted as "effected" for purposes of this Subsection 2.1(d).

2.2 Company Registration. If the Company proposes to register (including, for this purpose, a registration effected by the Company for stockholders other than the Holders) any of its securities under the Securities Act in connection with the public offering of such securities solely for cash (other than in an Excluded Registration), the Company shall, at such time, promptly give each Holder notice of such registration. Upon the request of each Holder given within twenty (20) days after such notice is given by the Company, the Company shall, subject to the provisions of Section 2.3, cause to be registered all of the Registrable Securities that each such Holder has

requested to be included in such registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.2 before the effective date of such registration, whether or not any Holder has elected to include Registrable Securities in such registration. The expenses (other than Selling Expenses) of such withdrawn registration shall be borne by the Company in accordance with Subsection 2.6.

2.3 Underwriting Requirements.

(a) If, pursuant to Section 2.1, the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to Subsection 2.1, and the Company shall include such information in the Demand Notice. The underwriter(s) will be selected by the Initiating Holders, subject only to the reasonable approval of the Company. In such event, the right of any Holder to include such Holder's Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in Section 2.4(e)) enter into an underwriting agreement in customary form with the underwriter(s) selected for such underwriting. Notwithstanding any other provision of this Section 2.3, if the managing underwriter(s) advise(s) the Initiating Holders in writing that marketing factors require a limitation on the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders of Registrable Securities that otherwise would be underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be allocated among such Holders of Registrable Securities, including the Initiating Holders, in proportion (as nearly as practicable) to the number of Registrable Securities owned by each Holder or in such other proportion as shall mutually be agreed to by all such selling Holders; provided, however, that the number of Registrable Securities held by the Holders to be included in such underwriting shall not be reduced unless all other securities are first entirely excluded from the underwriting.

(b) In connection with any offering involving an underwriting of shares of the Company's securities pursuant to Section 2.2, the Company shall not be required to include any of the Holders' Registrable Securities in such underwriting unless the Holders accept the terms of the underwriting as agreed upon between the Company and its underwriters, and then only in such quantity as the underwriters in their sole discretion determine will not jeopardize the success of the offering by the Company. If the total number of securities, including Registrable Securities, requested by stockholders to be included in such offering exceeds the number of securities to be sold (other than by the Company) that the underwriters in their reasonable discretion determine is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters and the Company in their sole discretion determine will not jeopardize the success of the offering. If the underwriters determine that less than all of the Registrable Securities requested to be registered can be included in such offering, then the Registrable Securities that are included in such offering shall be allocated among the selling Holders in proportion (as nearly as practicable to) the number of Registrable Securities owned by each selling Holder or in such other proportions as shall mutually be agreed to by all such selling Holders. Notwithstanding the foregoing, in no event shall (i) the number of Registrable Securities included in the offering be reduced unless all

other securities (other than securities to be sold by the Company) are first entirely excluded from the offering, or (ii) the number of Registrable Securities included in the offering be reduced below thirty percent (30%) of the total number of securities included in such offering, unless such offering is the IPO, in which case the selling Holders may be excluded further if the underwriters make the determination described above and no other stockholder's securities are included in such offering. For purposes of the provision in this Section 2.3(b) concerning apportionment, for any selling Holder that is a partnership, limited liability company, or corporation, the partners, members, retired partners, retired members, stockholders, and Affiliates of such Holder, or the estates and Immediate Family Members of any such partners, retired partners, members, and retired members and any trusts for the benefit of any of the foregoing Persons, shall be deemed to be a single "selling Holder," and any pro rata reduction with respect to such "selling Holder" shall be based upon the aggregate number of Registrable Securities owned by all Persons included in such "selling Holder," as defined in this sentence.

(c) For purposes of Subsection 2.1, a registration shall not be counted as "effected" if, as a result of an exercise of the underwriter's cutback provisions in Section 2.3(a), fewer than fifty percent (50%) of the total number of Registrable Securities that Holders have requested to be included in such registration statement are actually included.

2.4 Obligations of the Company. Whenever required under this Section 2 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its commercially reasonable efforts to cause such registration statement to become effective and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to one hundred twenty (120) days or, if earlier, until the distribution contemplated in the registration statement has been completed; provided, however, that (i) such one hundred twenty (120) day period shall be extended for a period of time equal to the period the Holder refrains, at the request of an underwriter of Common Stock (or other securities) of the Company, from selling any securities included in such registration, and (ii) in the case of any registration of Registrable Securities on Form S-3 that are intended to be offered on a continuous or delayed basis, subject to compliance with applicable SEC rules, such one hundred twenty (120) day period shall be extended for up to 30 days, if necessary, to keep the registration statement effective until all such Registrable Securities are sold;

(b) prepare and file with the SEC such amendments and supplements to such registration statement, and the prospectus used in connection with such registration statement, as may be necessary to comply with the Securities Act in order to enable the disposition of all securities covered by such registration statement;

(c) furnish to the selling Holders such numbers of copies of a prospectus, including a preliminary prospectus, as required by the Securities Act, and such other documents as the Holders may reasonably request in order to facilitate their disposition of their Registrable Securities;

(d) use its commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or blue-sky laws of such jurisdictions as shall be reasonably requested by the selling Holders; provided that the Company shall not be required to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(e) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the underwriter(s) of such offering;

(f) use its commercially reasonable efforts to cause all such Registrable Securities covered by such registration statement to be listed on a national securities exchange or trading system and each securities exchange and trading system (if any) on which similar securities issued by the Company are then listed;

(g) provide a transfer agent and registrar for all Registrable Securities registered pursuant to this Agreement and provide a CUSEP number for all such Registrable Securities, in each case not later than the effective date of such registration;

(h) promptly make available for inspection by the selling Holders, any managing underwriter(s) participating in any disposition pursuant to such registration statement, and any attorney or accountant or other agent retained by any such underwriter or selected by the selling Holders, all financial and other records, pertinent corporate documents, and properties of the Company, and cause the Company's officers, directors, employees, and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant, or agent, in each case, as necessary or advisable to verify the accuracy of the information in such registration statement and to conduct appropriate due diligence in connection therewith;

(i) notify each selling Holder, promptly after the Company receives notice thereof, of the time when such registration statement has been declared effective or a supplement to any prospectus forming a part of such registration statement has been filed; and

(j) after such registration statement becomes effective, notify each selling Holder of any request by the SEC that the Company amend or supplement such registration statement or prospectus.

In addition, the Company shall ensure that, at all times after any registration statement covering a public offering of securities of the Company under the Securities Act shall have become effective, its insider trading policy shall provide that the Company's directors may implement a trading program under Rule 10b5-l of the Exchange Act.

2.5 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 2 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such

securities as is reasonably required to effect the registration of such Holder's Registrable Securities.

2.6 Expenses of Registration. All expenses (other than Selling Expenses) incurred in connection with registrations, filings, or qualifications pursuant to Section 2, including all registration, filing, and qualification fees; printers' and accounting fees; fees and disbursements of counsel for the Company; and the reasonable fees and disbursements of one counsel for the selling Holders ("**Selling Holder Counsel**"), shall be borne and paid by the Company; provided, however, that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 2.1 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all selling Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be included in the withdrawn registration), unless the Holders of a majority of the Registrable Securities agree to forfeit their right to one registration pursuant to Section 2.1(a) or Section 2.1(b), as the case may be then the Holders shall not be required to pay any of such expenses and shall not forfeit their right to one registration pursuant to Section 2.1(a) or Section 2.1(b). All Selling Expenses relating to Registrable Securities registered pursuant to this Section 2 shall be borne and paid by the Holders pro rata on the basis of the number of Registrable Securities registered on their behalf.

2.7 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any registration pursuant to this Agreement as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

2.8 Indemnification. If any Registrable Securities are included in a registration statement under this Section 2:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each selling Holder, and the partners, members, officers, directors, and stockholders of each such Holder; legal counsel and accountants for each such Holder; any underwriter (as defined in the Securities Act) for each such Holder; and each Person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any Damages, and the Company will pay to each such Holder, underwriter, controlling Person, or other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 2.8(a) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable for any Damages to the extent that they arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of any such Holder, underwriter, controlling Person, or other aforementioned Person expressly for use in connection with such registration.

(b) To the extent permitted by law, each selling Holder, severally and not jointly, will indemnify and hold harmless the Company, and each of its directors, each of its officers who has signed the registration statement, each Person (if any), who controls the Company within the meaning of the Securities Act, legal counsel and accountants for the Company, any

underwriter (as defined in the Securities Act), any other Holder selling securities in such registration statement, and any controlling Person of any such underwriter or other Holder, against any Damages, in each case only to the extent that such Damages arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of such selling Holder expressly for use in connection with such registration; and each such selling Holder will pay to the Company and each other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 2.8(b) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; and provided further that in no event shall the aggregate amounts payable by any Holder by way of indemnity or contribution under Sections 2.8(b) and 2.8(d) exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of fraud or willful misconduct by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 2.8 of notice of the commencement of any action (including any governmental action) for which a party may be entitled to indemnification hereunder, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.8, give the indemnifying party notice of the commencement thereof. The indemnifying party shall have the right to participate in such action and, to the extent the indemnifying party so desires, participate jointly with any other indemnifying party to which notice has been given, and to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such action. The failure to give notice to the indemnifying party within a reasonable time of the commencement of any such action shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.8, to the extent that such failure materially prejudices the indemnifying party's ability to defend such action. The failure to give notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.8.

(d) To provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any party otherwise entitled to indemnification hereunder makes a claim for indemnification pursuant to this Section 2.8 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case, notwithstanding the fact that this Section 2.8 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any party hereto for which indemnification is provided under this Section 2.8, then, and in each such case, such parties will contribute to the aggregate losses, claims, damages, liabilities, or expenses to which they may be subject (after contribution from others) in such proportion as is appropriate to reflect the relative fault of each of the indemnifying party and the indemnified party

in connection with the statements, omissions, or other actions that resulted in such loss, claim, damage, liability, or expense, as well as to reflect any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or allegedly untrue statement of a material fact, or the omission or alleged omission of a material fact, relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission; provided, however, that, in any such case, (x) no Holder will be required to contribute any amount in excess of the public offering price of all such Registrable Securities offered and sold by such Holder pursuant to such registration statement, and (y) no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation; and provided further that in no event shall a Holder's liability pursuant to this Section 2.8(d), when combined with the amounts paid or payable by such Holder pursuant to Section 2.8(b), exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of willful misconduct or fraud by such Holder.

(e) Unless otherwise superseded by an underwriting agreement entered into in connection with the underwritten public offering, the obligations of the Company and Holders under this Section 2.8 shall survive the completion of any offering of Registrable Securities in a registration under this Section 2, and otherwise shall survive the termination of this Agreement.

2.9 Reports Under Exchange Act. With a view to making available to the Holders the benefits of SEC Rule 144 and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company shall:

(a) make and keep available adequate current public information, as those terms are understood and defined in SEC Rule 144, at all times after the effective date of the registration statement filed by the Company for the IPO;

(b) use commercially reasonable efforts to file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after the Company has become subject to such reporting requirements); and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) to the extent accurate, a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after ninety (90) days after the effective date of the registration statement filed by the Company for the IPO), the Securities Act, and the Exchange Act (at any time after the Company has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after the Company so qualifies); (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company; and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration (at any

time after the Company has become subject to the reporting requirements under the Exchange Act) or pursuant to Form S-3 (at any time after the Company so qualifies to use such form).

2.10 Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the Registrable Securities then outstanding, enter into any agreement with any holder or prospective holder of any securities of the Company that (i) would provide to such holder the right to include securities in any registration on other than either a pro rata basis with respect to the Registrable Securities or on a subordinate basis after all Holders have had the opportunity to include in the registration and offering all shares of Registrable Securities that they wish to so include or (ii) allow such holder or prospective holder to initiate a demand for registration of any securities held by such holder or prospective holder; provided that this limitation shall not apply to any additional Investor who becomes a party to this Agreement in accordance with Subsection 69.

2.11 Market Stand-off Agreement. Each Holder hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the IPO and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred eighty (180) days, which period may be extended upon the request of the managing underwriter, to the extent required by any NASD or FINRA rules, for an additional period of up to 20 days if the Company issues or proposes to issue an earnings or other public release within 20 days of the expiration of the 180-day lockup period), (i) lend; offer; pledge; sell; contract to sell; sell any option or contract to purchase; purchase any option or contract to sell; grant any option, right, or warrant to purchase; or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Common Stock held immediately before the effective date of the registration statement for such offering or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash, or otherwise. The foregoing provisions of this Section 2.11 shall apply only to the IPO, shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall only be applicable to the Holders only if all officers and directors holders of more than one percent (1%) of the Company's outstanding Common Stock (after giving effect to conversion into Common Stock of all outstanding Preferred Stock) are subject to similar agreements. The underwriters in connection with the IPO are intended third-party beneficiaries of this Section 2.11 and shall have the right, power, and authority to enforce the provisions hereof as though they were a party hereto. Each Holder further agrees to execute such agreements as may be reasonably requested by the underwriters in connection with such registration that are consistent with this Section 2.11 or that are necessary to give further effect thereto.

2.12 Restrictions on Transfer.

(a) The Preferred Stock and the Registrable Securities shall not be sold, pledged, or otherwise transferred, and the Company shall not recognize and shall issue stop-transfer instructions to its transfer agent with respect to any such sale, pledge, or transfer, except upon the conditions specified in this Agreement, which conditions are intended to ensure compliance with the provisions of the Securities Act. A transferring Holder will cause any proposed purchaser, pledgee, or transferee of the Preferred Stock and the Registrable Securities

held by such Holder to agree to take and hold such securities subject to the provisions and upon the conditions specified in this Agreement.

(b) Each certificate or instrument representing (i) the Preferred Stock, (ii) the Registrable Securities, and (iii) any other securities issued in respect of the securities referenced in clauses (i) and (ii), upon any stock split, stock dividend, recapitalization, merger, consolidation, or similar event, shall (unless otherwise permitted by the provisions of Section 2.12(c)) be stamped or otherwise imprinted with a legend substantially in the following form:

THE SECURITIES REPRESENTED HEREBY HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. SUCH SHARES MAY NOT BE SOLD, PLEDGED, OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR A VALID EXEMPTION FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SAID ACT.

THE SECURITIES REPRESENTED HEREBY MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

The Holders consent to the Company making a notation in its records and giving instructions to any transfer agent of the Restricted Securities in order to implement the restrictions on transfer set forth in this Section 2.12.

(c) The holder of each certificate representing Restricted Securities, by acceptance thereof, agrees to comply in all respects with the provisions of this Section 2. Before any proposed sale, pledge, or transfer of any Restricted Securities, unless there is in effect a registration statement under the Securities Act covering the proposed transaction, the Holder thereof shall give notice to the Company of such Holder's intention to effect such sale, pledge, or transfer. Each such notice shall describe the manner and circumstances of the proposed sale, pledge, or transfer in sufficient detail and, if reasonably requested by the Company, shall be accompanied at such Holder's expense by either (i) a written opinion of legal counsel who shall, and whose legal opinion shall, be reasonably satisfactory to the Company, addressed to the Company, to the effect that the proposed transaction may be effected without registration under the Securities Act; (ii) a "no action" letter from the SEC to the effect that the proposed sale, pledge, or transfer of such Restricted Securities without registration will not result in a recommendation by the staff of the SEC that action be taken with respect thereto; or (iii) any other evidence reasonably satisfactory to counsel to the Company to the effect that the proposed sale, pledge, or transfer of the Restricted Securities may be effected without registration under the Securities Act, whereupon the Holder of such Restricted Securities shall be entitled to sell, pledge, or transfer such Restricted Securities in accordance with the terms of the notice given by the Holder to the Company. The Company will not require such a legal opinion or "no action" letter (x) in any transaction in compliance with SEC Rule 144 or (y) in any transaction in which such Holder distributes Restricted Securities to an Affiliate of such Holder for no consideration; provided that each transferee agrees in writing to be subject to the terms of this Section 2.12. Each certificate or instrument evidencing the Restricted Securities transferred as above provided shall bear, except if such transfer is made pursuant to SEC Rule 144, the appropriate restrictive legend set forth in Section 2.12(b), except that such certificate shall not bear such restrictive legend if, in the opinion

of counsel for such Holder and the Company, such legend is not required in order to establish compliance with any provisions of the Securities Act.

2.13 Termination of Registration Rights. The right of any Holder to request registration or inclusion of Registrable Securities in any registration pursuant to Section 2.1 or Section 2.2 shall terminate upon the earliest to occur of:

(a) the closing of a Deemed Liquidation Event, as such term is defined in the Company's Certificate of Incorporation;

(b) such time as Rule 144 or another similar exemption under the Securities Act is available for the sale of all of such Holder's shares without limitation during a three-month period without registration; and

(c) as to any Holder, such time at which all shares held by such Holder have been registered for resale under the Securities Act pursuant to an effective registration statement on Form S-l or Form S-3 filed thereunder and disposed of in accordance with the registration statement covering them; and

(d) as to any Holder, such time at which any shares held by such Holer are converted into shares of Common Stock pursuant to the terms of Subsection 5A of Part B of Article Fourth of the Company's Fourth Amended and Restated Certificate of Incorporation (as amended and in effect from time to time).

3. Financial Information and Reporting.

3.1 Delivery of Financial Statements. The Company shall deliver to each Investor:

(a) as soon as practicable, but in any event within ninety (90) days after the end of each fiscal year of the Company, (i) a balance sheet as of the end of such year, (ii) statements of income and of cash flows for such year, and a comparison between (x) the actual amounts as of and for such fiscal year and (y) the comparable amounts for the prior year and as included in the Budget (as defined in Subsection 3.1(d)) for such year, with an explanation of any material differences between such amounts and a schedule as to the sources and applications of funds for such year, and (iii) a statement of stockholders' equity as of the end of such year, all such financial statements audited and certified by independent public accountants of regionally recognized standing selected by the Company and approved by the Board of Directors, which approval must include including the Preferred Directors (as defined in the Voting Agreement);

(b) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, unaudited statements of income and of cash flows for such fiscal quarter, and an unaudited balance sheet and a statement of stockholders' equity as of the end of such fiscal quarter, all prepared in accordance with GAAP (except that such financial statements may (i) be subject to normal year-end audit adjustments and (ii) not contain all notes thereto that may be required in accordance with GAAP);

(c) as soon as practicable after the end of each of the first three (3) quarters of each fiscal year of the Company, a statement showing the number of shares of each class and series of capital stock and securities convertible into or exercisable for shares of capital stock outstanding at the end of the period, the Common Stock issuable upon conversion or exercise of any outstanding securities convertible or exercisable for Common Stock and the exchange ratio or exercise price applicable thereto, and the number of shares of issued stock options and stock options not yet issued but reserved for issuance, if any, all in sufficient detail as to permit the Investors to calculate their respective percentage equity ownership in the Company, and certified by the chief financial officer or chief executive officer of the Company as being true, complete, and correct; and

(d) as soon as practicable, but in any event thirty (30) days before the end of each fiscal year, a budget and business plan for the next fiscal year (collectively, the "**Budget**"), approved by the Board of Directors and prepared on a monthly basis, including balance sheets, income statements, and statements of cash flow for such months and, promptly after prepared, any other budgets or revised budgets prepared by the Company.

If, for any period, the Company has any subsidiary whose accounts are consolidated with those of the Company, then in respect of such period the financial statements delivered pursuant to the foregoing sections shall be the consolidated and consolidating financial statements of the Company and all such consolidated subsidiaries.

Notwithstanding anything else in this Section 3.1 to the contrary, the Company may cease providing the information set forth in this Section 3.1 during the period starting with the date thirty (30) days before the Company's good-faith estimate of the date of filing of a registration statement if it reasonably concludes it must do so to comply with the SEC rules applicable to such registration statement and related offering; provided that the Company's covenants under this Section 3.1 shall be reinstated at such time as the Company is no longer actively employing its commercially reasonable efforts to cause such registration statement to become effective.

3.2 Inspection. The Company shall permit each Investor, at such Investor's expense, to visit and inspect the Company's properties; examine its books of account and records; and discuss the Company's affairs, finances, and accounts with its officers, during normal business hours of the Company as may be reasonably requested by the Investor; provided, however, that the Company shall not be obligated pursuant to this Section 3.2 to provide access to any information that it reasonably and in good faith considers to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in form acceptable to the Company) or the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

3.3 Termination of Information Rights. The covenants set forth in Section 3.1 and Section 3.2 shall terminate and be of no further force or effect (i) immediately before the consummation of a Qualified IPO, or (ii) upon a Deemed Liquidation Event, as such term is defined in the Company's Certificate of Incorporation, whichever event occurs first. In addition, each of such covenants set forth in Section 3.1 and Section 3.2 shall terminate as to any Investor upon the date on which all of such Investor's shares of Preferred Stock are converted to Common Stock pursuant to, and in accordance with, the Company's Certificate of Incorporation.

3.4 Confidentiality. Each Investor agrees that such Investor will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor its investment in the Company) any confidential information obtained from the Company pursuant to the terms of this Agreement (including notice of the Company's intention to file a registration statement), unless such confidential information (a) is known or becomes known to the public in general (other than as a result of a breach of this Section 3.4 by such Investor), (b) is or has been independently developed or conceived by the Investor without use of the Company's confidential information, or (c) is or has been made known or disclosed to the Investor by a third party without a breach of any obligation of confidentiality such third party may have to the Company; provided, however, that an Investor may disclose confidential information (i) to its attorneys, accountants, consultants, and other professionals to the extent necessary to obtain their services in connection with monitoring its investment in the Company; (ii) to any prospective purchaser of any Registrable Securities from such Investor, if such prospective purchaser agrees to be bound by the provisions of this Section 3.4; (iii) to any existing or prospective Affiliate, partner, member, stockholder, or wholly owned subsidiary of such Investor in the ordinary course of business, provided that such Investor informs such Person that such information is confidential and directs such Person to maintain the confidentiality of such information; or (iv) as may otherwise be required by law, provided that the Investor promptly notifies the Company of such disclosure and takes reasonable steps to minimize the extent of any such required disclosure.

4. Rights to Future Stock Issuances.

4.1 Right of First Offer. Subject to the terms and conditions of this Subsection 4.1 and applicable securities laws, if the Company proposes to offer or sell any New Securities, the Company shall first offer such New Securities to each Investor and to each holder of Series B Preferred Stock who hold the number of shares of Preferred Stock equal to at least 1% of the total shares of Common Stock of the Company then outstanding (assuming full conversion and/or exercise, as applicable, of all Preferred Stock and other Derivative Securities) (collectively, the "**Rights Investors**") that is an "accredited investor" (as defined Rule 501(a) under the Securities Act). A Rights Investor shall be entitled to apportion the right of first offer hereby granted to it in such proportions as it deems appropriate, among (i) itself, (ii) its Affiliates and (iii) its beneficial interest holders, such as limited partners, members or any other Person having "beneficial ownership," as such term is defined in Rule 13d-3 promulgated under the Exchange Act, of such Rights Investor ("**Investor Beneficial Owners**"); provided that, each such Affiliate or Investor Beneficial Owner: (x) is not a Competitor or FOIA Party, unless such party's purchase of New Securities is otherwise consented to by the Board of Directors, and (y) agrees to enter into this Agremeent and each of the Voting Agreement and Right of First Refusal and Co-Sale Agreement of even date herewith among the Company, the Rights Investors and the other parties named therein, as an "**Investor**" under each such agreement (provided that, any Competitor or FOIA Party shall not be entitled to any rights as an Investor under Subsections 3.1, 3.2 and 4.1 hereof). For the avoidance of doubt, an Investor that is not an "accredited investor" shall not have any right to be offered or to purchase New Securities from the Company pursuant to this Section 4.

(a) The Company shall give notice (the "**Offer Notice**") to each Rights Investor, stating (i) its bona fide intention to offer such New Securities, (ii) the number of such New Securities to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such New Securities.

(b) By notification to the Company within twenty (20) days after the Offer Notice is given, each Rights Investor may elect to purchase or otherwise acquire, at the price and on the terms specified in the Offer Notice, up to that portion of such New Securities which equals the proportion that the Common Stock then held by such Rights Investor (including all shares of Common Stock then issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of the Preferred Stock and any other Derivative Securities then held by such Rights Investor) bears to the total Common Stock of the Company then outstanding (assuming full conversion and/or exercise, as applicable, of all Preferred Stock and other Derivative Securities). At the expiration of such twenty (20) day period, the Company shall promptly notify each Rights Investor that elects to purchase or acquire all the shares available to it (each, a "**Fully Exercising Investor**") of any other Rights Investor's failure to do likewise. During the ten (10) day period commencing after the Company has given such notice, each Fully Exercising Investor may, by giving notice to the Company, elect to purchase or acquire, in addition to the number of shares specified above, up to that portion of the New Securities for which Rights Investors were entitled to subscribe but that were not subscribed for by the Investors which is equal to the proportion that the Common Stock issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of Preferred Stock and any other Derivative Securities then held, by such Fully Exercising Investor bears to the Common Stock issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of the Preferred Stock and any other Derivative Securities then held, by all Fully Exercising Investors who wish to purchase such unsubscribed shares. The closing of any sale pursuant to this Section 4.1(b) shall occur within the later of ninety (90) days of the date that the Offer Notice is given and the date of initial sale of New Securities pursuant to Subsection 4.1(c).

(c) If all New Securities referred to in the Offer Notice are not elected to be purchased or acquired as provided in Subsection 4.1(b), the Company may, during the ninety (90) day period following the expiration of the periods provided in Subsection 4.1(b), offer and sell the remaining unsubscribed portion of such New Securities to any Person or Persons at a price not less than, and upon terms no more favorable to the offeree than, those specified in the Offer Notice. If the Company does not enter into an agreement for the sale of the New Securities within such period, or if such agreement is not consummated within thirty (30) days of the execution thereof, the right provided hereunder shall be deemed to be revived and such New Securities shall not be offered unless first reoffered to the Rights Investors in accordance with this Subsection 4.1.

(d) The right of first offer in this Subsection 4.1 shall not be applicable to (i) Excluded Securities; (ii) shares of Common Stock issued in an IPO; and (iii) the issuance of shares of Series C Preferred Stock in the Second Tranche Closing (as defined in the Purchase Agreement) pursuant to Section 1.1(c) of the Purchase Agreement.

(e) Notwithstanding any provision hereof to the contrary, in lieu of complying with the provisions of this Subsection 4.1, the Company may elect to give notice to the Rights Investors within thirty (30) days after the issuance of New Securities. Such notice shall describe the type, price, and terms of the New Securities. Each Rights Investor shall have twenty (20) days from the date notice is given to elect to purchase up to the number of New Securities that would, if purchased by such Rights Investor, maintain such Rights Investor's percentage-ownership position, calculated as set forth in Subsection 4.1(b) before giving effect to the issuance of such New Securities.

4.2 Termination. The covenants set forth in Subsection 4.1 shall terminate and be of no further force or effect (i) immediately before the consummation of a Qualified IPO, or (ii) upon a Deemed Liquidation Event, as such term is defined in the Company's Certificate of Incorporation, whichever event occurs first. In addition, the covenants set forth in Section 4.1 shall terminate as to any Investor as of the date such Rights Investor no longer holds any shares of the capital stock of the Company and, if applicable to an Investor, the provisions of Sections 4.1 shall terminate with respect to such Rights Investor upon the date on which such Rights Investor's shares of Preferred Stock are converted to Common Stock pursuant to, and in accordance with, the Company's Certificate of Incorporation.

5. Additional Covenants.

5.1 Insurance. The Company shall use its commercially reasonable efforts to obtain, within ninety (90) days of the date hereof, from financially sound and reputable insurers Directors and Officers liability insurance and term "key-person" insurance on Cedric Francois and Pascal Deschatelets, each in an amount and on terms and conditions satisfactory to the Board of Directors, and will use commercially reasonable efforts to cause such insurance policies to be maintained until such time as the Board of Directors determines that such insurance should be discontinued. The key-person policy shall name the Company as loss payee, and neither policy shall be cancelable by the Company without prior approval by the Board of Directors. Each Key Holder hereby covenants and agrees that, to the extent such Key Holder is named under such key-person policy, such Key Holder will execute and deliver to the Company, as reasonably requested, a written notice and consent form with respect to such policy.

5.2 Employee Agreements. The Company will cause (i) each person now or hereafter employed by it or by any subsidiary (or engaged by the Company or any subsidiary as a consultant/independent contractor) with access to confidential information and/or trade secrets to enter into a nondisclosure and proprietary rights assignment agreement and (ii) each Key Employee to enter into a one (1) year noncompetition and nonsolicitation agreement, substantially in the form approved by the Board of Directors, in the form attached hereto as Exhibit A. In addition, the Company shall not amend, modify, terminate, waive, or otherwise alter, in whole or in part, any of the above-referenced agreements or any restricted stock agreement between the Company and any employee, without the unanimous consent of the Series C Directors.

5.3 Employee Stock. Unless otherwise approved by the Board of Directors, including the Series C Directors, all future employees and consultants of the Company who purchase, receive options to purchase, or receive awards of shares of the Company's capital stock after the date hereof shall be required to execute restricted stock or option agreements, as applicable, providing for (i) vesting of shares over a four (4) year period, with the first twenty-five percent (25%) of such shares vesting following twelve (12) months of continued employment or service, and the remaining shares vesting in equal monthly installments over the following thirty-six (36) months, and (ii) a market stand-off provision substantially similar to that in Subsection 2.11. In addition, unless otherwise approved by the Board of Directors, the Company shall retain a "right of first refusal" on employee transfers until the Company's IPO and shall have the right to repurchase unvested shares at cost upon termination of employment of a holder of restricted stock.

5.4 Qualified Small Business Stock. The Company shall use commercially reasonable efforts to cause the shares of Series C Preferred Stock, as well as any shares into which such shares are converted, within the meaning of Section 1202(f) of the Internal Revenue Code (the "**Code**"), to constitute "qualified small business stock" as defined in Section 1202(c) of the Code; provided, however, that such requirement shall not be applicable if the Board of Directors of the Company determines, in its good-faith business judgment, that such qualification is inconsistent with the best interests of the Company or with the terms and conditions of this Agreement, the Right of Refusal and Co-Sale Agreement or the Voting Agreement. The Company shall submit to its stockholders (including the Investors) and to the Internal Revenue Service any reports that may be required under Section 1202(d)(1)(C) of the Code and the regulations promulgated thereunder. In addition, within twenty (20) business days after any Investor's written request therefor, the Company shall, at its option, either (i) deliver to such Investor a written statement indicating whether (and what portion of) such Investor's interest in the Company constitutes "qualified small business stock" as defined in Section 1202(c) of the Code or (ii) deliver to such Investor such factual information in the Company's possession as is' reasonably necessary to enable such Investor to determine whether (and what portion of) such Investor's interest in the Company constitutes "qualified small business stock" as defined in Section 1202(c) of the Code.

5.5 Matters Requiring Investor Director Approval. So long as the holders of Series C Preferred Stock are entitled to elect Series C Directors, the Company hereby covenants and agrees with each of the Investors that it shall not, without approval of the Board of Directors, which approval must include the affirmative vote of both of the Series C Directors:

(a) make, or permit any subsidiary to make, any loan or advance to, or own any stock or other securities of, any subsidiary or other corporation, partnership, or other entity unless it is wholly owned by the Company;

(b) make, or permit any subsidiary to make, any loan or advance to any Person, including, without limitation, any employee or director of the Company or any subsidiary, except advances and similar expenditures in the ordinary course of business or under the terms of an employee stock or option plan approved by the Board of Directors;

(c) guarantee, directly or indirectly, or permit any subsidiary to guarantee, directly or indirectly, any indebtedness except for trade accounts of the Company or any subsidiary arising in the ordinary course of business;

(d) make any investment inconsistent with any investment policy approved by the Board of Directors;

(e) incur any aggregate indebtedness in excess of $200,000 that is not already included in a budget approved by the Board of Directors, other than trade credit incurred in the ordinary course of business;

(f) otherwise enter into or be a party to any transaction with any director, officer, or employee of the Company or any "associate" (as defined in Rule 12b-2 promulgated under the Exchange Act) of any such Person, except for transactions contemplated by

this Agreement and the Purchase Agreement; transactions resulting in payments to or by the Company in an aggregate amount less than $60,000 per year;

(g) hire, terminate, or change the compensation of the executive officers, including approving any option grants or stock awards to executive officers;

(h) change the principal business of the Company, enter new lines of business, or exit the current line of business;

(i) sell, assign, license, pledge, or encumber material technology or intellectual property, other than licenses granted in the ordinary course of business; or

(j) enter into any corporate strategic relationship involving the payment, contribution, or assignment by the Company or to the Company of money or assets greater than $100,000.

5.6 Board Matters. Unless otherwise determined by the vote of a majority of the directors then in office, the Board of Directors shall meet at least quarterly in accordance with an agreed-upon schedule. The Company shall reimburse the nonemployee directors for all reasonable out-of-pocket travel expenses incurred (consistent with the Company's travel policy) in connection with attending meetings of the Board of Directors. The Company shall have established, or to the extent not already in place, shall cause to be established, as soon as practicable after the date hereof, and will maintain, an audit and compensation committee, each of which shall consist solely of non-management directors. Each Board committee shall include at least one Series C Director.

5.7 Successor Indemnification. If the Company or any of its successors or assignees consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger, then to the extent necessary, proper provision shall be made so that the successors and assignees of the Company assume the obligations of the Company with respect to indemnification of members of the Board of Directors as in effect immediately before such transaction, whether such obligations are contained in the Company's Bylaws, its Certificate of Incorporation, or elsewhere, as the case may be.

5.8 Expenses of Counsel. In the event of a transaction which is a Sale of the Company (as defined in the Voting Agreement of even date herewith among the Investors and the Company), the reasonable fees and disbursements of one counsel for the Investors ("**Investor Counsel**"), in their capacities as stockholders, shall be borne and paid by the Company. At the outset of considering a transaction which, if consummated would constitute a Sale of the Company, the Company shall obtain the ability to share with the Investor Counsel (and such counsel's clients) and shall share the confidential information (including without limitation the initial and all subsequent drafts of memoranda of understanding, letters of intent and other transaction documents and related noncompete, employment, consulting and other compensation agreements and plans) pertaining to and memorializing any of the transactions which, individually or when aggregated with others would constitute the Sale of the Company. The Company shall be obligated to share (and cause the Company's counsel and investment bankers to share) such materials when distributed to the Company's executives and/or any one or more of the other

parties to such transaction(s). In the event that Investor Counsel deems it appropriate, in its reasonable discretion, to enter into a joint defense agreement or other arrangement to enhance the ability of the parties to protect their communications and other reviewed materials under the attorney client privilege, the Company shall, and shall direct its counsel to, execute and deliver to Investor Counsel and its clients such an agreement in form and substance reasonably acceptable to Investor Counsel. In the event that one or more of the other party or parties to such transactions require the clients of Investor Counsel to enter into a confidentiality agreement and/or joint defense agreement in order to receive such information, then the Company shall share whatever information can be shared without entry into such agreement and shall, at the same time, in good faith work expeditiously to enable Investor Counsel and its clients to negotiate and enter into the appropriate agreement(s) without undue burden to the clients of Investor Counsel.

5.9 Indemnification Matters. The Company hereby acknowledges that one (1) or more of the directors nominated to serve on the Board of Directors by the Investors (each a "**Fund Director**") may have certain rights to indemnification, advancement of expenses and/or insurance provided by one or more of the Investors and certain of their affiliates (collectively, the "**Fund Indemnitors**"). The Company hereby agrees (a) that it is the indemnitor of first resort (i.e., its obligations to any such Fund Director are primary and any obligation of the Fund Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by such Fund Director are secondary), (b) that it shall be required to advance the full amount of expenses incurred by such Fund Director and shall be liable for the full amount of all expenses, judgments, penalties, fines and amounts paid in settlement by or on behalf of any such Fund Director to the extent legally permitted and as required by the Company's Certificate of Incorporation or Bylaws of the Company (or any agreement between the Company and such Fund Director), without regard to any rights such Fund Director may have against the Fund Indemnitors, and, (c) that it irrevocably waives, relinquishes and releases the Fund Indemnitors from any and all claims against the Fund Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Fund Indemnitors on behalf of any such Fund Director with respect to any claim for which such Fund Director has sought indemnification from the Company shall affect the foregoing and the Fund Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of such Fund Director against the Company.

5.10 Most Favored Nation. If, at any time during the twelve (12) months following the Second Tranche Closing, the Company grants registration rights, information * rights, rights of first offer, price-based antidilution protection, protective voting provisions or other similar rights (the "**Enhanced Investor Rights**") to any Person (a "**Future Investor**") in connection with debt or equity financing of the Company after the date hereof involving the sale or issuance of additional series of Preferred Stock or of securities convertible into or exercisable for additional series of Preferred Stock (a "**Future Financing**"), the Company shall extend such rights to each Purchaser (as defined in the Purchase Agreement) on the same basis granted to the Future Investors; provided, that the Purchasers need not participate in any Future Financings as a condition to obtaining or exercising any Enhanced Investor Rights.Termination of Covenants. The covenants set forth in this Section 5, except for Sections 5.7 and 5.8, shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO or (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of

the Exchange Act, or (iii) upon a Deemed Liquidation Event, as such term is defined in the Company's Certificate of Incorporation, whichever event occurs first.

6. Miscellaneous.

6.1 Successors and Assigns. The rights under this Agreement may be assigned (but only with all related obligations) by a Holder to a transferee of Registrable Securities that (i) is an Affiliate of a Holder; (ii) is a Holder's Immediate Family Member or trust for the benefit of an individual Holder or one or more of such Holder's Immediate Family Members; or (iii) after such transfer, holds at least 1% of the Registrable Securities (subject to appropriate adjustment for stock splits, stock dividends, combinations, and other recapitalizations); provided, however, that (x) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee and the Registrable Securities with respect to which such rights are being transferred; and (y) such transferee agrees in a written instrument delivered to the Company to be bound by and subject to the terms and conditions of this Agreement, including the provisions of Section 2.11. For the purposes of determining the number of shares of Registrable Securities held by a transferee, the holdings of a transferee (1) that is an Affiliate or stockholder of a Holder; (2) who is a Holder's Immediate Family Member; or (3) that is a trust for the benefit of an individual Holder or such Holder's Immediate Family Member shall be aggregated together and with those of the transferring Holder; provided further that all transferees who would not qualify individually for assignment of rights shall have a single attorney-in-fact for the purpose of exercising any rights, receiving notices, or taking any action under this Agreement. The terms and conditions of this Agreement inure to the benefit of and are binding upon the respective successors and permitted assignees of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assignees any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein.

6.2 Governing Law. This Agreement shall be governed by the internal law of the State of Delaware.

6.3 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

6.4 Titles and Subtitles. The titles and subtitles used in this Agreement are for convenience only and are not to be considered in construing or interpreting this Agreement.

6.5 Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or: (i) personal delivery to the party to be notified; (ii) when sent, if sent by electronic mail or facsimile during the recipient's normal business hours, and if not sent during normal business hours, then on the recipient's next business day; or (iii) three (3) business day after the business day of deposit with a nationally recognized overnight courier, freight prepaid, specifying next-day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their addresses as set forth on Schedule A or Schedule B (as applicable) hereto, or to the principal office of the Company and to the attention of the Chief Executive Officer, in the case of

the Company, or to such email address, facsimile number, or address as subsequently modified by written notice given in accordance with this Subsection 6.5. If notice is given to the Company, a copy shall also be sent to Frost Brown Todd LLC, The Pinnacle at Symphony Place, 150 3rd Avenue South, Suite 1900, Nashville, TN 37201, Attention: David O. Watson, Esq., Facsimile: (615) 251-5551, and if notice is given to Stockholders, a copy shall also be given to Bingham McCutchen LLP, One Federal Street, Boston, MA 02110, Attention: Michael K. Barron, Esq., Facsimile: (617) 951-8736.

6.6 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance, and either retroactively or prospectively) only with the written consent of the Company and the holders of a majorityof the Registrable Securities then outstanding; provided that the Company may in its sole discretion waive compliance with Section 2.12(c) (and the Company's failure to object promptly in writing after notification of a proposed assignment allegedly in violation of Section 2.12(c) shall be deemed to be a waiver); and provided further that any provision hereof may be waived by any waiving party on such party's own behalf, without the consent of any other party. Notwithstanding the foregoing, this Agreement may not be amended or terminated and the observance of any term hereof may not be waived with respect to any Investor without the written consent of such Investor, unless such amendment, termination, or waiver applies to all Investors in the same fashion (it being agreed that a waiver of the provisions of Section 4 with respect to a particular transaction shall be deemed to apply to all Investors in the same fashion if such waiver does so by its terms, notwithstanding the fact that certain Investors may nonetheless, by agreement with the Company, purchase securities in such transaction). Further, this Agreement may not be amended, and no provision hereof may be waived, in each case, in any way which would adversely affect the rights of the Key Holders hereunder in a manner disproportionate to any adverse effect such amendment or waiver would have on the rights of the Investors hereunder, without also the written consent of the holders of at least a majority of the Registrable Securities held by the Key Holders. The Company shall give prompt notice of any amendment or termination hereof or waiver hereunder to any party hereto that did not consent in writing to such amendment, termination, or waiver. Any amendment, termination, or waiver effected in accordance with this Subsection 6.6 shall be binding on all parties hereto, regardless of whether any such party has consented thereto. No waivers of or exceptions to any term, condition, or provision of this Agreement, in any one or more instances,' shall be deemed to be or construed as a further or continuing waiver of any such term, condition, or provision.

6.7 Severability. In case any one or more of the provisions contained in this Agreement is for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and such invalid, illegal, or unenforceable provision shall be reformed and construed so that it will be valid, legal, and enforceable to the maximum extent permitted by law.

6.8 Aggregation of Stock. All shares of Registrable Securities held or acquired by Affiliates shall be aggregated together for the purpose of determining the availability of any rights under this Agreement and such Affiliated persons may apportion such rights as among themselves in any manner they deem appropriate.

6.9 Additional Investors. Notwithstanding anything to the contrary contained herein, if the Company issues additional shares of the Company's Series C Preferred Stock after the date hereof, whether pursuant to the Purchase Agreement or otherwise, any purchaser of such shares of Series C Preferred Stock may become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement, and thereafter shall be deemed an "Investor" for all purposes hereunder. No action or consent by the Investors shall be required for such joinder to this Agreement by such additional Investor, so long as such additional Investor has agreed in writing to be bound by all of the obligations as an "Investor" hereunder.

6.10 Entire Agreement. This Agreement (including any Schedules and Exhibits hereto) constitutes the full and entire understanding and agreement among the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties is expressly canceled. Upon the effectiveness of this Agreement, the Right of First Refusal and Co-Sale Agreement and the Voting Agreement, the Prior Agreement shall be deemed amended and restated and superseded and replaced in its entirety by this Agreement, and shall be of no further force or effect.

6.11 Dispute Resolution. The parties (a) hereby irrevocably and unconditionally submit to the jurisdiction of the state courts of Delaware and to the jurisdiction of the United States District Court for the District of Delaware for the purpose of any suit, action or other proceeding arising out of or based upon this Agreement, (b) agree not to commence any suit, action or other proceeding arising out of or based upon this Agreement except in the state courts of Delaware or the United States District Court for the District of Delaware, and (c) hereby waive, and agree not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its properly is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court.

WAIVER OF JURY TRIAL: EACH PARTY HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS, THE SECURITIES OR THE SUBJECT MATTER HEREOF OR THEREOF. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED FN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS (INCLUDING NEGLIGENCE), BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THIS SECTION HAS BEEN FULLY DISCUSSED BY EACH OF THE PARTIES HERETO AND THESE PROVISIONS WILL NOT BE SUBJECT TO ANY EXCEPTIONS. EACH PARTY HERETO HEREBY FURTHER WARRANTS AND REPRESENTS THAT SUCH PARTY HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT SUCH PARTY KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

6.12 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party under this Agreement, upon any breach or default of any other party

under this Agreement, shall impair any such right, power, or remedy of such nonbreaching or nondefaulting party, nor shall it be construed to be a waiver of or acquiescence to any such breach or default, or to any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. All remedies, whether under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

6.13 Acknowledgment. The Company acknowledges that certain of the Investors are in the business of venture capital investing and therefore review the business plans and related proprietary information of many enterprises, including enterprises which may have products or services which compete directly or indirectly with those of the Company. Nothing in this Agreement shall preclude or in any way restrict the Investors from investing or participating in any particular enterprise whether or not such enterprise has products or services which compete with those of the Company.

[Remainder of Page Intentionally Left Blank]

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

COMPANY:

APELLIS PHARMACEUTICALS, INC.

By: /s/ Cedric Francois
Name: Cedric Francois
Title: Chief Executive Officer

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

KEY HOLDERS:

Signature: /s/ Pascal Deschatelets

Name: PASCAL DESCHATELETS

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

INVESTORS:

DONALD ANGIER T/U/W

By: /s/ Donald Keyser
Name: DONALD KEYSER
Title: VICE PRESIDENT

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

INVESTORS:

Benon Group Ltd.

By: /s/ Stefan Breitenstein
Name: Stefan Breitenstein
Title: Director

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

INVESTORS:

SAMUEL CABOT ART. 2B TRUST

By: /s/ Donald Keyser
Name: DONALD KEYSER
Title: VICE PRESIDENT

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

INVESTORS:

By: /s/ Michele Morris Carballude

Name: MICHELE MORRIS CARBALLUDE

Title:

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

INVESTORS:

By:	/s/ Annette R. Carroll	/s/ John Rowan Carroll
Name:	Annette R. Carroll	John Rowan Carroll
Title:		

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

INVESTORS:

By: /s/ Brian T. Dolan
Name: Brian T. Dolan
Title:

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

INVESTORS:

By: /s/ Alicia Du Bois
Name: Ms. Alicia Du Bois
Title: 29th of July 2013

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

INVESTORS:

By: /s/ Barry Fox

Name: Barry Fox

Title:

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

INVESTORS:

By: /s/ Michael E. Gellert

Name: MICHAEL E. GELLERT

Title:

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

INVESTORS:

By: /s/ Donald Keyser
Name: DONALD KEYSER FOR HERMITAGE TRUST
Title: TRUSTEE

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

INVESTORS:

By: /s/ Donald Keyser
Name: DONALD A. KEYSER
Title:

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

INVESTORS:

LOWESTOFT COMPANY

By: /s/ Oliver F. Ames, Jr.
Name: OLIVER F. AMES, JR.
Title: PARTNER

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

INVESTORS:

For and on behalf of
MORNINGSIDE VENTURE INVESTMENTS LIMITED

By: /s/ Raymond Long Sing Tang /s/ Alice Li
Name:
Title: Authorized Signatures

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

INVESTORS:

By: /s/ N. Scherer
Name: N. SCHERER
Title:

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

INVESTORS:

ALBERT STONE 2005 TRUST

By: /s/ Albert Stone
Name: ALBERT STONE
Title: TRUSTEE

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

INVESTORS:

By: /s/ John H. van Merkersteijn III
Name: John H. van Merkersteijn III
Title:

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

INVESTORS:

By: /s/ Herbert A. Wagner

Name: HERBERT A. WAGNER REV TRUST
By: HERBERT A. WAGNER
Title: TRUSTEE

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

INVESTORS:

By: /s/ A. Sinclair Dunlop
Name: A. SINCLAIR DUNLOP
Title: MANAGING PARTNER

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

INVESTORS:

By: /s/ Robert Scherer
Name: ROBERT SCHERER
Title:

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

INVESTORS:

By: /s/ Jacques Nauer
Name: JACQUES NAUER
Title:

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

INVESTORS:

By: /s/ Beryl L. Snyder
Name: Beryl L. Snyder
Title: Principal

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

INVESTORS:

By: /s/ Gabriel Coscas
Name: COSCAS G
Title: Prof MD

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

INVESTORS:

By: /s/ Christophe Du Bois
Name: Christophe Du Bois
Title: MR.
JULY 29th 2013

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

INVESTORS:

GP Murdock

By: /s/ Gregory Murdock
Name: Gregory P. Murdock IRA
Title:

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

INVESTORS:

GP Murdock

By: /s/ Gregory Murdock
Name: Saunders Murdock Assoc. LLC
Title: Manager

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

INVESTORS:

Saunders Capital Group LLC

By: /s/ Robert S. Saunders
Name: Robert S. Saunders
Title: Manager

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

INVESTORS:

By: /s/ Marie-Claude Bernal
Name: MARIE-CLAUDE BERNAL
Title: INVESTOR

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

INVESTORS:

By: /s/ Mark S. Kristoff

Name: MARK S. KRISTOFF

Title:

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

INVESTORS:

By: /s/ Bernard Darty
Name: Bernard Darty
Title:

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

INVESTORS:

By: /s/ Adin Campbell Murray
Name: Adin Campbell Murray

SCHEDULE A

Investors

Morningside Venture Investments Limited
Attn: Louise Garbarino
2nd Floor, Le Prince de Galles
3-5 Avenue des Citronniers
MC 98000, Monaco
T: 011-377-97-97-47-37
F: 011-377-97-97-47-30
lgarbarino@thc-mgt.mc

Michael Gellert
750 Third Avenue, Suite 3300
New York, NY 10017

2011 Robert de Rothschild Family Trust
1251 Avenue of the Americas, 51st Floor
New York, NY 10020

Robert de Rothschild
1251 Avenue of the Americas, 51st Floor
New York, NY 10020

Robert Scherer
Private Client Bank, Utoquai 55
P.O. Box 835
CH-8034 Zurich
Switzerland

Benon Group, Ltd.
Lenz & Staehelin, ATTN: Silvia Helbing
Bleicherweg 58
Zurich
8027
Switzerland

Edmund A. Hajim
730 Fifth Avenue, 15th Floor
New York, NY 10019

Cogut Family Partnership VII
c/o Pegasus
99 River Road
Cos Cob, CT 06807

Kentucky Science & Technology Corporation
200 West Vine Street, Suite 420
Lexington, KY 40507

Jacques Nauer
Loretohöhe 5
Zug
6300
Switzerland

Nathalis Scherer
c/o Robert Scherer
Private Client Bank, Utoquai 55
P.O. Box 835
CH-8034 Zurich
Switzerland

John van Merkensteijn
211 Central Park West, Apt. 2G
New York, NY 10024

Christophe Du Bois
Avenue de L'Horizon N 19
1150 Brussels
Belgium

Rock Spring Ventures, LP
7910 Woodmont Avenue
Suite 1210
Bethesda, MD 20814

Estate of Harold Snyder
1965 Broadway, Apt. 21B
New York, NY 10023

Annette R. Carroll and John Rowan Carroll
1251 Winwood Drive
Lake Forest, IL 60045

Lowestoft Co.
c/o Fiduciary Trust Co. - D+K
175 Federal Street
Boston, MA 02110

Mark Kristoff
35 Father Peters Lane
New Caanan, CT 06840

Alan K. Docter
101 Worth Avenue
Apt. 5A
Palm Beach, FL 33480

Gabriel Coscas
113 Boulevard Saint Germain
75006 Paris
France

SAI, LLC
Aufman Associates
2200 Georgetown Drive
Sewickley, PA 15143

Brian T. Dolan
2770 E. Cedar Avenue
Denver, CO 80209

Ross Bhappu and Candy Bhappu
19333 E. Briarwood Place
Centennial, CO 80016

Saunders Murdock & Associates
9960 Corporate Campus Drive
Suite 3300
Louisville, KY 40223

Christina Lee Brown
6501 Longview Lane
Louisville, KY 40220

Mary Moss Greenbaum
2233 Douglass Blvd.
Louisville, KY 40205

Barry M. Fox
12 East 88th Street, PH
New York, NY 10125

Gregory P. Murdock IRA
34 Gould Road
Arlington, MA 02476

Lewis and Bonnie Taffer
195 Hudson Street, 3A
New York, NY 10013

Saunders Capital Group LLC
9960 Corporate Campus Drive
Suite 3306
Louisville, KY 40223

Herbert Wagner Revocable Trust
Michael Lynch
186 Alewife Brook Pkwy.
Cambridge, MA 02138

Hermitage Trust
James Benoit
P.O. Box 1037
Marion, WA 02738

Donald Angier T/U/W
c/o Fiduciary Trust Co. - D+K
175 Federal Street
Boston, MA 02110

Albert Stone 2005 Trust
c/o Donald A. Keyser, Fiduciary Trust Company
175 Federal Street
Boston, MA 02110

Samuel Cabot - Art. 2B Trust
c/o Fiduciary Trust Co. - D+K
175 Federal Street
Boston, MA 02110

Michelle Morris and Alfredo Carballude
2902 Eminence Road
Hancock, NY 10023

Donald Keyser
114 Larch Road
Cambridge, MA 02138

SCHEDULE B

Key Holders

Cedric Francois
Potentia Pharmaceuticals, Inc.
6400 Westwind Way
Suite A
Crestwood, KY 4001

Pascal Deschatelets
Potentia Pharmaceuticals, Inc.
6400 Westwind Way
Suite A
Crestwood, KY 40014

EXHIBIT A

Form Of Noncompetition and Nonsolicitation Agreement

NONCOMPETITION, NONDISCLOSURE AND DEVELOPMENTS AGREEMENT

This Noncompetition, Nondisclosure and Developments Agreement ("Agreement"), made as of [MONTH] [DAY], [YEAR], is entered into by Apellis Pharmaceuticals, Inc., a Delaware corporation with its principal place of business at 6400 Westwind Way, Suite A, Crestwood, KY 40014 (the "Company"), and (the "Employee").

NOW, THEREFORE, as a condition of, and in consideration of, the initial and continued employment of the Employee and of the mutual covenants and promises contained herein, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Confidential Information.

(a) Confidential Information. The Employee agrees that the Employee shall not, either during the Employee's employment with the Company, any of its subsidiaries or any parent or holding company of the Company (the Company and each such subsidiary, parent and holding company, a "Related Company" and collectively, the "Related Companies") or at any time thereafter, except as required in the performance of the Employee's services for the Company or any other Related Company, (i) use or disclose or divulge any Confidential Information or (ii) remove or aid in the removal from the premises of any Related Company any Confidential Information or any property or material relating thereto.

(b) Delivery of Material. Upon the Company's request at any time and for any reason, the Employee shall immediately deliver to the Company all materials (including all soft and hard copies) in the Employee's possession which contain or relate to Confidential Information.

(c) Customer Lists. The Employee acknowledges and agrees that all lists of current and prospective customers and vendors of, and any other parties having material business relations with, the Company or any other Related Company developed before, during or after the course of the Employee's employment with the Company or any other Related Company are, and shall continue to be, the sole and exclusive property of such Related Company and that the Employee neither has, nor shall have, any right, title or interest therein. The Employee further acknowledges and agrees that such lists are and must continue to be confidential, and are not readily accessible to any competitor of any Related Company.

(d) Former Employer Information. During the Employee's term of employment with the Company or any other Related Company, the Employee will not improperly use or disclose any proprietary information or trade secrets of any former or concurrent employer or other person or entity and the Employee will not bring onto the premises of any such Related Company, any unpublished document or proprietary information belonging to any such employer, person or entity unless consented to in writing by such employer, person or entity.

(e) Definition. For the purposes of this Agreement, "Confidential Information" means all trade secrets and all other information of a business, financial, marketing, technical or other nature relating to the business of any Related Company including, without limitation, any customer or vendor lists, prospective customer names, financial statements and projections, trade secrets, know-how, pricing policies, operational methods, methods of doing business, technical processes, formulae, characteristics, assays, raw data, scientific preclinical or clinical data, records, databases, formulations, clinical protocols, designs and design projects, inventions, computer hardware, software programs, business plans and projects pertaining to any Related Company and including any information of others that any Related Company has agreed to keep confidential; provided, that Confidential Information shall not include any information that has entered or enters the public domain through no fault of the Employee.

2. Noncompetition and Nonsolicitation Covenants. The Employee agrees that the Employee shall not, during the period in which the Employee is employed by any Related Company and for one year thereafter:

(a) directly or indirectly, individually or as a consultant to, or employee, officer, director, stockholder, partner or other owner or participant in any business entity, other than a Related Company, engage in or assist any other person or entity to engage in any business that seeks to develop or commercialize any diagnostic measures or treatments for ocular indications or any diagnostic measures or treatments based on complement inhibition for, during or at the time of termination of the Employee's employment, anywhere in the United States, the European Union, Japan and anywhere else in the world where any Related Company does business; or

(b) directly or indirectly, individually or as a consultant to, or employee, officer, director, stockholder, partner or other owner or participant in any business entity solicit, divert or take away, or attempt to solicit, divert or take away from any Related Company, or offer employment or any consultant position to, or otherwise interfere with the business relationship of any Related Company with, (i) any person who is, or was within the one year period immediately prior to the termination of the Employee's employment with the Company (or any other Related Company), employed by or associated with any Related Company or (ii) any person or entity who is, or was within the one year period immediately prior to the termination of the Employee's employment with the Company (or any other Related Company), a customer or client of, supplier to or other party having material business relations with any Related Company.

3. Inventions and Grants.

(a) All inventions, modifications, discoveries, designs, developments, improvements, processes, software programs, works of authorship, grant applications, proposals, documentation, formulae, data, techniques, know-how, secrets or intellectual property rights or any interest therein (collectively, the "Developments") made by the Employee, either alone or in conjunction with others, at any time or at any place during the Employee's employment with the Company (or any other Related Company), whether or not reduced to writing or practice during such period of employment, which relate to the business in which any Related Company is

engaged or in which any Related Company intends to engage, shall be the exclusive property of the Company without any further compensation to the Employee. All Developments which are copyrightable work and relate to the business of any Related Company during such Employee's employment with any Related Company are intended to be "work made for hire" as defined in Section 101 of the Copyright Act of 1976, and shall be the property of the Company. The Employee shall promptly disclose such Developments to the Company. To the extent that such Developments are not the property of the Company by virtue of this Agreement, operation of law or otherwise, the Employee shall, at the request and expense of the Company, and hereby does transfer and assign all of the Employee's rights to such Developments to the Company and will assist the Company and its nominees in every way, at the Company's expense, to secure, maintain and defend the Company's rights in such Developments. The Employee shall sign all instruments necessary for the filing and prosecution of any applications for, or extension or renewals of, letters patent of the United States or any foreign country which the Company desires to file. The Employee hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as the Employee's agent and attorney-in-fact (which designation and appointment shall be deemed coupled with an interest and shall survive the Employee's death or incapacity), to act for and in the Employee's behalf to execute and file any such applications, extensions or renewals (and any copyright or other applications, extensions or renewals relating to the Developments) and to do all other lawfully permitted acts to further the prosecution and issuance of such letters patent or other such similar documents (including any copyright or other applications, extensions or renewals relating to the Developments) with the same legal force and effect as if executed by the Employee.

(b) Attached hereto as Exhibit A is a list of all inventions, modifications, discoveries, designs, developments, improvements, processes, software programs, works of authorship, documentation, formulae, data, techniques, know-how, secrets or intellectual property rights or any interest therein made by the Employee prior to the Employee's employment with the Company or any other Related Company (collectively referred to as "Prior Inventions"), which belong to the Employee and which relate to the business of the Company or any other Related Company, and which are not assigned to the Company hereunder; or, if no such list is attached, the Employee represents that there are no such Prior Inventions. If in the course of the Employee's employment with any Related Company, the Employee incorporates into a Related Company product, process, or machine a Prior Invention owned by the Employee or in which the Employee has an interest, such Related Company is hereby granted and shall have a non-exclusive, royalty-free, irrevocable, transferable, perpetual, worldwide license to make, have made, modify, use, sell and exploit such Prior Invention as part of or in connection with such product, process, or machine to the extent the Employee is legally entitled to grant such license.

(c) The Employee hereby agrees to keep and maintain adequate and current written records of all Developments made, developed, conceived or reduced to practice by such Employee (solely or jointly with others) during the term of the Employee's employment with the Company or any Related Company. The records will be in the form of notes, sketches, drawings, and any other format that may be specified by the Company. The records will be available to and remain the sole property of the Company at all times.

(d) The Employee agrees that the Employee shall not, during the period in which the Employee is employed by a Related Company or at any time thereafter, directly or indirectly, individually or as a consultant to, or employee, officer, director, stockholder, partner, or other owner or participant in any entity, request or cooperate with the transfer to any person or entity of any grant or other award, or of funds, projects, equipment, or activities related to or deriving from any grant or other award, which has been applied for or awarded entirely or in part to a Related Company either as sole or joint applicant (collectively "Grant"). Should Employee cease to be employed by a Related Company before expiration or termination of any Grant on which Employee is listed as principal investigator ("PI") or co-PI, or should Employee resign or be removed as PI or co-PI on any Grant, Employee agrees upon the request of such Related Company to use best efforts to assist the Related Company in transferring Employee's responsibilities as PI or co-PI to another employee of the Related Company acceptable to the agency or other entity that awarded the Grant or in identifying and recruiting an individual acceptable to the agency or other entity that awarded the Grant to replace Employee as PI or co-PI. The Related Company shall pay Employee's reasonable expenses associated with provision of such assistance.

4. Injunctive and Other Equitable Relief, etc. The Employee acknowledges that the services to be rendered by the Employee under the terms of this Agreement are of a special, unique and extraordinary character, which gives them a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in any action at law. The Employee further acknowledges that the restrictions contained in this Agreement are necessary for the protection of the business and goodwill of the Company or any Related Company and are reasonable for such purpose and that breach of his or her obligations under Sections 2 or 3 of this Agreement will cause irreparable harm. By this reason, the Employee consents and agrees that if the Employee violates any of the provisions of this Agreement, the Company or any other Related Company shall be entitled, in addition to any other remedies it may have at law, to the remedies of injunction, specific performance and other equitable relief for such a violation by the Employee. This Section 4 shall not, however, be construed as a waiver of any of the rights which the Company or any other Related Company may have for damages or otherwise.

5. Other Agreements. The Employee represents and warrants that the Employee's performance of all the terms of this Agreement and as an employee of any Related Company does not and will not breach any other employment, consulting, noncompetition, nondisclosure, confidentiality or other agreement to which the Employee is a party or by which the Employee is bound.

6. Notices. All notices required or permitted under this Agreement shall be in writing and shall be deemed effective upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail, postage prepaid, addressed to the other party at the address shown above, or at such other address or addresses as either party shall designate to the other in accordance with this Section 6.

7. Not a Contract of Employment; Notification of New Employer. The Employee understands that this Agreement does not constitute a contract of employment or give the Employee any rights to employment or continued employment with any Related Company.

In the event that the Employee is no longer an employee of the Company, the Employee consents to notification by the Company to the Employee's new employer or its agents regarding the Employee's rights and obligations under this Agreement.

8. Governing Law; Severability. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of Kentucky. This Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision hereof shall be prohibited or invalid under any such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating or nullifying the remainder of such provision or any other provisions of this Agreement. If any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, such provisions shall be construed by limiting and reducing it so as to be enforceable to the maximum extent permitted by applicable law. The Employee hereby consents to (a) service of process, and to be sued, in the State of Kentucky and (b) to the jurisdiction of the federal and state courts located within the State of Kentucky, as well as to the jurisdiction of all courts to which an appeal may be taken from such courts, for the purpose of any suit, action or other proceeding arising out of any of the Employee's obligations hereunder, and the Employee expressly waives any and all objections he or she may have as to venue in any such courts.

9. Photographs. The Employee hereby acknowledges and agrees that any Related Company which employs or employed the Employee may use photographs of the Employee (whether or not the Employee is identified by name) during and after the Employee's employment with such Related Company in connection with the reasonable business purposes of such Related Company.

10. Miscellaneous. The terms and conditions of this Agreement shall apply to the Employee's employment with the Company and/or any other Related Company, and each subsidiary, parent or holding company of the Company shall be an intended third party beneficiary of this Agreement. As used in this Agreement, the terms "employment," "employ" or words of similar import shall include any period in which the Employee is a consultant to any Related Company. No delay or omission by the Company (or any other Related Company) in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by any Related Company on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion. No waiver of this Agreement or any provision hereof shall be binding upon the party against whom enforcement of such waiver is sought unless it is made in writing and signed by or on behalf of such party. This Agreement may be amended or modified only by a written instrument executed by both the Company and the Employee. The captions of the sections of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement. This Agreement shall be binding on and inure to the benefit of the parties hereto and their respective heirs, executors and administrators, successors and permitted assigns, except that the obligations of the Employee hereunder are personal and may not be assigned without the Company's prior written consent. This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter of this Agreement. This

Agreement may be executed in any number of counterparts, including counterparts by facsimile, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

APELLIS PHARMACEUTICALS, INC.

By _____
Pascal Deschatelets, PhD, COO

By _____

[Signature Page to Noncompetition, Nondisclosure, and Developments Agreement]

EXHIBIT A

Prior Invention	Date	Identification Number or Brief Description

Exhibit 10.8

Confidential Materials omitted and filed separately with the
Securities and Exchange Commission. Double asterisks denote omissions.

CONFIDENTIAL

UNIVERSITY *of* PENNSYLVANIA

Patent License Agreement

This Patent License Agreement (this "*Agreement*") is between The Trustees of the University of Pennsylvania, a Pennsylvania nonprofit corporation ("*Penn*"), and Apellis AG, a company organized and existing under the laws of Switzerland ("*Company*"). This Agreement is being entered into by and between Penn and Company on March 28, 2008 (the "*Effective Date*").

BACKGROUND

Penn owns certain intellectual property developed by Dr. John Lambris of Penn's School of Medicine relating to certain compounds that inhibit complement activation. Penn also owns certain letters patent and/or applications for letters patent relating to the intellectual property.

Penn and Potentia Pharmaceuticals, Inc. ("*Potentia*") entered into a Patent License Agreement effective as of August 1, 2006 (the "*Potentia License Agreement*"), pursuant to which Potentia obtained an exclusive license under such patent rights to exploit such intellectual property in the Ophthalmic Field (as hereinafter defined);

Penn, Potentia, The Regents of the University of California ("*California*") and Princeton University ("*Princeton*") entered into an Agreement for Resolution of Patent Inventorship Matters effective as of March 6, 2007, which agreement was amended as of December 12, 2007 and March 13, 2008, *inter alia*, to add Company as a party thereto (as it may be further amended from time to time, the "*Patent Inventorship Agreement*"), pursuant to which the parties thereto have agreed on a process for resolving disputes among themselves concerning the inventorship of the subject matter claimed in the Patent Applications and Additional Patent Applications (as defined in the Patent Inventorship Agreement), and ownership of any resulting patents, including without limitation certain of the Penn Patent Rights (as hereinafter defined);

Pursuant to Section 3.3 of the Patent Inventorship Agreement, as amended, this Agreement is binding on each of California and Princeton, if such institution is determined to have an ownership interest in the Penn Patent Rights, subject only to amendments to this Agreement that may be necessary to bring this Agreement into compliance with applicable institutional policies;

Company desires to obtain an exclusive license under the Penn Patent Rights to exploit the intellectual property in the Field of Use (as hereinafter defined);

Penn has determined that such exploitation of the intellectual property by Company is in the best interest of Penn and is consistent with its educational and research missions and goals; and

In consideration of the mutual obligations contained in this Agreement, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties agree as follows:

1. LICENSE

1.1 License Grant. Penn grants to Company an exclusive, world-wide license (the "*License*") under the Penn Patent Rights to make, have made, use, import, offer for sale and sell Licensed Products and Other Licensed Products in the Field of Use during the Term (as such terms may be defined in Sections 1.2 and 6.1). The License includes the right to sublicense as permitted by this Agreement. No other rights or licenses are granted by Penn.

1.2 Related Definitions. The term "*Licensed Products*" means products that incorporate technology or use a process, product, or machine claimed in a Valid Claim of the Penn Patent Rights and are made, made for, used, imported, offered for sale or sold in a country in which such Penn Patent Rights are pending or in force, whether such manufacture, use, or sale is by Company or by its Affiliates or sublicensees. The term "*Other Licensed Products*" means products that incorporate technology or use a process, product or machine claimed in a Valid Claim of the Penn Patent Rights and are made, made for, used or sold in a country in which such Penn Patent Rights are neither pending nor in force, whether such manufacture, use or sale is by Company or by its Affiliates or sublicensees. The term "*Penn Patent Rights*" means all of Penn's patent rights represented by or issuing from: (a) the United States patents and patent applications listed in Exhibit A; (b) any continuation, divisional, non-provisional, re-examination, and re-issue applications of (a); and (c) any foreign counterparts and extensions of (a) or (b). The term "*Valid Claim*" means a claim of any pending patent application or issued, unexpired patent which has not been finally cancelled, withdrawn, abandoned, rejected, permanently revoked or nullified, held invalid or declared unpatentable or unenforceable by any court or other body of competent jurisdiction in a decision that is unappealable or unappealed within the time allowed for appeal. The term "*Affiliate*" means a legal entity that is controlling, controlled by or under common control with Company and that has executed either this Agreement or a written joinder agreement agreeing to be bound by all of the terms and conditions of this Agreement. For the avoidance of doubt, as of the Effective Date, Company and Potentia are not Affiliates. For purposes of this Section 1.2, the word "*control*" means (x) the direct or indirect ownership of more than fifty percent (50%) of the outstanding voting securities of a legal entity, (y) the right to receive fifty percent (50%) or more of the profits or earnings of a legal entity, or (z) the right to determine the policy decisions of a legal entity. The term "*Field of Use*" means any or all fields of use, except the treatment of ophthalmic indications ("*Ophthalmic Field*") which field has been previously licensed by Penn. For avoidance of doubt, "treatment of ophthalmic indications" includes prophylactic treatment of ophthalmic indications. "*Active Development*" of a product (and as to the point in time when this definition is referenced in this Agreement for such product), means that the product has by that time achieved the milestone in clause (a) below and has progressed through the further development stages in compliance with the time frames set forth below:

(a) one or more INDs (or equivalent filing(s)) have been filed on such product with the appropriate health regulatory authority(ies) in US, Japan or Europe and Company, an Affiliate, or sublicensee exerts commercially reasonable efforts to obtain approval/acceptance of such IND and to commence Phase I (or Phase I/II) clinical trials of such product;

(b) Phase I (or Phase I/II) clinical trials of such product have been commenced within [**] after the filing of the IND for the product under clause (a), and Company, an Affiliate, or sublicensee exerts commercially reasonable efforts to conduct and complete such clinical trials;

(c) where Phase I (and not Phase I/II) trials were conducted for such product, Phase II clinical trials of such product have been commenced within [**] after the completion of such Phase I clinical trials, and Company, an Affiliate, or sublicensee exerts commercially reasonable efforts to conduct and complete such Phase II clinical trials of such product;

(d) Phase III clinical trials of such product have been commenced within [**] after the completion of Phase II (or [**] after the completion of Phase I/II, where Phase I/II and not Phase I trials were conducted for such product) clinical trials for such product, and Company, an Affiliate, or sublicensee exerts commercially reasonable efforts to conduct and complete such Phase III clinical trials;

(e) an NDA, BLA or other product licensing application for such product has been filed or submitted for filing with the appropriate health regulatory authority(ies) in the US, Japan or Europe within [**] after the completion of Phase III clinical trials for such product, and Company, an Affiliate, or sublicensee exerts commercially reasonable efforts to obtain approval of such NDA, BLA or other product licensing application until at least one such application is approved or until all such applications are finally rejected (it being understood that the product will no longer be in "Active Development" if all such NDAs, BLAs and other product licensing applications have been finally rejected in the US, Japan and Europe); and

(f) such product has been launched on the market in the US, Japan or Europe within [**] following the final approval for marketing of such product by the appropriate health regulatory authority(ies) in that country (including pricing approvals where such approvals are part of the marketing approval process in such country);

where "commencement of a clinical trial" means the opening of a clinical site and where exerting "commercially reasonable efforts to conduct and complete a trial" includes reasonable efforts to recruit patients, and if such efforts are successful, the enrollment and dosing of patients in accordance with trial protocol and where "completion of a clinical trial" means that the clinical trial data set has been closed and locked;

provided, however, that (1) the time periods specified above in this Section 1.2 as applied to a product shall be tolled during any period or periods in which Company is, beyond its reasonable control, prevented from developing such product by government-imposed moratoriums, laws or rulings that prevent others generally from developing similar products, it being understood that if a clinical trial is halted or suspended because of problems specific to Company's conduct of the trial, such action will not toll the time periods specified in this Section as applied to the product involved in such trial; and (2) if at any time or times Company believes that it may not be able to advance a particular product through one or more of the above stages of development within any of the specific time periods specified in this Section (whether or not due to factors described in clause (1) above), it may so notify Penn, together with a reasonably detailed description of the factors or reasons why Company believes it should nevertheless continue to be considered to have such product under Active Development, whereupon Penn and Company will over a period of at least [**] actively and in good faith attempt to reach agreement on extensions(s) to such time period(s) as shall be reasonable in the circumstances; and (3) if at any time Company reasonably believes, after conducting a Phase I, I/II, II, or III trial in a Key Field, that the further development of such Key Field would be better served by conducting one or more additional Phase

I, I/II, II, or III trials in such Key Field rather than proceeding to the next stage of Active Development, then (i) the Key Field shall be considered to remain in Active Development while Company is exerting diligent efforts to prepare to conduct, or is actually conducting, such additional trial(s); and (ii) and the time period for entering the next stage of Active Development shall be tolled while Company is exerting diligent efforts to prepare to conduct, or is actually conducting, such additional trial(s). The term "Key Fields" means Cardiopulmonary bypass, Cancer, Sepsis, Transplantation and Hemodialysis. For clarity, (i) upon the achievement of any milestone set forth in Sections 1.2(b) through 1.2(f) with respect to a Key Field, all prior milestones set forth in Section 1.2 shall be deemed satisfied with respect to such Key Field; and (ii) if the achievement of any milestone set forth in Section 1.2 could reasonably apply to more than one Key Field, Company shall have the right to designate a particular Key Field to which such achievement pertains for purposes of the deadline for achieving the next succeeding milestone and such achievement shall not be a basis for establishing any such deadline with respect to any other Key Field, and Company may subsequently designate one or more additional Key Field(s) to which such milestone achievement is to apply, provided such designation is reasonable, and for purposes of the deadline for achieving the next succeeding milestone in such additional Key Field(s), the milestone will be deemed to have been achieved in a particular additional Key Field on the date that Company notifies Penn of the designation of such Key Field.

1.3 Reservation of Rights by Penn. Penn reserves the right to use, and to permit other non-commercial entities to use, the Penn Patent Rights for educational and research purposes only.

1.4 U.S. Government Rights. The parties acknowledge that the United States government retains rights in intellectual property funded under any grant or similar contract with a Federal agency. The License is expressly subject to all applicable United States government rights, including, but not limited to, any applicable requirement that products, which result from such intellectual property and are sold in the United States, must be substantially manufactured in the United States.

1.5 Sublicense Conditions. The Company's right to sublicense granted by Penn under the License is subject to each of the following conditions:

(a) In each sublicense agreement, Company will prohibit the sublicensee from further sublicensing without the prior written consent of Penn (except for limited sublicenses granted by Company's sublicensees to contractors or collaborators for the purpose of manufacturing, research, development or other such purpose not involving commercial distribution of Licensed Products to third parties), and require the sublicensee to comply with the terms and conditions of this Agreement; provided that Penn shall not unreasonably withhold, delay or condition any such consent. Notwithstanding the foregoing, if Company sublicenses to a Large Pharmaceutical Company (as defined in Section 2.4(c) below), Company may grant such Large Pharmaceutical Company a right to grant further sublicenses; provided that, in the case of any such Large Pharmaceutical Company granting commercialization rights to a further sublicensee that is not an affiliate of the Large Pharmaceutical Company, the sublicense shall require that the Large Pharmaceutical Company notify Penn of the identity of such non-affiliate further sublicensee within [**] days after the grant of such further sublicense. Further, in the event that such Company or sublicensee seeks Penn's consent for a sublicensee to further sublicense its commercialization rights to a downstream sublicensee or in the event a Large Pharmaceutical Company sublicensee

grants such a further sublicense of commercialization rights ("sub-sublicensee"), any such downstream sublicense agreement ("sub-sublicense") must require the sub-sublicensee to comply with the terms of this Agreement and prohibit further sublicensing of commercialization rights. For clarity, the sub-sublicensee shall be prohibited from further sublicensing commercialization rights, but such prohibition shall not apply to limited sublicenses granted by sub-sublicensees to contractors or collaborators for the purpose of manufacturing, research, development or other such purpose not involving commercial distribution of Licensed Products to third parties. Finally, if Penn is requested to consent to such a sub-sublicense, the requesting party shall pay Penn's legal expenses for review of such sublicense transaction. Except when used in this Section 1.5a, the term sublicense includes any permitted sub-sublicense and the term sublicensee includes any permitted sub-sublicensee.

(b) Within [**] days after Company enters into a sublicense agreement, Company will deliver to Penn a complete and accurate copy of the entire sublicense agreement written in the English language. Penn's receipt of the sublicense agreement, however, will constitute neither an approval of the sublicense nor a waiver of any right of Penn or obligation of Company under this Agreement.

(c) In the event that Company causes or experiences a Trigger Event (as defined in Section 6.4), all payments due to Company from its Affiliates or sublicensees under the sublicense agreement will, upon notice from Penn to such Affiliate or sublicensee, become payable directly to Penn for the account of Company. Within [**] days after receipt of any such funds, Penn will remit to Company the amount by which such payments exceed the amounts owed by Company to Penn.

(d) Company's execution of a sublicense agreement will not relieve Company of any of its obligations under this Agreement. Company is primarily liable to Penn for any act or omission of an Affiliate or sublicensee of Company that would be a breach of this Agreement if performed or omitted by Company, and Company will be deemed to be in breach of this Agreement as a result of such act or omission.

1.6 Necessary Amendments. Each party hereto shall use its reasonable efforts to enter into any such amendments to this Agreement that may be necessary to bring this Agreement into compliance with certain institutional policies of University Parties other than Penn as may be determined, pursuant to the terms of the Patent Inventorship Agreement, to have an ownership interest in the Penn Patent Rights.

2. DILIGENCE

2.1 Development Plan. Company shall deliver to Penn, within [**] days after the Effective Date, a copy of an initial Development Plan for the Penn Patent Rights (as updated from time to time, the "*Development Plan*"). The purpose of the Development Plan is (a) to demonstrate Company's capability to bring the Penn Patent Rights to commercialization, (b) to project the timeline for completing the necessary tasks, and (c) to measure Company's progress against the projections. Thereafter, Company will deliver to Penn an annual updated Development Plan no later than [**] of each year during the Term. The Development Plan will include, at a minimum, the information listed in Exhibit B. It is understood that any timelines, projections,

plans, or predictions, contained in the Development Plan and updates thereto are non-binding and will give rise to no obligations on the part of Company other than as set forth in this Agreement.

2.2 Company's Efforts. Company will use commercially reasonable efforts (either itself or through its Affiliates or sublicensees) to develop, commercialize, market and sell Licensed Products in a manner consistent with the Development Plan.

2.3 Diligence Events. The Company will use commercially reasonable efforts (either itself or through its Affiliates or sublicensees) to achieve each of the diligence events set forth below by the applicable completion date listed in the table below for the first Licensed Product. For purposes of this Section 2.3 and Section 3.3 below, the diligence or milestone event, as the case may be, associated with the initiation of a Phase II clinical trial for a Licensed Product shall be deemed achieved upon the initiation of any Phase II portion of a Phase I trial for such Licensed Product.

	DILIGENCE EVENT	COMPLETION DATE
1	Filing of IND or IND Amendment for Phase I clinical trial for the first Licensed Product	December 1, 2009
2	[**]	[**]
3	[**]	[**]
4	[**]	[**]
5	[**]	[**]

2.4 Heightened Diligence in Key Fields. In addition to the general diligence requirements described in Section 2.3 above, heightened diligence is required in the Key Fields, as a condition to granting Company a license to the Field of Use, which includes the Key Fields, subject to and in accordance with the following:

(a) If at any time after the [**] anniversary of the Effective Date, Company, its Affiliates and sublicensees fail to have a Key Field in Active Development and there is demonstrable third party interest in such Key Field, Company shall actively seek sublicensees for each such Key Field on reasonable terms and shall negotiate in good faith with any such potential sublicensee.

(b) If at any time after the [**] anniversary of the Effective Date, Company, its Affiliates or sublicensees fail to have in Active Development at least one Licensed Product in a Key Field, and there is demonstrable third party interest in such Key Field from a third party that Penn reasonably believes to be reputable and capable of placing such Key Field in Active Development within [**] years of having been granted a license to such Key Field, Penn shall, subject to the provisions of Section 2.4(c) below, have the right, at its option, to terminate Company's right and license under Section 1.1 of this Agreement, solely as to such Key Field, and then solely as to such Licensed Products and Other Licensed Products that do not incorporate or use any compound then in Active Development for at least one Key Field by Company, its Affiliates and/or sublicensees (or any salt, ester, tautomer, ionic form, or stereoisomer thereof or any compound that has the same primary amino acid sequence thereof), provided that (i) Penn

gives Company at least [**] days prior written notice of Penn's intention to exercise such right and (ii) Company does not cure the failure within such [**] day period by commencing Active Development with respect to a Licensed Product in such Key Field either directly or through one of its Affiliates or sublicensees, or by sublicensing the right to develop Licensed Products in such Key Field to a third party. Notwithstanding anything herein to the contrary, if the Company can demonstrate that the sublicense or Active Development of Licensed Products in a Key Field would give rise to a "Material Adverse Event", as defined below, then Penn shall stay the requirements of this section 2.4(b) for such Key Field, for so long as this condition continues. The stay will be reviewed annually on the anniversary of this Agreement. "Material Adverse Event" means any change, event or effect that individually or in the aggregate (taking into account all other such changes, events or effects), directly or indirectly, has had, or would be reasonably likely to have a material adverse effect on the actual Sales of Licensed Products and potential Sales of Licensed Products, or the unit profitability thereof, then being actively developed or commercialized by Company, its Affiliates or sublicensees.

(c) Notwithstanding anything else herein, if Company sublicenses or otherwise transfers (including without limitation by merger, assignment of assets or other acquisition) rights to develop and commercialize Licensed Products to a Large Pharmaceutical Company in one or more fields of use at any time after the Effective Date, and the terms under which such transfer occurs requires satisfaction of the obligations set forth in Section 2.3, either by the Large Pharmaceutical Company's efforts and/or by the efforts of Company, its Affiliates and any other sublicensees, if applicable, the Active Development obligations set forth in Section 1.2 and this Section 2.4 shall not apply with respect to any Key Fields licensed to such Large Pharmaceutical Company. "Large Pharmaceutical Company" means a company in the business of developing and commercializing pharmaceuticals that has, together with its affiliates, a market value or, in the case of a publicly traded company, market capitalization, of at least $[**].

(d) For the avoidance of doubt, nothing in this Section 2.4 shall limit Company's obligations under Section 2.3.

3. FEES AND ROYALTIES

3.1 Equity Issuance. In partial consideration for the License: Company will transfer or cause to be issued to Penn on or within [**] days of the Effective Date, [**] shares of common stock of Potentia. In connection with such issuance of Potentia common stock to Penn, Penn will execute and accede to the provisions of a Stockholders Agreement ("*Potentia Stockholders Agreement*"), the terms of which shall be reasonably acceptable to Penn and substantially similar to and consistent with those applicable terms set forth in the Third Amended and Restated Stockholders Agreement, dated as of April, 2008, and attached hereto as Exhibit C, by and between Potentia and its stockholders. In partial consideration for the License: as a dividend from Potentia, Company will issue or cause to be issued to Penn, on or within [**] days of the record date of April 15, 2008, a pro rata number of shares in Company (namely, Penn will receive a pro rata share of the stock of Company that is based upon Penn's ownership of one million shares of Potentia Common Stock, relative to the shares of Potentia Common Stock held by all holders of Potentia Common Stock, on a fully-diluted basis, assuming the conversion of Preferred Stock into Common Stock and the exercise of all outstanding options, as of the record date of April 15, 2008, assuming Penn's ownership of one million shares of Potentia Common Stock). In connection with

the issuance to Penn of shares in Company, Penn will sign or accede to the Stockholders Agreement of Company, which shall be reasonably acceptable to Penn and in a substantially the form attached hereto as Exhibit D (the "Stockholders Agreement"). The Potentia Stockholders Agreement, Stockholders Agreement, and any agreements related to the issuance of equity in Potentia or Company, including purchase agreements, registration rights or transfer restrictions shall be referred to herein as the "Equity Documents."

3.2 License Maintenance Fees. In partial consideration of the License, Company will pay to Penn, commencing on the first anniversary of the Effective Date and on each anniversary thereafter until the first Sale (as defined in Section 3.5) of the first Licensed Product, the applicable license maintenance fee listed in the table below.

ANNIVERSARY:	First	Second	Third	Fourth	Fifth and thereafter
LICENSE MAINTENANCE FEE:	[**]	[**]	[**]	[**]	$100,000

3.3 Milestone Payments.

(a) In partial consideration of the License, Company will also pay to Penn the applicable milestone payment listed in the table below, solely with respect to the first two (2) Licensed Products, in connection with the achievement of each milestone event for each such Licensed Product.

	MILESTONE EVENT	**PAYMENT**
1	Effectiveness of IND or IND Amendment for each such Licensed Product	$ 50,000
2	Initiation of a Phase II clinical trial for each such Licensed Product	$ 100,000
3	[**]	[**]
4	[**]	[**]
5	First calendar year in which Sales of each such Licensed Product exceed $[**]	[**]
6	First calendar year in which Net Sales of each such Licensed Product exceed $[**]	[**]

For the sake of clarity, Milestone Events are cumulative. Achievement of a Milestone Event triggers all prior milestones unless previously triggered and paid. As an example, the first year in which calendar year Net Sales of the first Licensed Product exceed $[**] would trigger all as yet unpaid milestones. Assuming in this example that this was the first Licensed Product and that no milestones had been paid for such Licensed Product, all milestones would become due, totaling $[**].

(b) Any License Maintenance Fee paid will be creditable against any applicable Milestone Payment payable with respect to any Licensed Product within a year after the date on which such License Maintenance Fee payment was due.

(c) The Milestone Payments set forth in this Section 3.3 shall be payable upon achievement of the corresponding milestone event by Company or any of its Affiliates or sublicensees; provided that any such Milestone Payments payable based upon achievement of the corresponding milestone event by a third party sublicensee shall be subtracted from subsequent Sublicense Income for purposes of determining the Sublicense Fees payable to Penn pursuant to Section 3.7.

(d) Company will provide Penn with written notice within [**] days after achieving each milestone event.

3.4 Earned Royalties. In partial consideration of the License, Company will pay to Penn a royalty of [**] percent ([**]%) of Net Sales of all Licensed Products during the Quarter. In partial consideration of the License, and in recognition of know-how conveyed by Penn to Company, Company will pay to Penn a royalty of [**] percent ([**]%) of Net Sales of all Other Licensed Products during the Quarter. The royalty percentage due on Net Sales of Licensed Products or Other Licensed Products is full pass-through and is not subject to reduction in any event, without the written consent of Penn.

3.5 Related Definitions. The term "*Sale*" means any bona fide transaction for which consideration is received or expected by Company or its Affiliate or sublicensee for the sale, use, lease, transfer or other disposition of a Licensed Product or Other Licensed Product, as the case may be, to a third party, but excluding any sales for test marketing, pre-clinical or clinical studies, compassionate use, or disposition of samples in customary quantities. A Sale is deemed completed at the time that Company or its Affiliate or sublicensee receives payment for a Licensed Product or Other Licensed Product. The term "*Quarter*" means each three-month period beginning on January 1, April 1, July 1 and October 1. The term "*Net Sales*" means the consideration received or expected from or, in the case of consideration other than cash, the fair market value attributable to such non-cash consideration, less Qualifying Costs that are directly attributable to a Sale, specifically identified on an invoice or other documentation and actually borne by Company or its Affiliates or sublicensees. For purposes of determining Net Sales, the words "*fair market value*" mean the cash consideration that Company or its Affiliates or sublicensees would realize from an unrelated buyer in an arm's length sale of an identical item sold in the same quantity and at the time and place of the transaction. The term "*Qualifying Costs*" means, on a non-duplicative basis, actual costs and expenses incurred and indefeasibly paid to third parties net of any refunds or offsets specific to Licensed Products: (a) trade, cash and quantity discounts (e.g., discounts for prompt or timely payment), (b) inventory management fees paid to wholesalers and distributors, not to exceed [**]% of Net Sales; (c) credits, chargebacks, retroactive price reductions, rebates, refunds, or returns that do not exceed the original invoice amount; (d) outbound transportation and insurance expenses; (e) sales and use taxes, tariffs, customs duties, excises and other taxes and fees imposed by a governmental agency on the sale, transportation or delivery of Licensed Product or Other Licensed Product (other than taxes on income); (f) negotiated payments made to private sector and government third party payors (e.g., PBMs, HMOs and PPOS) and purchasers/providers (e.g., staff model HMOs, hospitals and

clinics), regardless of the payment mechanism, including without limitation rebate, chargeback and credit mechanisms; (g) discounts under discount prescription drug programs and reductions for coupon and voucher programs; and (h) Bad debts calculated in accordance with GAAP consistently applied (any reductions to bad debts previously deducted from Net Sales will become an add back to Net Sales in the quarter when reduction in bad debt is recognized). In the event that the Licensed Product is Sold in combination with one or more other active ingredients (as such, a "*Combination Product*"), Net Sales from such Combination Product, for the purpose of determining royalty payments hereunder, shall be determined by multiplying the Net Sales of the Combination Product during the applicable royalty reporting period, by the fraction, A/A+B, where A is [**] the Licensed Product when sold separately in finished form, and B is [**] other active ingredients included in the Combination Product when sold separately in finished form, in each case during the applicable royalty reporting period or, if sales of both the Licensed Product and the other active ingredients did not occur in such period, then in the most recent royalty reporting period in which sales of both occurred. In the event that such [**] be determined for both the Licensed Product and the other active ingredients included in the Combination Product, Net Sales for purposes of determining royalty payments hereunder shall be calculated by multiplying Net Sales of the Combination Product by the fraction of C/C+D, where C is [**] Licensed Product and D is [**] all other active ingredients included in the Combination Product. In such event, Company shall in good faith make a determination of the [**] of the Licensed Product and the other active ingredients included in the Combination Product, and shall notify Penn of such determination and provide Penn with the data supporting such determination. Penn shall have the right to review such determination and supporting data, and to notify Company if Penn disagrees with such determination within [**] days of Company's notification thereof (provided, that, if no notice is given by Penn within such [**]day period, Penn shall be deemed to have accepted Company's determination of such respective fair market values hereunder). If Penn notifies Company of its disagreement within such [**]day period, then such matter shall be submitted for resolution pursuant to Section 13.10.

3.6 Minimum Royalties.

(a) In partial consideration of the License, commencing with the first Sale of a Licensed Product, Company will also pay to Penn the amount, if any, that the applicable minimum royalty listed in the table below exceeds Penn's earned royalties on Net Sales of Licensed Products.

QUARTER:	First 4 Quarters	Next 4 Quarters	Next 4 Quarters	All Quarters thereafter
MINIMUM:	[**]	[**]	[**]	[**]

3.7 Sublicense Fees. Subject to Section 3.3(c), in partial consideration of the License, Company will pay to Penn, within [**] days after the end of each Quarter following the Effective Date, a sublicense fee of [**] percent ([**]%) of all Sublicense Income (as hereinafter defined) received by Company and its Affiliates during such Quarter from any non-Affiliate sublicensee for a sublicense under the License; provided, however, that if a license or sublicense, as the case may be, under any patent right(s) owned by one or more third parties is necessary to effect the biological delivery of any Licensed Product or Other Licensed Product, such [**] percent ([**]%)

shall be reduced to [**] percent ([**]%). "*Sublicense Income*" means all cash payments plus the fair market value of all other consideration of any kind, received by Company and its Affiliates from non-Affiliate sublicensees for sublicenses granted under the Penn Patent Rights by Company and its Affiliates, other than (i) royalties paid to Company or any Affiliate by such a sublicensee based upon Sales or Net Sales by such sublicensee (and, in sublicensing arrangements in which a profit-sharing structure is used to compensate Company or Affiliate, other than profit-sharing amounts paid to Company or Affiliate), (ii) payments made to Company or any Affiliate in consideration for the issuance of equity or debt securities of Company or such Affiliate, provided, that if an equity or debt investment is made in Company or such Affiliate in connection with such a sublicense agreement, any premium paid over the fair market value for such equity or debt securities will be treated as Sublicense Income hereunder; (iii) amounts paid to Company or any Affiliate to fund the research and/or development of Licensed Products and/or Other Licensed Products; (iv) reimbursement of expenses relating to prosecution, maintenance and/or defense of Penn Patent Rights under which such sublicenses are granted; and (v) amounts paid to Company or any Affiliate, on a per detail full-time equivalent funding or other fee-for-service basis that reasonably represents the value of such services, for conducting detailing activities with respect to Licensed Products and/or Other Licensed Products under a co-promotion or similar arrangement with such sublicensee.

3.8 Transaction Fee. In partial consideration of the License, Company will pay to Penn, on the Effective Date, a one-time, non-refundable, non-creditable transaction fee of (a) $[**] with respect to Penn's licensing and legal expenses, in connection with this Agreement and the Potentia Stockholders Agreement; and (b) within [**] days of receipt of an invoice from Penn, reasonable Penn legal expenses, including expenses related to tax counsel, occasioned by Company's status as a Swiss AG, including review of this Agreement, the Company Articles of Association, Equity Documents and amendments to or consents or distributions related to same, throughout the Term of this Agreement, such expenses not to exceed $[**] prior to the Effective Date and not to exceed $[**] in any calendar year following the Effective Date.

4. REPORTS AND PAYMENTS

4.1 Royalty Reports. Within [**] days after the end of each Quarter following the first Sale, Company will deliver to Penn a report, certified by the chief financial officer of Company, detailing the calculation of all royalties, fees and other payments due to Penn for such Quarter. The report will include, at a minimum, the following information for the Quarter, each listed by product, by country: (a) the number of units of Licensed Products or Other Licensed Products, as the case may be, constituting Sales; (b) the gross consideration received for Sales; (c) Qualifying Costs, listed by category of cost: (d) Net Sales; (e) the gross amount of any payments and other consideration received by Company from sublicensees and the amounts of any deductions permitted by Section 3.5; (f) the royalties, fees and other payments owed to Penn, listed by category; and (g) the computations for any applicable currency conversions. Each royalty report will be substantially in the form of the sample report attached as Exhibit E.

4.2 Payments. Company will pay all royalties, fees and other payments due to Penn under Sections 3.3, 3.4, 3.6, 3.7 and 3.8 within [**] days after the end of the Quarter in which the royalties, fees or other payments accrued.

4.3 Records. Company will maintain, and will cause its Affiliates and sublicensees to maintain, complete and accurate books, records and related background information to verify Sales, Net Sales, and all of the royalties, fees, and other payments due or paid under this Agreement, as well as the various computations reported under Section 4.1. The records for each Quarter will be maintained for at least [**] years after submission of the applicable report required under Section 4.1.

4.4 Audit Rights. Upon reasonable prior written notice to Company, Company and its Affiliates and sublicensees will provide independent certified public accountants reasonably acceptable to Company with access to all of the books, records and related background information required by Section 4.3 to conduct a review or audit of Sales, Net Sales, and all of the royalties, fees, and other payments payable under this Agreement. Access will be made available: (a) during normal business hours; (b) in a manner reasonably designed to facilitate Penn's review or audit without unreasonable disruption to Company's business; and (c) no more than [**] during the Term (as defined below) and for a period of [**] years thereafter. Company will promptly pay to Penn the amount of any underpayment determined by the review or audit, plus accrued interest. If the review or audit determines that Company has underpaid any payment by [**] percent ([**]%) or more, then Company will also promptly pay the costs and expenses of Penn and its accountants in connection with the review or audit.

4.5 Information Rights. Until the closing of the Company's initial public offering, Company will provide to Penn, at least as frequently as the following reports are distributed to the Board of Directors of Company, copies of: (a) all reports to the Board that relate to the Penn Patent Rights or the Licensed Products or the Other Licensed Products, as the case may be; and (b) such portions of all business plans, projections and financial statements for Company that are distributed to the Board of Directors of Company that relate to the Penn Patent Rights or the Licensed Products or the Other Licensed Products, as the case may be; provided that Penn's right to receive such reports, business plans, projections and financial statements shall not include the right to attend Board meetings or to receive materials with respect to which Company reasonably determines must be excluded to preserve attorney-client privilege or with respect to which Penn has a conflict of interest related to the parties' respective rights and obligations under this Agreement. It is understood that as an owner of equity in Company, Penn shall also receive all reports and other information provided by Company to other owners of a like amount of equity in Company. After the closing of the Company's initial public offering, Company will provide to Penn, promptly after filing, a copy of each annual report, proxy statement, 10-K, 10-Q and other material reports filed with the U.S. Securities and Exchange Commission.

4.6 Currency. All dollar amounts referred to in this Agreement are expressed in United States dollars. All payments will be made in United States dollars. If Company receives payment from a third party in a currency other than United States dollars for which a royalty or fee is owed under this Agreement, then (a) the payment will be converted into United States dollars at the conversion rate for the foreign currency as published in the eastern edition of the Wall Street Journal as of the last business day of the Quarter in which the payment was received by Company, and (b) the conversion computation will be documented by Company in the applicable report delivered to Penn under Section 4.1.

4.7 Place of Payment. All payments by Company are payable to "The Trustees of the University of Pennsylvania" and will be made to the following addresses:

By Electronic Transfer:
[**]

By Check:
The Trustees of the University of Pennsylvania
c/o Center for Technology Transfer
P.O. Box 785546
Philadelphia, PA 19178-5546

4.8 Interest. All amounts that are not paid by Company when due will accrue interest from the date due until paid at a rate equal to [**] percent ([**]%) per month (or the maximum allowed by law, if less).

5. CONFIDENTIALITY AND USE OF PENN'S NAME

5.1 Confidentiality Agreement. If Company and Penn entered into one or more Confidential Disclosure Agreements prior to the Effective Date, then such agreements will continue to govern the protection of confidential information under this Agreement, and each Affiliate and sublicensee of Company will be bound to Company's obligations under such agreements. If, however, no Confidential Disclosure Agreement has been entered into between Company and Penn prior to the Effective Date, then in connection with the execution of this Agreement, the parties will enter into a Confidential Disclosure Agreement substantially similar to Penn's standard form. The term "*Confidentiality Agreement*" means all Confidential Disclosure Agreements between the parties that remain in effect after the Effective Date.

5.2 Other Confidential Matters. Penn is not obligated to accept any confidential information from Company, except for the delivery of information and/or reports required by Sections 1.5, 2.1, 4.1, 4.4, 4.5 and 6.6. Penn, acting through its Center for Technology Transfer and finance offices, will use reasonable efforts not to disclose to any third party outside of Penn any confidential information of Company contained in those reports, for so long as such information remains confidential. Without limiting the parties' respective rights and obligations under any separate Confidentiality Agreement between the parties, Penn bears no institutional responsibility for maintaining the confidentiality of any other information of Company. Company may elect to enter into confidentiality agreements with individual investigators at Penn that comply with Penn's internal policies.

5.3 Use of Penn's Name. Company and its Affiliates, sublicensees, employees, and agents may not use the name, logo, seal, trademark, or service mark (including any adaptation of them) of Penn or any Penn school, organization, employee, student or representative, without the prior written consent of Penn. Company and its Affiliates, sublicensees, vendors, and manufacturers shall have the right to mark the Licensed Products and/or packaging thereof with relevant patent numbers.

6. TERM AND TERMINATION

6.1 Term. This Agreement will commence on the Effective Date and terminate, on a product-by-product and country-by-country basis, upon the later of: (a) the expiration of the last Valid Claim to expire of the Penn Patent Rights; or (b) ten (10) years after the first Sale of the first Licensed Product or Other Licensed Product, as the case may be, in a country if no Valid Claim of Penn Patent Rights covering the applicable Licensed Product or Other Licensed Product is pending or remains in force in such country (as the case may be, the "*Term*").

6.2 Early Termination by Company. Company may terminate this Agreement at any time effective upon completion of each of the following conditions: (a) providing at least sixty (60) days prior written notice to Penn of such intention to terminate; (b) ceasing to make, have made, use, import, offer for sale and sell all Licensed Products and Other Licensed Products, except to the extent permitted under Section 6.6; (c) causing all Affiliates to cease making, having made, using, importing, offering for sale and selling all Licensed Products and Other Licensed Products, except to the extent permitted under Section 6.6; and (d) paying all amounts owed to Penn under this Agreement through the effective date of termination.

6.3 Early Termination by Penn. Penn may terminate this Agreement if: (a) Company is more than [**] days late in paying to Penn any amounts owed under this Agreement and does not pay Penn in full, including accrued interest, within [**] days after written demand from Penn therefor (a "Payment Default"), provided that (i) if Company in good faith disputes any payment amount allegedly due under a provision of this Agreement other than Section 3.4, Company may pay the disputed amount to Penn under protest and, upon final resolution of the dispute, Penn shall refund to Company any amounts so paid that are determined not to have been payable, with interest at the rate set forth in Section 4.8 and (ii) if Company or a sublicensee of Company in good faith disputes any payment amount allegedly due under Section 3.4 or the amount of Net Sales made by Company or a sublicensee of Company upon which such royalty obligation is based, Penn may not terminate this Agreement unless Company fails to pay any such disputed amount finally determined to have been payable to Penn, with interest at the rate set forth in Section 4.8, within [**] days after final resolution of the dispute; provided further that, in the event that a good faith dispute regarding a payment amount allegedly due under Section 3.4 arises because a sublicensee of Company disputes Net Sales amounts that Company contends were made by the sublicensee, Company shall use good faith efforts to resolve such dispute and shall keep Penn reasonably informed regarding the status of such dispute; (b) except for a Payment Default, Company or its Affiliate or sublicensee materially breaches this Agreement and does not cure the breach within [**] days after written notice of the breach; or (c) Company or its sublicensee experiences a Trigger Event and in the case of a sublicensee, Company has not terminated the license to such sublicensee prior to or automatically upon the occurrence of the "Trigger Event.". For purposes of Sections 6.3 and 6.4, the terms "sublicensee" excludes (i) manufacturers not authorized to sell or commercially distribute Licensed Products or Other Licensed Products to third parties and (ii) contractors, service providers, and collaborators whose rights are limited to making, having made, and/or using Licensed Products or Other Licensed Products for research and/or development purposes.

6.4 Trigger Event. The term "*Trigger Event*" means any of the following: (a) a material default by Company under the Equity Documents, other than a material breach of a representation or warranty; (b) if Company or any sublicensee (i) becomes insolvent, bankrupt or generally fails to pay its debts as such debts become due, (ii) is adjudicated insolvent or bankrupt,

(iii) admits in writing its inability to pay its debts, (iv) suffers the appointment of a custodian, receiver or trustee for it or its property and, if appointed without its consent, not discharged within [**] days, (v) makes an assignment for the benefit of creditors, or (vi) suffers proceedings being instituted against it under any law related to bankruptcy, insolvency, liquidation or the reorganization, readjustment or release of debtors and, if contested by it, not dismissed or stayed within [**] days; (c) the institution or commencement by Company or its sublicensee of any proceeding under any law related to bankruptcy, insolvency, liquidation or the reorganization, readjustment or release of debtors; (d) the entering of any order for relief relating to any of the proceedings described in Section 6.4(b) or (c) above; (e) the calling by Company or its sublicensee of a meeting of its creditors with a view to arranging a composition or adjustment of its debts; (f) the act or failure to act by Company or its sublicensee indicating its consent to, approval of or acquiescence in any of the proceedings described in Section 6.4(b) – (e) above; (g) failure by Company to pay patent counsel pursuant to the terms of a Client and Billing Agreement or Patent Management Agreement, if any, after an opportunity of at least [**] days to cure such failure after written notice thereof, provided that such failure shall not constitute a Trigger Event during the pendency of any good faith dispute regarding such payment obligation and for [**] days after the resolution of any such good faith dispute if Company pays any amount determined to be payable within [**] days after the resolution of such dispute; or (h) the commencement by Company of any action against Penn, including an action for declaratory judgment, to declare or render invalid or unenforceable the Patent Rights, or any claim thereof; provided that the foregoing clauses (a), (b), (c), (d), (e), and (f) shall not apply with respect to Company or its Affiliates if Company has sublicensed all or substantially all of its rights hereunder to one or more Large Pharmaceutical Company(-ies) and such Large Pharmaceutical Company(-ies) remain in material compliance with the terms and conditions of its or their sublicense(s) relating to this Agreement and the foregoing clauses (a), (b), (c), (d), (e), and (f) shall not apply with respect to a sublicensee or acquirer of Company that is a Large Pharmaceutical Company that seeks protection under applicable bankruptcy laws for the purpose of reorganizing and continuing to operate if such sublicensee or acquirer of Company remains in material compliance with the terms and conditions of its sublicense relating to this Agreement.

6.5 Effect of Termination. Upon the termination of this Agreement for any reason except as a result of the expiration of the Term: (a) the License terminates; (b) Company and all its Affiliates will cease all making, having made, using, importing, offering for sale and selling all Licensed Products or Other Licensed Products, as the case may be, except to extent permitted by Section 6.6; (c) Company will pay to Penn all amounts, including accrued interest, owed to Penn under this Agreement through the date of termination; (d) Company will, at Penn's request, return to Penn all confidential information of Penn and provide to Penn one complete copy of all data with respect to Licensed Products and Other Licensed Products as the case may be generated by Company during the Term in the course of its performance of this Agreement that will facilitate the further development of the technology licensed under this Agreement; and (e) except as otherwise provided in this Agreement, in the case of termination under Section 6.3, all duties of Penn and all rights (but not duties) of Company under this Agreement immediately terminate without further action required by either Penn or Company. Notwithstanding the foregoing, in the event of any termination of this Agreement by Penn under Section 6.3 (Early Termination by Penn), each sublicense of the Penn Patent Rights shall survive such termination and remain in full force and effect in accordance with its terms and shall be assigned to and assumed by Penn, provided, that (x) the sublicensee is not then in material breach of the terms and conditions of its

sublicense or the applicable terms of this Agreement, (y) the sublicensee agrees in writing to remain in material compliance with all terms and conditions of the sublicense, and (z) Penn shall not be required to assume the obligations of the Company under such sublicense other than the grant of the sublicense itself and other obligations under this Agreement which are passed-through to such sublicensee under such sublicense. At Company's request, Penn shall enter into a "stand-by" license agreement directly with the applicable sublicensee on terms reasonably acceptable to Penn, to confirm the rights of the sublicensee set forth in this Section 6.5.

6.6 Inventory & Sell Off. Upon the termination of this Agreement for any reason, Company will cause physical inventories to be taken immediately of: all completed Licensed Products or Other Licensed Products as the case may be, including Licensed Products and Other Licensed Products that have been formulated into final finished form ("Pre-Termination Formulated Product"), and are under the control of Company or its Affiliates or sublicensees (except for sublicensees whose sublicense agreements remain in effect following such termination pursuant to Section 6.5 ("*Surviving Sublicensees*")). Company will deliver promptly to Penn a copy of the written inventory, certified by an officer of the Company. Upon termination of this Agreement for any reason, Company will promptly remove, efface or destroy all references to Penn from any advertising, labels, web sites or other materials used in the promotion of the business of Company or its Affiliates or sublicensees (except Surviving Sublicensees), and Company and its Affiliates and sublicensees (except Surviving Sublicensees) will not represent in any manner that it has rights in or to the Penn Patent Rights or the Licensed Products or Other Licensed Products as the case may be, provided however, that inventory on hand maybe marked with appropriate patent numbers. Upon the termination of this Agreement as a result of expiration of the Term, Company and its Affiliates and sublicensees may continue to sell Licensed Products and Other Licensed Products; provided that royalties on Net Sales of Pre-Termination Formulated Product sold after such termination shall continue to be payable notwithstanding such termination. Upon any termination of this Agreement other than as a result of expiration of the Term and other than pursuant to Section 6.3(a) or (c), Company and its Affiliates and sublicensees (except Surviving Sublicensees) may sell off its inventory of Licensed Products and/or Other Licensed Products as the case may be, existing on the date of termination for a period of [**] months and pay Penn royalties on Sales of such inventory within [**] days following the expiration of such [**] month period.

6.7 Survival. Company's obligation to pay all amounts, including accrued interest, owed to Penn under this Agreement will survive the termination of this Agreement for any reason. Sections 1.5(c), 6.1, 6.5, 6.6, 6.7, 13.9,13.10 and 13.11 and Articles 4, 5, 9, 10, and 11 will survive the termination of this Agreement for any reason in accordance with their respective terms. Company's right to continue to prosecute and/or participate in litigation instituted pursuant to Section 8, and Company's right to recover the proceeds of patent litigation instituted pursuant to Section 8 shall also survive termination of this Agreement for any reason, provided that such infringement actions are instituted by Company while the License is in effect. It is understood that Company's right to continue to prosecute and/or participate in patent litigation and to recover the proceeds thereof following termination of this Agreement are based on infringement occurring while the License is in effect and do not entitle Company to share in financial recoveries based on acts of infringement that may occur following termination of this Agreement.

7. PATENT MAINTENANCE AND REIMBURSEMENT

7.1 Patent Maintenance. Penn controls the preparation, prosecution and maintenance of the Penn Patent Rights and the selection of patent counsel, with input from Company. If, however, Company desires to manage the preparation, prosecution and maintenance of the Patent Rights with input from Penn, and with agreement from Penn, which will not be unreasonably withheld, and Company is the sole licensee to the Penn Patent Rights, then Company and Penn will enter into with patent counsel a Patent Management Agreement in the form attached as Exhibit F. Penn will consider Company's reasonable request to select alternate patent counsel. For clarity, for so long as there is more than one licensee to Penn Patent Rights, Penn does not typically agree to a Patent Management Agreement but may consider doing so if all licensees to the Penn Patent Rights agree thereto.

7.2 Patent Reimbursement. Company will reimburse Penn the following percentage of all documented attorney's fees, expenses, official fees and all other charges accumulated on or after the Effective Date incident to the preparation, filing, prosecution, and maintenance of the Penn Patent Rights, including any interference negotiations, claims or proceedings, within [**] days after Company's receipt of invoices for such fees, expenses and charges:

[**]%; provided that, if Penn exercises its right to terminate the License as to one or more Key Fields pursuant to Section 2.4(b), the parties will negotiate in good faith a reduction in percentage of patent costs reasonably and equitably attributable to each such Key Field to which the License is terminated.

7.3 Other Matters. Except during the pendency of a Patent Management Agreement: (1) Penn will use reasonable efforts to copy, and will instruct patent counsel to copy, Company on all patent prosecution and patent maintenance matters related to the Penn Patent Rights including all correspondence from and to patent offices and all drafts of proposed filings with patent offices; (2) Penn will use reasonable efforts to and will instruct patent counsel to notify Company in writing at least [**] days prior to the due date or deadline for any action which could adversely affect the pending status of any patent application within the Penn Patent Rights, the maintenance of any granted patent within the Penn Patent Rights, Penn's right to file any continuing application or foreign counterpart application based on the Penn Patent Rights, or the breadth of any claim within the Penn Patent Rights; (3) Company has the right to consult with Penn, and Penn will give due consideration to Company's comments; and (4) Penn will request Company's written consent prior to taking any of the following actions: (i) provoking or participating in interference or opposition proceedings; (ii) filing national stage applications or continuation applications in any country other than the United States. Should Company refuse to consent to such actions, Penn may proceed with any such actions at Penn's expense and thereafter, the patents, patent rights or patent applications obtained, maintained or secured through such actions will be excluded from the Penn Patent Rights, provided that patents, patent rights or patent applications will not be excluded from Penn Patent Rights to the extent they are obtained through the filing of national stage applications without Company's consent, in countries other than Australia, Canada, Europe, Japan and the United States. For clarity, Company shall not be required to pay attorney's fees, expenses, official tees or other charges, or reimburse Penn therefor, in connection with any of the actions listed in (4)(i) – (ii), including in connection with subsequent prosecution and maintenance of national stage applications listed in 4(ii), if such action(s) was/were undertaken without Company's prior written consent.

8. INFRINGEMENT

8.1 Notice. Company and Penn will notify each other promptly of any infringement of the Penn Patent Rights by a product in the Field of Use ("*Field Infringement*") that may come to their attention. Company and Penn will consult each other in a timely manner concerning any appropriate response to the Field Infringement.

8.2 Enforcement. Company may enforce the Penn Patent Rights against any Field Infringement at Company's expense. Company may not enforce Penn Patent Rights against any non-Field Infringement. Company shall not, and shall require its Affiliates and sublicensees not to, settle or compromise any such litigation in a manner that imposes any obligations or restrictions on Penn without Penn's prior written permission. Financial recoveries from any such litigation will be: (a) first, applied to reimburse Company and/or its Affiliates and/or sublicensees and to reimburse Penn for its or their Litigation Expenditures; and (b) second, as to any remainder, (i) if such litigation is brought by Company and/or its Affiliates, [**] percent ([**]%) shall be paid to Company and/or its Affiliates and [**] percent ([**]%) shall be paid to Penn or (ii) if such litigation is brought by a non-Affiliate sublicensee, [**] of any amount paid to Company and/or its Affiliates under the applicable sublicense agreement shall be retained by Company and or its Affiliates and [**] of any amount paid to Company and/or its Affiliates under the applicable sublicense agreement shall be paid to Penn. For purposes of this Agreement, "Litigation Expenditures" shall be defined as: any attorneys' fees or costs, whether incurred directly or indirectly, in reference to a pertinent litigation or investigation including, but not limited to, court costs, local counsel fees, deposition costs, subpoena costs, court reporter costs, expert fees, and other reasonable expenses directly incurred for investigation or litigation of claims.

8.3 Intervention and Involuntary Participation

(a) Voluntary Intervention. Penn reserves the right to voluntarily intervene and join Company in any litigation under Section 8.2.

(b) Involuntary Participation. If Penn is required to participate in any litigation referred to under Section 8.2 (such as, for example, but not limited to, being joined or named as a defendant, necessary party, involuntary plaintiff, or indispensable party), then: (i) Company may seek to join Penn involuntarily and (ii) if Penn cannot be joined involuntarily, then Company may join Penn in any litigation referred to under Section 8.2 if Penn's participation is required for standing to bring or maintain the lawsuit in which Company seeks to join Penn, and Penn will not object to being joined in said litigation; provided however, that in any instance described in this Section 8.3(b), Company will reimburse Penn's Litigation Expenditures on an ongoing basis, within [**] days of submission of actual invoices.

8.4 Penn Prosecution. If Company does not prosecute any infringement of the Patent Rights, then Penn may elect to prosecute such infringement at Penn's expense. If Penn elects to prosecute such infringement, then any financial recoveries will retained by Penn in their entirety; provided, however, that if Company, its Affiliates, or sublicensees is/are involuntarily joined in any litigation referred to in this Section 8.4, any financial recoveries will first be applied to reimburse any Litigation Expenditures incurred by Company, its Affiliates and sublicensees. If Company, its Affiliates, or sublicensees participates in any litigation referred to in this Section 8.4 at Penn's request, Penn will reimburse any Litigation Expenditures incurred by Company, its Affiliates and sublicensees on an ongoing basis, within [**] days of submission of actual invoices.

8.5 Cooperation. In any litigation under this Article 8, either party, at the request and expense of the requesting party, will cooperate to the extent reasonable and reasonably possible. Notwithstanding anything else herein, if Company or its Affiliates sublicenses any or all rights under the License to, or is acquired by, a Large Pharmaceutical Company, such Large Pharmaceutical Company shall not be required to cooperate under this section 8.5 if such Large Pharmaceutical Company reasonably deems that doing so would present unacceptable business or legal risks.

9. DISCLAIMER OF WARRANTIES

9.1 Disclaimer. THE PENN PATENT RIGHTS, LICENSED PRODUCTS, OTHER LICENSED PRODUCTS AND ANY OTHER TECHNOLOGY LICENSED UNDER THIS AGREEMENT ARE PROVIDED ON AN "AS IS" BASIS. PENN MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY WARRANTY OF ACCURACY, COMPLETENESS, PERFORMANCE, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, COMMERCIAL UTILITY, NON-INFRINGEMENT OR TITLE.

10. LIMITATION OF LIABILITY

10.1 Limitation of Liability. PENN WILL NOT BE LIABLE TO COMPANY, ITS AFFILIATES, SUBLICENSEES, SUCCESSORS OR ASSIGNS, OR ANY THIRD PARTY WITH RESPECT TO ANY CLAIM: ARISING FROM COMPANY'S USE OF THE PENN PATENT RIGHTS, LICENSED PRODUCTS, OTHER LICENSED PRODUCTS OR ANY OTHER TECHNOLOGY LICENSED UNDER THIS AGREEMENT; ARISING FROM THE DEVELOPMENT, TESTING, MANUFACTURE, USE OR SALE OF LICENSED PRODUCTS OR OTHER LICENSED PRODUCTS BY COMPANY, ITS AFFILIATES, SUBLICENSEES, SUCCESSORS OR ASSIGNS; OR FOR LOST PROFITS, BUSINESS INTERRUPTION, OR INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES OF ANY KIND.

11. INDEMNIFICATION

11.1 Indemnification. Except to the extent that Penn is grossly negligent or engaged in willful misconduct with respect to Penn's use of the Penn Patent Rights, Company will defend, indemnity, and hold harmless each Indemnified Party from and against any and all Liabilities with respect to an Indemnification Event. The term "*Indemnified Party*" means each of Penn and its trustees, officers, faculty, agents, contractors, employees and students. The term "*Liabilities*" means all damages, awards, deficiencies, settlement amounts, defaults, assessments, fines, dues, penalties, costs, fees, liabilities, obligations, taxes, liens, losses, lost profits and expenses (including, but not limited to, court costs, interest and reasonable fees of attorneys, accountants and other experts) that are incurred by an Indemnified Party or awarded or otherwise required to be paid to third parties by an Indemnified Party. The term "*Indemnification Event*" means any Claim against one or more Indemnified Parties arising out of or resulting from: (a) the development, testing, use, manufacture, promotion, sale or other disposition of any Penn Patent Rights or Licensed Products or Other Licensed Products as the case may be by Company, its Affiliates, its sublicensees, its assignees or its vendors, including, but not limited to, (x) a product liability or other Claim of any land related to use by a third party of a Licensed Product, (y) a Claim by a third

party that the practice of any of the Penn Patent Rights or the design, composition, manufacture, use, sale or other disposition of any Licensed Product infringes or violates any patent, copyright, trade secret, trademark or other intellectual property right of such third party, and (z) a Claim by a third party relating to clinical trials or studies for Licensed Products or Other Licensed Products as the case may be; (b) any material breach of this Agreement by Company or its Affiliates or sublicensees; and (c) the enforcement of this Article 11 by any indemnified Party. The term "*Claim*" means any charges, complaints, actions, suits, proceedings, hearings, investigations, claims or demands.

11.2 Other Provisions. Company will not settle or compromise any Claim giving rise to Liabilities in any manner that imposes any restrictions or obligations on Penn without Penn's prior written consent, which will not be unreasonably withheld. Penn will promptly notify Company of any Claim of which it becomes aware and will cooperate with Company's reasonable requests in connection with defense of such Claim, at Company's expense. If Company fails or declines to assume the defense of any Claim within [**] days after notice of the Claim, then Penn may assume the defense of such Claim for the account and at the risk of Company, and any Liabilities related to such Claim will be conclusively deemed a liability of Company. The indemnification rights of the Indemnified Parties under this Article 11 are in addition to all other rights that an Indemnified Party may have at law, in equity or otherwise.

12. INSURANCE

12.1 Coverages. Company (either itself or through its Affiliates or sublicensees) will procure and maintain insurance policies for the following coverages with respect to personal injury, bodily injury and property damage arising out of Company's performance under this Agreement or under the applicable sublicense agreement; provided that, any such insurance, whether procured and maintained by Company or through an Affiliate or sublicensee, must name Penn as an additional insured and Company, its Affiliate and/or sublicensee, as applicable, shall provide Penn with evidence of such insurance: (a) during the Term, comprehensive general liability, including broad form and contractual liability, in a minimum amount of $[**] combined single limit per occurrence and in the aggregate; (b) prior to the commencement of clinical trials involving Licensed Products or Other Licensed Products as the case may be, clinical trials coverage in a minimum amount of $[**] combined single limit per occurrence and in the aggregate; and (c) prior to the Sale of the first Licensed Product, product liability coverage, in a minimum amount of $[**] combined single limit per occurrence and in the aggregate. Penn may review periodically the adequacy of the minimum amounts of insurance for each coverage required by this Section 12.1, and Penn reserves the right to require Company to adjust the limits accordingly, consistent with industry standards, for comparable products, markets, insured parties and indemnified claims. The required minimum amounts of insurance do not constitute a limitation on Company's liability or indemnification obligations to Penn under this Agreement. Notwithstanding the foregoing, if Company and/or any Affiliate sublicenses the Penn Patent Rights to a Large Pharmaceutical Company, or Company is acquired by a Large Pharmaceutical Company, such sublicensee or acquirer may satisfy the obligations set forth under this Article 12 through reasonable self-insurance.

12.2 Other Requirements. The policies of insurance required by Section 12.1 will be issued by an insurance carrier with an A.M. Best rating of "A" or better (or an insurance carrier

with an equivalent rating from a reputable third party rating firm if A.M. Best does not rate such insurance carrier) and will name Penn as an additional insured with respect to Company's performance under this Agreement. Following the Effective Date, Company, its Affiliate and/or sublicensee shall provide to Penn insurance certificates evidencing the required coverage within [**] days after the commencement of any renewal periods. Each certificate will provide that the insurance carrier will notify Penn in writing at least [**] days prior to the cancellation or material change in coverage.

13. ADDITIONAL PROVISIONS

13.1 Independent Contractors. The parties are independent contractors. Nothing contained in this Agreement is intended to create an agency, partnership or joint venture between the parties. At no time will either party make commitments or incur any charges or expenses for or on behalf of the other party.

13.2 No Discrimination. Neither Penn nor Company will discriminate against any employee or applicant for employment because of race, color, sex, sexual or affectional preference, age, religion, national or ethnic origin, handicap, or veteran status.

13.3 Compliance with Laws. Company must comply with all prevailing laws, rules and regulations that apply to its activities or obligations under this Agreement. For example, Company will comply with applicable United States export laws and regulations. The transfer of certain technical data and commodities may require a license from the applicable agency of the United States government and/or written assurances by Company that Company will not export data or commodities to certain foreign countries without prior approval of the agency. Penn does not represent that no license is required, or that, if required, the license will issue.

13.4 Modification, Waiver & Remedies. This Agreement may only be modified by a written amendment that is executed by an authorized representative of each party. Any waiver must be express and in writing. No waiver by either patty of a breach by the other party will constitute a waiver of any different or succeeding breach. Unless otherwise specified, all remedies are cumulative.

13.5 Assignment & Hypothecation. Company may not assign this Agreement or any part of it either directly or by merger or operation of law, without the prior written consent of Penn. Penn will not unreasonably withhold, condition or delay its consent, provided that: (a) at least [**] days before the proposed transaction effecting or conveying such assignment, Company gives Penn written notice and such background information as may be reasonably necessary to enable Penn to give an informed consent; (b) the assignee agrees in writing to be legally bound by this Agreement and to deliver to Penn an updated Development Plan within [**] days after the closing of the proposed transaction; and (c) Company provides Penn with a copy of assignee's undertaking. Notwithstanding the foregoing, Penn's consent shall not be required for any assignment of this Agreement to (i) a Large Pharmaceutical Company or acquirer of Company that has, together with its affiliates, a market value or, in the case of a publicly traded company, market capitalization, of at least $[**] or (ii) Potentia, provided that: (A) the assignee agrees in writing to be legally bound by this Agreement and to deliver to Penn an updated Development Plan within [**] days after the closing of the proposed transaction; and (B) Company provides Penn with a

copy of assignee's undertaking. Any permitted assignment will not relieve Company of responsibility for performance of any obligation of Company that has accrued at the time of the assignment. Company will not grant a security interest in the License or this Agreement during the Term. Any prohibited assignment or security interest will be null and void.

13.6 Notices. Any notice or other required communication (each, a "*Notice*") must be in writing, addressed to the party's respective Notice Address listed on the signature page, and delivered: (a) personally; (b) by recognized overnight courier service, charges prepaid; or (c) by facsimile. A Notice will be deemed received: if delivered personally, on the date of delivery; if sent via courier, one (1) business day after deposit with the courier service; or if sent via facsimile, upon receipt of confirmation of transmission provided that a confirming copy of such Notice is sent by certified mail, postage prepaid, return receipt requested.

13.7 Severability & Reformation. If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, then the remaining provisions of this Agreement will remain in full force and effect. Such invalid or unenforceable provision will be automatically revised to be a valid or enforceable provision that comes as close as permitted by law to the parties' original intent.

13.8 Headings & Counterparts. The headings of the articles and sections included in this Agreement are inserted for convenience only and are not intended to affect the meaning or interpretation of this Agreement. This Agreement may be executed in several counterparts, all of which taken together will constitute the same instrument.

13.9 Governing Law. This Agreement will be governed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to the conflict of law provisions of any jurisdiction.

13.10 Dispute Resolution. If a dispute arises between the parties concerning any right or duty under this Agreement, then the parties will confer, as soon as practicable, in an attempt to resolve the dispute. If the parties are unable to resolve the dispute amicably, then the parties will submit to the exclusive jurisdiction of, and venue in, the state and Federal courts located in the Eastern District of Pennsylvania with respect to all disputes arising under this Agreement.

13.11 Integration. This Agreement with its Exhibits, the Stockholders Agreement, the Patent Inventorship Agreement, and the Confidentiality Agreements contain the entire agreement between the parties with respect to the Penn Patent Rights and the License and supersede all other oral or written representations, statements, or agreements with respect to such subject matter.

Each party has caused this Agreement to be executed by its duly authorized representative.

THE TRUSTEE OF THE UNIVERSITY OF PENNSYLVANIA	**APELLIS AG**
By: /s/ Michael J. Cleare	By /s/ Cedric Francois
Name: Michael J. Cleare	Name: Cedric Francois, M.D. Ph.D.
Title: Executive Director, Technology Transfer	Title: Managing Director

Address:	Center for Technology Transfer University of Pennsylvania 3160 Chestnut Street, Suite 200 Philadelphia, PA 19104-6283 Attention: Executive Director	Address:	201 E. Jefferson St. Suite 301 Louisville, KY 40202
Required copy to:	University of Pennsylvania Office of General Counsel 133 South 36th Street, Suite 300 Philadelphia, PA 19104-3246 Attention: General Counsel		Apellis AG 201 E. Jefferson St. Suite 301 Louisville, KY 40202 Attn: General Counsel

Michael Cleare, Ph.D.
Associate Vice Provost for Research and
Executive Director, Center for Technology Transfer

EXHIBIT INDEX

Exhibit A Patents and Patent Applications in Patent Rights

Exhibit B Minimum Contents of Development Plan

Exhibit C [Form of Potentia Stockholders Agreement]

Exhibit D [Form of Apellis Stockholders Agreement]

Exhibit E Format of Royalty Report

Exhibit F [Form of Patent Management Agreement]

EXHIBIT A

Patent Rights

Penn Docket	Docket Title	Inventors	Applicants	US Patents	Foreign Patents
[**]	[**]	[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]	[**]	[**]
[**]	[**]	[**]	[**]	[**]	[**]

EXHIBIT B

Development Plan Contents

The Development Plan and each update to the Development Plan will include, at a minimum, the following information:

[**].

EXHIBIT C

[Form of Potentia Stockholders Agreement]

THIRD AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

by and among

POTENTIA PHARMACEUTICALS, INC.

and

THE PARTIES LISTED ON
EXHIBIT A HERETO

Dated as of
March , 2008

POTENTIA PHARMACEUTICALS, INC.

THIRD AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

March , 2008

TABLE OF CONTENTS

ARTICLE 1	DEFINITIONS	C-1
ARTICLE 2	PREEMPTIVE RIGHTS	C-3
2.1	Generally	C-3
2.2	Acceptance	C-4
2.3	Sale by Company	C-4
2.4	Decrease in Shares Sold	C-4
2.5	Purchase of Shares	C-5
2.6	Shares Not Sold	C-5
2.7	Exclusions from First Refusal Right	C-5
2.8	Applicability of this Agreement to Offered Securities	C-6
ARTICLE 3	RESTRICTIONS ON TRANSFER	C-6
3.1	Generally	C-6
3.2	Permitted Transfers	C-6
3.3	Offer for Sale; Notice of Proposed Sale	C-6
3.4	Option to Purchase	C-6
3.5	Sale to Offeror; Closing	C-7
ARTICLE 4	CO-SALE	C-7
4.1	Co-Sale Rights	C-7
4.2	Treatment of Sale Proceeds	C-8
ARTICLE 5	DRAG-ALONG OBLIGATIONS	C-8
5.1	Generally	C-8
5.2	Notice	C-10
5.3	Closing	C-10
ARTICLE 6	BOARD ELECTIONS	C-11
ARTICLE 7	GENERAL PROVISIONS	C-12
7.1	Legends	C-12
7.2	Amendments	C-12
7.3	Effect of Agreement	C-13
7.4	Governing Law	C-13
7.5	Counterparts	C-13
7.6	Notices	C-13
7.7	Entire Agreement	C-13
7.8	Severability	C-13
7.9	Construction	C-13
7.10	Limited Proxy	C-14

POTENTIA PHARMACEUTICALS, INC.

THIRD AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

THIS THIRD AMENDED AND RESTATED STOCKHOLDERS AGREEMENT (this "Agreement") is entered into as of March , 2008, by and among Potentia Pharmaceuticals, Inc., a Delaware corporation (the "Company") and those individuals identified on Exhibit A hereto (individually, each a "Stockholder" and collectively, the "Stockholders").

RECITALS

WHEREAS, the Stockholders believe that it is in the best interest of the Company and the Stockholders to (i) provide preemptive rights with respect to future sales of Preferred Stock to the Preferred Stockholders; (ii) provide limitations on certain transfers of Shares; (iii) provide for certain drag-along and co-sale rights and obligations of the Stockholders; (iv) provide for the election of certain persons as directors of the Company; and (v) set forth their agreements on certain other matters;

WHEREAS, the Company and the Stockholders entered into that certain Shareholders Agreement dated March 31, 2005, amended and restated by that certain First Amended and Restated Stockholders Agreement dated October 27, 2006, and further amended and restated by that certain Second Amended and Restated Stockholders Agreement dated October 18, 2007;

WHEREAS, the Second Amended and Restated Stockholders Agreement by and among the Company and the Stockholders dated October 18, 2007, is amended and restated by this Agreement, effective upon the execution and delivery of written consents by the holders of a majority of the outstanding shares of Common Stock, $0.0001 par value, and Series 2006 Preferred Stock, $0.0001 par value, of the Company.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

1.1 "Affiliate" means, with respect to any Person, any other Person who controls, is controlled by, or is under common control with, such Person.

1.2 "Available Amount" has that meaning set forth in Section 2.1 of this Agreement.

1.3 "Board of Directors" means the board of directors of the Company.

1.4 "Certificate" has that meaning set forth in Section 4.1 of this Agreement.

1.5 "Company" means Potentia Pharmaceuticals, Inc., a Delaware corporation, and its successors and assigns.

1.6 "Co-Sale" has that meaning set forth in Section 4.1 of this Agreement.

1.7 “Co-Sale Purchaser” has that meaning set forth in Section 4.1 of this Agreement.

1.8 “Co-Sale Transaction” means a transaction whereby a majority of the Shares become beneficially owned by a single Person (including Affiliates of such Person).

1.9 “Drag-Along Notice” has that meaning set forth in Section 5.2 of this Agreement.

1.10 “Drag-Along Stockholders” has that meaning set forth in Section 5.1 of this Agreement.

1.11 “Drag-Along Transaction” has that meaning set forth in Section 5.1 of this Agreement.

1.12 “Electing Co-Sale Purchaser” has that meaning set forth in Article 4.1 of this Agreement.

1.13 “Excluded Securities” has that meaning set forth in Section 2.7 of this Agreement.

1.14 “Notice” has that meaning set forth in Section 3.3 of this Agreement.

1.15 “Notice of Acceptance” has that meaning set forth in Section 2.2 of this Agreement.

1.16 “Offer” has that meaning set forth in Section 2.1 of this Agreement.

1.17 “Offeree” has that meaning set forth in Section 2.1 of this Agreement.

1.18 “Offered Securities” has that meaning set forth in Section 2.1 of this Agreement.

1.19 “Offeror” has that meaning set forth in Section 3.3 of this Agreement.

1.20 “Option” has that meaning set forth in Section 3.4 of this Agreement.

1.21 “Option Period” has that meaning set forth in Section 3.4 of this Agreement.

1.22 “Participating Sellers” has that meaning set forth in Section 5.1 of this Agreement.

1.23 “Permitted Transferee” has that meaning set forth in Section 3.2 of this Agreement.

1.24 “Person” means any individual, limited liability company, partnership (general or limited), corporation, trust, estate, association, or other entity.

1.25 “Preferred Stockholder” means any holder of shares of Series 2006 Preferred Stock or Series 2007 Preferred Stock.

1.26 “Proposed Buyer” has that meaning set forth in Section 5.1 of this Agreement.

1.27 “Qualifying Financing” has that meaning set forth in the Certificate of Incorporation of the Company, as in effect immediately prior to the date of any such financing.

1.28 "Refused Securities" has that meaning set forth in Section 2.3 of this Agreement.

1.29 "Requisite Majority" shall mean the holders of a majority of the outstanding shares of Series 2006 Preferred Stock and Series 2007 Preferred Stock voting together as a single class.

1.30 "Securities Act" means the Securities Act of 1933, as amended, or any similar Federal statute, and the rules and regulations of the Securities and Exchange Commission issued under such Act, as they each may, from time to time, be in effect.

1.31 "Selling Parties" has that meaning set forth in Section 7.1 of this Agreement.

1.32 "Stockholders" has that meaning set forth in the introductory paragraph of this Agreement.

1.33 "Shares" means shares of the Common Stock, $0.0001 par value, the Series 2006 Preferred Stock, $0.0001 par value, and/or the Series 2007 Preferred Stock, $0.0001 par value, of the Company, and, for the purpose of determining a majority or other percentage of the outstanding shares of Common Stock and Preferred Stock held by Stockholders hereunder, the Common Stock, the Series 2006 Preferred Stock and the Series 2007 Preferred Stock, considered together as a single class on an as-converted basis.

1.34 "Shares Proposed for Transfer" has that meaning set forth in Section 3.3 of this Agreement.

1.35 "Subsidiary" means any entity 50% or more of whose securities are owned by the Company or as to which the Company has the right to elect a majority of the members of the board of directors or similar governing body.

1.36 "Transfer" means any sale, transfer or other disposition of any Shares, or of any interest in such Shares, whether voluntary or by operation of law.

1.37 "Transferring Co-Sale Stockholders" has that meaning set forth in Section 4.1 of this Agreement.

1.38 "Transferring Party" has that meaning set forth in Section 3.3 of this Agreement.

ARTICLE 2

PREEMPTIVE RIGHTS

2.1 Generally. Subject to Sections 2.7 and 2.8 below, the Company shall not issue, sell or exchange, agree to issue, sell or exchange, or reserve or set aside for issuance, sale or exchange, any Preferred Stock or any other equity securities of the Company having rights, preferences and privileges senior to those of the Common Stock, (collectively, unless excluded by Section 2.7 below, the "Offered Securities"), unless in each such case the Company shall have first complied with this Agreement. The Company shall deliver to each Preferred Stockholder a written notice of any proposed or intended issuance, sale or exchange of Offered Securities (the "Offer"), which Offer shall (i) identify and describe the Offered Securities, (ii) describe the price and other terms

upon which they are to be issued, sold or exchanged, and the number or amount of the Offered Securities to be issued, sold or exchanged, (iii) identify the persons or entities to which or with which the Offered Securities are to be offered, issued, sold or exchanged (the "Offerees"), and (iv) offer to issue and sell to or exchange with each Preferred Stockholder (A) such portion of the Offered Securities as the aggregate number of shares of Common Stock into which all shares of Preferred Stock held by such Preferred Stockholder are convertible bears to the total number of shares of Common Stock into which all shares of Preferred Stock held by the Preferred Stockholders are then convertible (the "Available Amount"). Each Preferred Stockholder shall have the right, for a period of fifteen (15) days following delivery of the Offer, to purchase or acquire, at the price and upon the other terms specified in the Offer, the number of Offered Securities described above. The Offer by its terms shall remain open and irrevocable for such 15-day period.

2.2 Acceptance. To accept an Offer, in whole or in part, a Preferred Stockholder must deliver a written notice (the "Notice of Acceptance") to the Company prior to the end of the 15-day period of the Offer, setting forth with respect to such Preferred Stockholder, the portion of such Preferred Stockholder's Available Amount that the Preferred Stockholder elects to purchase. A Preferred Stockholder may designate, at any time prior to actual purchase, any Affiliate of such Preferred Stockholder as the entity entitled to purchase all or a portion of such Preferred Stockholder's Available Amount, provided that (i) such designee agrees to be bound by the terms of this Agreement in the same capacity as the Preferred Stockholder hereunder and (ii) the purchase of such Offered Securities by such designee does not violate the registration requirements of or require registration under the Securities Act or any applicable state securities laws.

2.3 Sale by Company. In the event that Notices of Acceptance are not given by Preferred Stockholders in respect of all the Offered Securities, the Company shall have up to 120 days from the expiration of the period set forth in Section 2.1 above to issue, sell or exchange all or any part of such Offered Securities as to which Notices of Acceptance have not been given by the Preferred Stockholders (the "Refused Securities"), but only to one or more of the Offerees and only upon terms and conditions (including, without limitation, unit prices and interest rates) which are not more favorable, in the aggregate, to the acquiring person or persons or less favorable to the Company than those set forth in the Offer.

2.4 Decrease in Shares Sold. In the event the Company shall propose to sell less than all the Refused Securities (any such sale to be in the manner and on the terms specified in Section 2.3 above), then each Preferred Stockholder may, at its sole option and in its sole discretion by delivery of notice to the Company within ten (10) days of receipt of notice of such reduction, reduce the number or amount of the Offered Securities specified in its Notice of Acceptance to an amount that shall be not less than the number or amount of the Offered Securities that the Preferred Stockholder elected to purchase pursuant to Section 2.2 above multiplied by a fraction, (i) the numerator of which shall be the reduced number or amount of Offered Securities the Company proposes to issue, sell or exchange (including Offered Securities to be issued or sold to Preferred Stockholders pursuant to Section 2.2 above prior to such reduction) and (ii) the denominator of which shall be the amount of all Offered Securities. In the event that any Preferred Stockholder so elects to reduce the number or amount of Offered Securities specified in its Notice of Acceptance, the Company may not issue, sell or exchange more than the reduced number or amount of the

Offered Securities unless and until such securities have again been offered to the Preferred Stockholders in accordance with Section 2.1 above.

2.5 Purchase of Shares. Upon the closing of the issuance, sale or exchange of all or less than all of the Refused Securities, or if there are no Refused Securities, on a date mutually agreeable to the Company and the Preferred Stockholders who have delivered Notices of Acceptances with respect to at least a majority of the Offered Securities. Section 2.2 above, the Preferred Stockholders shall acquire from the Company, and the Company shall issue to the Preferred Stockholders, the number or amount of Offered Securities specified in the Notices of Acceptance, as reduced pursuant to Section 2.4 above if the Preferred Stockholders have so elected, upon the terms and conditions specified in the Offer. The purchase by the Preferred Stockholders of any Offered Securities is subject in all cases to the preparation, execution and delivery by the Company and each Preferred Stockholder of a purchase agreement relating to such Offered Securities reasonably satisfactory in form and substance to the Offerees and Preferred Stockholders who will purchase at least a majority of such Offered Securities.

2.6 Shares Not Sold. Any Offered Securities not acquired by the Preferred Stockholders or the Offerees in accordance with Section 2.3 above may not be issued, sold or exchanged until they are again offered to the Preferred Stockholders in accordance with Section 2.1 above.

2.7 Exclusions from First Refusal Right. The rights of the Preferred Stockholders under Sections 2.1 through 2.6, inclusive, shall not apply to the following securities and such securities ("Excluded Securities"), shall not be deemed "Offered Securities":

(a) Common Stock issued as a stock dividend to holders of Common Stock or upon any subdivision of shares of Common Stock;

(b) Preferred Stock issued as a stock dividend to holders of Preferred Stock or upon any subdivision of shares of Preferred Stock;

(c) the issuance of shares of Common Stock, or options exercisable therefor, including options outstanding on the date of this Agreement, issued or issuable to current or former employees, officers or directors of, or consultants or advisers to, the Company pursuant to stock purchase or stock option plans or similar arrangements approved by the Board of Directors;

(d) securities issued or issuable in connection with a bona fide non-equity financing transaction (*e.g.* equipment financing arrangements and bank lines of credit) that is approved by the Board of Directors;

(e) securities issued solely in consideration for the acquisition (whether by merger or otherwise) by the Company or any of its Subsidiaries of all or substantially all of the stock or assets of any other entity in a transaction that is approved by the Board of Directors;

(f) shares of Common Stock issued in a Qualifying Financing;

(g) securities issued to a strategic partner in connection with a development, collaboration or other similar agreement that is approved by the Board of Directors; or

(h) securities issued, sold or exchanged by the Company as to which the Requisite Majority has elected to designate as Excluded Securities.

2.8 Applicability of this Agreement to Offered Securities. All Offered Securities issued, sold or exchanged pursuant to this Agreement as applicable, shall be subject to the terms of this Agreement unless otherwise determined by the Requisite Majority.

ARTICLE 3

RESTRICTIONS ON TRANSFER

3.1 Generally. Any Transfer of any of the Shares by a Stockholder, other than according to the terms of this Agreement, shall be void and transfer no right, title or interest in or to any such Shares to the purported transferee. Moreover, unless approved by the Board of Directors, no Transfers shall be valid unless and until the transferee shall have executed and delivered a counterpart of this Agreement.

3.2 Permitted Transfers. A Stockholder may Transfer without compliance with Sections 3.3 through 3.5 of this Agreement, any or all of his Shares to an Affiliate of such Stockholder, to his spouse or children or to a trust established for the benefit of his spouse, children or himself, or dispose of them under his will or pursuant to a judicial decree or order (provided that, in each such case, the Company receives written notice of such Transfer and, prior to the completion of such Transfer, each such transferee (a "Permitted Transferee") or his or her legal representative shall have executed documents assuming the obligations of the transferring Stockholder under this Agreement with respect to the transferred Shares). Notwithstanding the foregoing, in the event of any Transfer pursuant to this Section 3.2 the transferor and the Permitted Transferee(s) shall be jointly and severally liable as one Stockholder pursuant to this Agreement. The pledge of any Shares by a Stockholder shall be permitted only with the approval of the Board of Directors, in its sole discretion.

3.3 Offer for Sale; Notice of Proposed Sale. If any Stockholder (the "Transferring Party") desires to Transfer any of his Shares in any transaction other than pursuant to Section 3.2 of this Agreement, such Transferring Party shall first deliver written notice of such desire to do so (the "Notice") to the Company. The Notice shall specify: (i) the name and address of the party to which the Transferring Party proposes to Transfer the Shares (the "Offeror"), (ii) the number of Shares the Transferring Party proposes to Transfer (the "Shares Proposed for Transfer"), (iii) the consideration per Share offered by the Offeror to the Transferring Party for the proposed Transfer, and (iv) all other material terms and conditions of the proposed transaction. The Notice shall be accompanied by a copy of the offer from the Offeror to the Transferring Party or such other evidence of the offer that is reasonably satisfactory to the Company.

3.4 Option to Purchase.

(a) The Company shall have the option (the "Option") to purchase all but not less than all of the Shares Proposed for Transfer for the consideration per Share and on the terms and conditions specified in the Notice. The Option must be exercised no later than thirty (30) days after such Notice has been delivered (the "Option Period"). Such option shall be exercised by delivery of written notice to the Secretary of the Company.

(b) In the event the Company duly exercises its option to purchase the Shares Proposed for Transfer, the closing of such purchase shall take place at the offices of the Company on a single date agreed to between the Transferring Party and the Company, which date shall be not later than sixty (60) days after the expiration of the Option Period.

(c) To the extent that the consideration proposed to be paid by the Offeror for the Shares Proposed for Transfer consists of property other than cash or a promissory note, the consideration required to be paid by the Company upon exercise of the Option may consist of cash equal to the value of such property, as determined in good faith by agreement of the Transferring Party and the Company. In the event that the parties are not able to determine the value of such property, the value of such property shall be determined by a panel of three appraisers whose decision shall be final and binding on the parties hereto. The Transferring Party shall choose one appraiser; the Company shall choose the second appraiser; and the two so selected shall select and designate a third appraiser. The value of the property shall be equal to the average of the values determined by the three appraisers. The fees and expenses of all such appraisers shall be borne equally by the Transferring Party and by the Company.

3.5 Sale to Offeror; Closing. If the Company does not exercise the Option within the Option Period, then the option of the Company to purchase such Shares Proposed for Transfer, whether exercised or not, shall terminate and, subject to the provisions in Section 3.1, the Transferring Party may sell, on the terms and conditions set forth in the Notice, the Shares Proposed for Transfer to the Offeror, provided that (a) the transaction contemplated by the Notice shall be consummated not later than ninety (90) days after the expiration of the Option Period and (b) the Offeror agrees to be bound by the terms of this Agreement in the same capacity as the Transferring Party.

ARTICLE 4

CO-SALE

4.1 Co-Sale Rights. Upon the proposed occurrence of a Co-Sale Transaction, any one or more of the Stockholders may demand that the effectiveness of the Co-Sale Transaction be conditioned upon the right of each such Stockholder to sell to the Person acquiring Shares in the Co-Sale Transaction (the "Co-Sale Purchaser") all or any part of such Stockholder's Shares (a "Co-Sale"), provided that such Stockholder (an "Electing Co-Sale Stockholder") delivers written notice to the Stockholders transferring Shares in the Co-Sale Transaction (the "Transferring Co-Sale Stockholders") to the Co-Sale Purchaser of such demand stating the

number of Shares he so wishes to sell within forty-five (45) days after having received notice from the Transferring Co-Sale Stockholders that a proposed sale of Shares would constitute a Co-Sale Transaction. The price for such Stockholders' Shares shall be equal to the per Share price to be paid in the Co-Sale Transaction; provided, however, that the proceeds from the Co-Sale Transaction shall be reallocated among such Electing Co-Sale Stockholders and the Transferring Co-Sale Stockholders such that such Electing Co-Sale Stockholders and the Transferring Stockholders shall be entitled to receive such portion of the proceeds as if the proceeds had been distributed by the Company in complete liquidation pursuant to the rights and preferences set forth in the Certificate of Incorporation (the "Certificate") of the Company as in effect immediately prior to the entry into the first agreement entered into in connection with, and prior to, such Co-Sale Transaction (giving effect to applicable orders of priority). The closing of the Co-Sale shall take place concurrently with the sale by the Transferring Co-Sale Stockholders to the Co-Sale Purchaser. If the Co-Sale Purchaser is unwilling or unable to purchase all of the Shares such Stockholders desire to sell, neither the Company nor any Stockholders shall enter into the Co-Sale Transaction.

4.2 Treatment of Sale Proceeds. The proceeds of any sale made by any Transferring Co-Sale Stockholders without compliance with the provisions of Section 4.1 shall be deemed to be held in constructive trust in such amount as would have been due to the Stockholders desiring to sell Shares if the Transferring Co-Sale Stockholders had complied with this Agreement.

ARTICLE 5

DRAG-ALONG OBLIGATIONS

5.1 Generally.

(a) If requested by the holders of a majority of the outstanding Shares (the Stockholders constituting such majority are hereinafter referred to as the "Drag-Along Stockholders"), each of the other Stockholders (the "Participating Sellers") hereby agrees to sell all of his Shares to any other Person (the "Proposed Buyer") in the manner and on the terms set forth in this Article 5 in connection with the sale by the Drag-Along Stockholders to the Proposed Buyer of all of the Shares held by the Drag-Along Stockholders (a "Drag-Along Transaction").

(b) The obligations of the Stockholders pursuant to this Section 5.1 are subject to the satisfaction of the following conditions:

(i) upon the consummation of a Drag-Along Transaction, each of the Stockholders shall receive the same proportion of the aggregate consideration from such Drag-Along Transaction that such Stockholder would have received if such aggregate consideration had been distributed by the Company in complete liquidation pursuant to the rights and preferences set forth in the Certificate as in effect immediately prior to the entry into the first agreement entered into in connection with, and prior to, such Drag-Along Transaction (giving effect to applicable orders of priority);

(ii) subject to Section 5.3(b), if any Stockholders are given an option as to the form of consideration to be received, each other Stockholder shall be given the same option;

(iii) the Drag-Along Transaction must be a bona fide, arms' length transaction;

(iv) the Proposed Buyer must not be affiliated with any of the Drag-Along Stockholders, including without limitation, that the Proposed Buyer must not, directly or indirectly, be a shareholder, officer, director, partner, member or manager of any of the Drag-Along Stockholders, and the Proposed Buyer must not, directly or indirectly, control, be controlled by, or be under common control with, any of the Drag-Along Stockholders;

(v) if any Drag-Along Stockholder obtains in connection with the Drag-Along Transaction any contractual rights, such as registration rights, rights of co-sale, preemptive rights, and the like, each Participating Seller shall receive substantially commensurate contractual rights in connection with such Drag-Along Transaction;

(vi) no options, warrants or similar rights to acquire equity in the Proposed Buyer (or its parent) in the Drag-Along Transaction may be granted, issued or sold to any Drag-Along Stockholder unless granted, or issued to each Participating Seller on a pro rata basis (except for options granted to Drag-Along Stockholders who are employees of the Company), based on the proportion of outstanding Shares held by each Stockholder as of immediately prior to the consummation of the Drag-Along Transaction;

(vii) no Participating Seller shall be obligated to make any out-of-pocket expenditure prior to the consummation of the Drag-Along Transaction and no Participating Seller shall be obliged to pay more than such Participating Seller's pro rata share (based upon the amount of consideration received) of reasonable expenses incurred in connection with a consummated Drag-Along Transaction to the extent such costs are incurred for the benefit of all Stockholders and are not otherwise paid by the Company or the Proposed Buyer (costs incurred by or on behalf of a Stockholder for such Stockholder's sole benefit will not be considered costs of the transaction hereunder), provided that a Stockholder's liability for such expenses shall be limited to the total purchase price received by such Stockholder in such Drag-Along Transaction for such Stockholder's Shares;

(viii) in the event that the Stockholders are required to provide indemnification of the Proposed Buyer in connection with the Drag-Along Transaction, each Stockholder shall not be liable for more than such Stockholder's pro rata share (based upon the amount of consideration received) of any indemnification liability and such liability shall not exceed

the total purchase price or consideration received by such Stockholder for such Stockholder's Shares in such Drag-Along Transaction; and

(ix) each Stockholder shall only be obligated to make representations or warranties in any such Drag-Along Transaction as to such Stockholder's (A) title and ownership of the Shares to be sold by such Stockholder, (B) authorization, execution and delivery of relevant documents by such Stockholder, and (C) the enforceability of relevant documents against such Stockholder.

5.2 Notice. A "Drag-Along Notice" shall be delivered by a Stockholder who is a part of the Drag-Along Stockholders on behalf of all such Stockholders to the Participating Sellers. The Drag-Along Notice shall set forth the principal terms of the proposed Drag-Along Transaction insofar as it relates to the Shares, the purchase price, the name and address of the Proposed Buyer and the other principal terms of the proposed Drag-Along Transaction.

5.3 Closing.

(a) If the Drag-Along Stockholders consummate the Drag-Along Transaction, the Participating Sellers shall be bound and obligated to sell all of their Shares in the Drag-Along Transaction on the same terms and conditions (except as otherwise contemplated by Section 5.1(b)(i) and Section 5.3(b)) as the Drag-Along Stockholders sell their Shares. Subject to Section 5.1, the Stockholders agree that they will also take such actions and execute such documents and instruments as shall be necessary or desirable in order to consummate the Drag-Along Transaction expeditiously. If at the end of the one hundred eightieth (180th) day following the date of the Drag-Along Notice the Drag-Along Transaction has not been completed other than by reason of any failure of a Participating Seller to comply with its obligations under this Article 5, the Participating Sellers shall be released from their obligations under the Drag-Along Notice, the Drag-Along Notice shall be null and void, and it shall be necessary for a separate Drag-Along Notice to have been furnished and the terms and provisions of this Article 5 separately complied with, in order to consummate a Drag-Along Transaction pursuant to this Article 5.

(b) Notwithstanding any other provision of this Agreement, in the event the consideration to be paid in exchange for Shares in the proposed Drag-Along Transaction includes any securities and the receipt thereof by a Participating Seller which would require under applicable law (i) the registration or qualification of such securities or of any person as a broker or dealer or agent with respect to such securities or (ii) the provision to any participant in the Drag-Along Transaction of any information other than such information as would be required under Regulation D promulgated under the Securities Act in an offering made pursuant to said Regulation D solely to "accredited investors" as defined in Regulation D, the Stockholders constituting the Drag-Along Stockholders shall have no obligation to cause such Participating Seller to receive as to the Shares the same amount and kind of securities as the Drag-Along Stockholders to the extent of such receipt of securities, unless the Drag-Along Stockholders shall have elected to cause such

requirements to have been complied with to the extent necessary to permit such Participating Seller to receive such securities. The Participating Seller shall be entitled to receive, in lieu thereof, against surrender of the Shares (in accordance with Section 5.3(c)) which would have otherwise been transferred by such Participating Seller to the Proposed Buyer in the Drag-Along Transaction, an amount in cash equal to the fair market value of the securities which such Participating Seller would otherwise have received (as determined in good faith by the Board of Directors in its sole discretion). In the event such requirements have been complied with to the extent necessary to permit such Participating Seller to receive such securities, the Participating Seller shall execute such documents and instruments, and take such other actions (including without limitation, if required by the Drag-Along Stockholders, agreeing to be represented, without cost to the Participating Seller, during the course of such Drag-Along Transaction by a "purchaser representative" (as defined in Regulation D) in connection with evaluating the merits and risks of the prospective investment and acknowledging that he was so represented), as the Proposed Buyer or the Company shall reasonably request in order to permit such requirements to have been complied with; provided, however, that such actions shall not include any expenditure of funds by the Participating Seller, it being understood that payment by the Participating Seller of the fees and disbursements of any counsel the Participating Seller may elect to retain shall be deemed not to constitute a required expenditure of funds for purposes of this provision.

(c) At the closing of any Drag-Along Transaction under this Article 5, the Participating Sellers shall deliver the Shares to be sold by them, duly endorsed for transfer with signature guaranteed, free and clear of any liens, against delivery of the applicable purchase price.

ARTICLE 6

BOARD ELECTIONS

6.1 Until such time as Cédric François is no longer the owner of at least 5% of the outstanding Shares, the Stockholders agree to vote or act with respect to their Shares so as to elect him as a member of the Board of Directors.

6.2 Until such time as Alec Machiels is no longer the owner of at least 5% of the outstanding Shares, the Stockholders agree to vote or act with respect to their Shares so as to elect him as a member of the Board of Directors.

6.3 Until such time as HealthCare Ventures LLC is no longer the owner of at least 1,000,000 shares of Series 2007 Preferred Stock or of Common Stock issuable upon conversion of Series 2007 Preferred Stock, the Stockholders agree to vote or act with respect to their Shares so as to elect one representative of HealthCare Ventures LLC as a member of the Board of Directors.

ARTICLE 7

GENERAL PROVISIONS

7.1 Legends.

(a) The following legends shall appear on the back of any certificate for Shares issued by the Company to the Stockholders:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS (A) SUCH SHARES MAY BE OFFERED, SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED PURSUANT TO RULE 144 OR RULE 144A UNDER THE ACT OR (B) THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT COVERING SUCH OFFER, SALE, TRANSFER, ASSIGNMENT, PLEDGE OR HYPOTHECATION OR (C) THE COMPANY RECEIVES AN OPINION OF COUNSEL FOR THE HOLDER OF THESE SHARES, OR OTHER EVIDENCE SATISFACTORY TO THE COMPANY, STATING THAT SUCH OFFER, SALE, TRANSFER, ASSIGNMENT, PLEDGE OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF THE ACT.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF A STOCKHOLDERS AGREEMENT AMONG THE COMPANY AND CERTAIN OF ITS STOCKHOLDERS, AS THE SAME MAY BE AMENDED FROM TIME TO TIME. ANY PURCHASER, ASSIGNEE, TRANSFEREE, PLEDGEE OR OTHER SUCCESSOR TO ANY HOLDER HEREOF IS BOUND BY THE TERMS OF SUCH AGREEMENT, A COPY OF WHICH WILL BE MAILED, WITHOUT CHARGE, WITHIN FIVE (5) DAYS AFTER RECEIPT OF A WRITTEN REQUEST THEREFOR DIRECTED TO THE SECRETARY OF THE COMPANY.

(b) A legend substantially as set forth below shall appear on the back of any certificate for Shares issued to any person not a party to this Agreement:

THE COMPANY AND CERTAIN OF ITS STOCKHOLDERS HAVE ENTERED INTO A STOCKHOLDERS AGREEMENT THE TERMS OF WHICH MAY AFFECT THE RIGHTS OF STOCKHOLDERS NOT A PARTY THERETO. THE COMPANY WILL MAIL A COPY OF SUCH STOCKHOLDERS AGREEMENT TO ANY REGISTERED HOLDER OF ANY OF ITS CAPITAL STOCK, WITHOUT CHARGE, WITHIN FIVE (5) DAYS AFTER A WRITTEN REQUEST THEREFOR IS RECEIVED BY THE SECRETARY OF THE COMPANY.

7.2 Amendments. This Agreement may be amended (including amendments adding additional parties to this Agreement, which shall not be deemed to impose a new, or increase an existing, obligation of any party) only by an appropriate action of the Board of Directors and the written consent of a majority of the outstanding Shares, or, with respect to any amendment of

either Section 4.1 or Section 5.1(b)(i), the holders of a majority of the outstanding shares of Common Stock and the holders of a majority of the outstanding shares of Series 2006 and Series 2007 Preferred Stock voting together. Any amendment effected in accordance with this Section shall be binding upon each holder of any Shares on the date hereof, each future holder of Shares and the Company.

7.3 Effect of Agreement. This Agreement shall be binding upon and shall inure to the benefit of the Company and shall be binding upon and inure to the benefit of the other parties hereto and any person who acquires Shares from the Company or from a party hereto in accordance with the terms of this Agreement (including, without limitation, pursuant to the provisions of Article 3 of this Agreement). Unless approved by the Board, the Company shall not issue any certificate for Shares to any person until such person shall have first executed and delivered a copy of this Agreement. No party to this Agreement may assign any of its rights or delegate any of its duties under this Agreement except in connection with a transfer of its Shares which complies in all respects with the terms of this Agreement.

7.4 Governing Law. This Agreement shall in all respects be interpreted, construed and governed by and in accordance with the internal substantive law of the State of Delaware.

7.5 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall constitute the same Agreement.

7.6 Notices. All notices, elections and other communications pursuant to this Agreement shall be made in writing and sent to (a) the Company at its principal business address or (b) to any Stockholder at the address as shown on the books and records of the Company and shall be deemed to be received the second business day following deposit with an overnight mail or courier service, the date of receipt of electronic confirmation of receipt of an electronic facsimile message or one week after being sent by regular or certified mail, postage prepaid.

7.7 Entire Agreement. Except as expressly set forth herein or in an instrument in writing signed by the party to be bound thereby which makes reference to this Agreement, this Agreement embodies the entire agreement in relation to its subject matter, and supersedes all prior agreements and negotiations.

7.8 Severability. Each Section, Article and lesser section of this Agreement constitutes a separate and distinct undertaking, covenant and/or provision hereof. In the event that any provision of this Agreement shall finally be determined to be unlawful, all of such provision shall be deemed severed from this Agreement, but every other provision of this Agreement shall remain in full force and effect, and in substitution for any such provision held unlawful, there shall be substituted a provision of similar import reflecting the original intent of the parties hereto to the extent permissible under law.

7.9 Construction. The headings of the Articles and Sections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof. Unless otherwise specifically indicated, references in is Agreement to Articles, Sections, paragraphs and clauses refer to the Articles, Sections, paragraphs and clauses of this Agreement. All personal

pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, and the singular shall include the plural and vice versa.

7.10 Limited Proxy. Each Stockholder hereby grants to the Chief Executive Officer of the Company an irrevocable proxy, coupled with an interest, to vote all Shares owned by such Stockholder and to take such other actions to the extent necessary to carry out any of the provisions of this Agreement in the event of any breach by such Stockholder of his or her obligations thereunder.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties to this Agreement have executed this Agreement as of the date and year first above written.

COMPANY:

POTENTIA PHARMACEUTICALS, INC.,

a Delaware corporation

By: _____

Cédric François, as President and Chief Executive Officer

Address: 201 E. Jefferson Street
Suite 302
Louisville, KY 40202

SIGNATURE PAGE TO
STOCKHOLDERS AGREEMENT

STOCKHOLDERS:

By: _____
Cédric François, pursuant to the limited power of attorney granted by the persons listed on Exhibit A hereto

SIGNATURE PAGE TO
STOCKHOLDERS AGREEMENT

STOCKHOLDERS:

THE TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA

By: _____

Title: _____

SIGNATURE PAGE TO
STOCKHOLDERS AGREEMENT

STOCKHOLDERS:

HEALTH CARE VENTURES LLC

By: _____

Title: _____

EXHIBIT A

Stockholders

Name
HealthCare Ventures LLC
Cedric Francois
Pascal Deschatelets
Paul Olson
Bernard Darty
Alec Machiels
Robert Rothschild
MASA Life Science Ventures
Robert Scherer
David Darst Jr.
Frederick Whittemore
The Trustees of the University of Pennsylvania
Michael Gellert
Potentia Investors LLC
Ed Hajim
David Darst Sr.
Christophe Dubois
Reahard Investments LLC
Kia Joorabchian
Harold Snyder
KSTC
Michael Parekh
Barwald Overseas Limited
Marie-Claude Bernal
Annette & John Carroll
Robert Burch
Gabriel Coscas
Averell Mortimer
Jean-Luc Halconruy
Jean Machiels & Olga Machiels-Osterrieth
[Affiliates of EMBL]

EXHIBIT D

[Form of Apellis Stockholders Company Agreement]

STOCKHOLDERS AGREEMENT

by and among

APELLIS AG

and

THE PARTIES LISTED ON EXHIBIT A HERETO

Dated as of April 15, 2008

APELLIS AG

STOCKHOLDERS AGREEMENT

THIS STOCKHOLDERS AGREEMENT (this "Agreement") is entered into as of April 15, 2008, by and among Apellis AG, a Swiss *Aktiengesellschaft* (the "Company") and those individuals identified on Exhibit A hereto (individually, each a "Stockholder" and collectively, the "Stockholders").

RECITALS

WHEREAS, the Stockholders believe that it is in the best interest of the Company and the Stockholders to (i) provide limitations on certain transfers of Shares; (ii) provide for certain drag-along and co-sale rights and obligations of the Stockholders; (iii) provide for the election of certain persons as directors of the Company; and (iv) set forth their agreements on certain other matters;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

1.1 "Affiliate" means, with respect to any Person, any other Person who controls, is controlled by, or is under common control with, such Person.

1.2 "Board of Directors" means the board of directors (*Verwaltungsrat*) of the Company.

1.3 "Charter" shall mean the charter documents of the Company.

1.4 "Company" means Apellis AG, a Swiss *Aktiengesellschaft*, and its successors and assigns.

1.5 "Co-Sale" has that meaning set forth in Section 3.1 of this Agreement.

1.6 "Co-Sale Purchaser" has that meaning set forth in Section 3.1 of this Agreement.

1.7 "Co-Sale Transaction" means a transaction whereby a majority of the Shares become beneficially owned by a single Person (including Affiliates of such Person).

1.8 "Drag-Along Notice" has that meaning set forth in Section 4.2 of this Agreement.

1.9 "Drag-Along Stockholders" has that meaning set forth in Section 4.1 of this Agreement.

1.10 "Drag-Along Transaction" has that meaning set forth in Section 4.1 of this Agreement.

1.11 “Electing Co-Sale Purchaser” has that meaning set forth in Article 3.1 of this Agreement.

1.12 “Notice” has that meaning set forth in Section 2.3 of this Agreement.

1.13 “Offeror” has that meaning set forth in Section 2.3 of this Agreement.

1.14 “Option” has that meaning set forth in Section 2.4 of this Agreement.

1.15 “Option Period” has that meaning set forth in Section 2.4 of this Agreement.

1.16 “Participating Sellers” has that meaning set forth in Section 4.1 of this Agreement.

1.17 “Permitted Transferee” has that meaning set forth in Section 2.2 of this Agreement.

1.18 “Person” means any individual, limited liability company, partnership (general or limited), corporation, trust, estate, association, or other entity.

1.19 “Proposed Buyer” has that meaning set forth in Section 4.1 of this Agreement.

1.20 “Securities Act” means the Securities Act of 1933, as amended, or any similar Federal statute, and the rules and regulations of the Securities and Exchange Commission issued under such Act, as they each may, from time to time, be in effect.

1.21 “Stockholders” (*Aktionäre*) has that meaning set forth in the introductory paragraph of this Agreement.

1.22 “Shares” (*Aktien*) means shares of the Company.

1.23 “Shares Proposed for Transfer” has that meaning set forth in Section 2.3 of this Agreement.

1.24 “Subsidiary” means any entity 50% or more of whose securities are owned by the Company or as to which the Company has the right to elect a majority of the members of the board of directors or similar governing body.

1.25 “Transfer” means any sale, transfer or other disposition of any Shares, or of any interest in such Shares, whether voluntary or by operation of law.

1.26 “Transferring Co-Sale Stockholders” has that meaning set forth in Section 3.1 of this Agreement.

1.27 “Transferring Party” has that meaning set forth in Section 2.3 of this Agreement.

ARTICLE 2

RESTRICTIONS ON TRANSFER AND EXERCISE OF PRE-EMPTIVE RIGHTS

2.1 Restrictions on Transfer. Any Transfer of any of the Shares by a Stockholder, except as approved by the Board of Directors, shall be void and transfer no right, title or interest in or to any such Shares to the purported transferee. Moreover, the Board of Directors shall not approve any transfer unless and until the transferee shall have executed and delivered a counterpart of this Agreement.

2.2 Non-Exercise of Pre-Emptive Rights. The Stockholders agree not to exercise any preemptive rights that the Stockholders may have under Swiss corporate law, and to execute such consents or waivers with respect thereto, upon the request of the Board of Directors. For the purposes of interpreting the relevant provisions of Swiss corporate law, the Stockholders acknowledge that the term **"Important Reason" (*Wichtiger Grund*)** for the purposes of such non-exercise and waiver shall include the following, with respect to the particular contexts listed below:

(a) The need to provide appropriate incentives to the employees, officers, directors, consultants and advisers to the Company by the issuance of shares of Common Stock, or options exercisable therefor, issued or issuable to employees, officers or directors of, or consultants or advisers to, the Company pursuant to stock purchase or stock option plans or similar arrangements approved by the Board of Directors;

(b) The need to provide an equity component of consideration, with respect to securities issued or issuable in connection with a bona fide non-equity financing transaction (*e.g.* equipment financing arrangements and bank lines of credit) that is approved by the Board of Directors;

(c) The need to provide an equity component of acquisition consideration with respect to securities issued solely in consideration for the acquisition (whether by merger or otherwise) by the Company or any of its Subsidiaries of all or substantially all of the stock or assets of any other entity in a transaction that is approved by the Board of Directors; and

(d) The need to provide an equity component of consideration with respect to securities issued to a strategic partner in connection with a development, collaboration or other similar agreement that is approved by the Board of Directors.

ARTICLE 3

CO-SALE

3.1 Co-Sale Rights. Upon the proposed occurrence of a Co-Sale Transaction, any one or more of the Stockholders may demand that the effectiveness of the Co-Sale Transaction be conditioned upon the right of each such Stockholder to sell to the Person acquiring Shares in the Co-Sale Transaction (the "Co-Sale Purchaser") all or any part of such Stockholder's Shares (a

"Co-Sale"), provided that such Stockholder (an "Electing Co-Sale Stockholder") delivers written notice to the Stockholders transferring Shares in the Co-Sale Transaction (the "Transferring Co-Sale Stockholders") to the Co-Sale Purchaser of such demand stating the number of Shares he so wishes to sell within forty-five (45) days after having received notice from the Transferring Co-Sale Stockholders that a proposed sale of Shares would constitute a Co-Sale Transaction. The price for such Stockholders' Shares shall be equal to the per Share price to be paid in the Co-Sale Transaction; provided, however, that the proceeds from the Co-Sale Transaction shall be reallocated among such Electing Co-Sale Stockholders and the Transferring Co-Sale Stockholders such that such Electing Co-Sale Stockholders and the Transferring Stockholders shall be entitled to receive such portion of the proceeds as if the proceeds had been distributed by the Company in complete liquidation pursuant to the rights and preferences set forth in the Charter of the Company as in effect immediately prior to the entry into the first agreement entered into in connection with, and prior to, such Co-Sale Transaction (giving effect to applicable orders of priority). The closing of the Co-Sale shall take place concurrently with the sale by the Transferring Co-Sale Stockholders to the Co-Sale Purchaser. If the Co-Sale Purchaser is unwilling or unable to purchase all of the Shares such Stockholders desire to sell, neither the Company nor any Stockholders shall enter into the Co-Sale Transaction.

3.2 Treatment of Sale Proceeds. The proceeds of any sale made by any Transferring Co-Sale Stockholders without compliance with the provisions of Section 3.1 shall be deemed to be held in constructive trust in such amount as would have been due to the Stockholders desiring to sell Shares if the Transferring Co-Sale Stockholders had complied with this Agreement.

ARTICLE 4

DRAG-ALONG OBLIGATIONS

4.1 Generally.

(a) If requested by the holders of a majority of the outstanding Shares (the Stockholders constituting such majority are hereinafter referred to as the "Drag-Along Stockholders"), each of the other Stockholders (the "Participating Sellers") hereby agrees to sell all of his Shares to any other Person (the "Proposed Buyer") in the manner and on the terms set forth in this Article 4 in connection with the sale by the Drag-Along Stockholders to the Proposed Buyer of all of the Shares held by the Drag-Along Stockholders (a "Drag-Along Transaction").

(b) The obligations of the Stockholders pursuant to this Section 4.1 are subject to the satisfaction of the following conditions:

(i) upon the consummation of a Drag-Along Transaction, each of the Stockholders shall receive the same proportion of the aggregate consideration from such Drag-Along Transaction that such Stockholder would have received if such aggregate consideration had been distributed by the Company in complete liquidation pursuant to the rights and preferences set forth in the Charter as in effect immediately prior to the entry into the first agreement

entered into in connection with, and prior to, such Drag-Along Transaction (giving effect to applicable orders of priority);

(ii) subject to Section 4.3(b), if any Stockholders are given an option as to the form of consideration to be received, each other Stockholder shall be given the same option;

(iii) the Drag-Along Transaction must be a bona fide, arms' length transaction;

(iv) the Proposed Buyer must not be affiliated with any of the Drag-Along Stockholders, including without limitation, that the Proposed Buyer must not, directly or indirectly, be a shareholder, officer, director, partner, member or manager of any of the Drag-Along Stockholders, and the Proposed Buyer must not, directly or indirectly, control, be controlled by, or be under common control with, any of the Drag-Along Stockholders;

(v) if any Drag-Along Stockholder obtains in connection with the Drag-Along Transaction any contractual rights, such as registration rights, rights of co-sale, preemptive rights, and the like, each Participating Seller shall receive substantially commensurate contractual rights in connection with such Drag-Along Transaction;

(vi) no options, warrants or similar rights to acquire equity in the Proposed Buyer (or its parent) in the Drag-Along Transaction may be granted, issued or sold to any Drag-Along Stockholder unless granted, or issued to each Participating Seller on a pro rata basis (except for options granted to Drag-Along Stockholders who are employees of the Company), based on the proportion of outstanding Shares held by each Stockholder as of immediately prior to the consummation of the Drag-Along Transaction;

(vii) no Participating Seller shall be obligated to make any out-of-pocket expenditure prior to the consummation of the Drag-Along Transaction and no Participating Seller shall be obliged to pay more than such Participating Seller's pro rata share (based upon the amount of consideration received) of reasonable expenses incurred in connection with a consummated Drag-Along Transaction to the extent such costs are incurred for the benefit of all Stockholders and are not otherwise paid by the Company or the Proposed Buyer (costs incurred by or on behalf of a Stockholder for such Stockholder's sole benefit will not be considered costs of the transaction hereunder), provided that a Stockholder's liability for such expenses shall be limited to the total purchase price received by such Stockholder in such Drag-Along Transaction for such Stockholder's Shares;

(viii) in the event that the Stockholders are required to provide indemnification of the Proposed Buyer in connection with the Drag-Along Transaction, each Stockholder shall not be liable for more than such

Stockholder's pro rata share (based upon the amount of consideration received) of any indemnification liability and such liability shall not exceed the total purchase price or consideration received by such Stockholder for such Stockholder's Shares in such Drag-Along Transaction; and

(ix) each Stockholder shall only be obligated to make representations or warranties in any such Drag-Along Transaction as to such Stockholder's (A) title and ownership of the Shares to be sold by such Stockholder, (B) authorization, execution and delivery of relevant documents by such Stockholder, and (C) the enforceability of relevant documents against such Stockholder.

4.2 Notice. A "Drag-Along Notice" shall be delivered by a Stockholder who is a part of the Drag-Along Stockholders on behalf of all such Stockholders to the Participating Sellers. The Drag-Along Notice shall set forth the principal terms of the proposed Drag-Along Transaction insofar as it relates to the Shares, the purchase price, the name and address of the Proposed Buyer and the other principal terms of the proposed Drag-Along Transaction.

4.3 Closing.

(a) If the Drag-Along Stockholders consummate the Drag-Along Transaction, the Participating Sellers shall be bound and obligated to sell all of their Shares in the Drag-Along Transaction on the same terms and conditions (except as otherwise contemplated by Section 4.1(b)(i) and Section 4.3(b)) as the Drag-Along Stockholders sell their Shares. Subject to Section 4.1, the Stockholders agree that they will also take such actions and execute such documents and instruments as shall be necessary or desirable in order to consummate the Drag-Along Transaction expeditiously. If at the end of the one hundred eightieth (180th) day following the date of the Drag-Along Notice the Drag-Along Transaction has not been completed other than by reason of any failure of a Participating Seller to comply with its obligations under this Article 4, the Participating Sellers shall be released from their obligations under the Drag-Along Notice, the Drag-Along Notice shall be null and void, and it shall be necessary for a separate Drag-Along Notice to have been furnished and the terms and provisions of this Article 4 separately complied with, in order to consummate a Drag-Along Transaction pursuant to this Article 4.

(b) Notwithstanding any other provision of this Agreement, in the event the consideration to be paid in exchange for Shares in the proposed Drag-Along Transaction includes any securities and the receipt thereof by a Participating Seller which would require under applicable law (i) the registration or qualification of such securities or of any person as a broker or dealer or agent with respect to such securities or (ii) the provision to any participant in the Drag-Along Transaction of any information other than such information as would be required under Regulation D promulgated under the Securities Act in an offering made pursuant to said Regulation D solely to "accredited investors" as defined in Regulation D, the Stockholders constituting the Drag-Along Stockholders shall have no obligation to cause such Participating Seller to receive as to the Shares the same amount and kind

of securities as the Drag-Along Stockholders to the extent of such receipt of securities, unless the Drag-Along Stockholders shall have elected to cause such requirements to have been complied with to the extent necessary to permit such Participating Seller to receive such securities. The Participating Seller shall be entitled to receive, in lieu thereof, against surrender of the Shares (in accordance with Section 4.3(c)) which would have otherwise been transferred by such Participating Seller to the Proposed Buyer in the Drag-Along Transaction, an amount in cash equal to the fair market value of the securities which such Participating Seller would otherwise have received (as determined in good faith by the Board of Directors in its sole discretion). In the event such requirements have been complied with to the extent necessary to permit such Participating Seller to receive such securities, the Participating Seller shall execute such documents and instruments, and take such other actions (including without limitation, if required by the Drag-Along Stockholders, agreeing to be represented, without cost to the Participating Seller, during the course of such Drag-Along Transaction by a "purchaser representative" (as defined in Regulation D) in connection with evaluating the merits and risks of the prospective investment and acknowledging that he was so represented), as the Proposed Buyer or the Company shall reasonably request in order to permit such requirements to have been complied with; provided, however, that such actions shall not include any expenditure of funds by the Participating Seller, it being understood that payment by the Participating Seller of the fees and disbursements of any counsel the Participating Seller may elect to retain shall be deemed not to constitute a required expenditure of funds for purposes of this provision.

(c) At the closing of any Drag-Along Transaction under this Article 4, the Participating Sellers shall deliver the Shares to be sold by them, duly endorsed for transfer with signature guaranteed, free and clear of any liens, against delivery of the applicable purchase price.

ARTICLE 5

BOARD ELECTIONS

5.1 Until such time as Cédric François is no longer the owner of at least 5% of the outstanding Shares, the Stockholders agree to vote or act with respect to their Shares so as to elect him as a member of the Board of Directors.

5.2 Until such time as Pascal Deschatelets is no longer the owner of at least 5% of the outstanding Shares, the Stockholders agree to vote or act with respect to their Shares so as to elect him as a member of the Board of Directors.

5.3 Until such time as Alec Machiels is no longer the owner of at least 5% of the outstanding Shares, the Stockholders agree to vote or act with respect to their Shares so as to elect him as a member of the Board of Directors.

ARTICLE 6

GENERAL PROVISIONS

6.1 Legends.

(a) The following legends shall appear on the back of any certificate for Shares issued by the Company to the Stockholders:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS (A) SUCH SHARES MAY BE OFFERED, SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED PURSUANT TO RULE 144 OR RULE 144A UNDER THE ACT OR (B) THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT COVERING SUCH OFFER, SALE, TRANSFER, ASSIGNMENT, PLEDGE OR HYPOTHECATION OR (C) THE COMPANY RECEIVES AN OPINION OF COUNSEL FOR THE HOLDER OF THESE SHARES, OR OTHER EVIDENCE SATISFACTORY TO THE COMPANY, STATING THAT SUCH OFFER, SALE, TRANSFER, ASSIGNMENT, PLEDGE OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF THE ACT.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS OF A STOCKHOLDERS AGREEMENT AMONG THE COMPANY AND CERTAIN OF ITS STOCKHOLDERS, AS THE SAME MAY BE AMENDED FROM TIME TO TIME. ANY PURCHASER, ASSIGNEE, TRANSFEREE, PLEDGEE OR OTHER SUCCESSOR TO ANY HOLDER HEREOF IS BOUND BY THE TERMS OF SUCH AGREEMENT, A COPY OF WHICH WILL BE MAILED, WITHOUT CHARGE, WITHIN FIVE (5) DAYS AFTER RECEIPT OF A WRITTEN REQUEST THEREFOR DIRECTED TO THE SECRETARY OF THE COMPANY.

(b) A legend substantially as set forth below shall appear on the back of any certificate for Shares issued to any person not a party to this Agreement:

THE COMPANY AND CERTAIN OF ITS STOCKHOLDERS HAVE ENTERED INTO A STOCKHOLDERS AGREEMENT THE TERMS OF WHICH MAY AFFECT THE RIGHTS OF STOCKHOLDERS NOT A PARTY THERETO. THE COMPANY WILL MAIL A COPY OF SUCH STOCKHOLDERS AGREEMENT TO ANY REGISTERED HOLDER OF ANY OF ITS CAPITAL STOCK, WITHOUT CHARGE, WITHIN FIVE (5) DAYS AFTER A WRITTEN REQUEST THEREFOR IS RECEIVED BY THE SECRETARY OF THE COMPANY.

6.2 Amendments. This Agreement may be amended, (including amendments adding additional parties to this Agreement, which shall not be deemed to impose a new, or increase an existing, obligation of any party) only by an appropriate action of the Board of Directors and the written consent of a majority of the outstanding Shares, or, with respect to any amendment of

either Section 3.1 or Section 4.1(b)(i), the holders of a majority of the outstanding Shares. Any amendment effected in accordance with this Section shall be binding upon each holder of any Shares on the date hereof, each future holder of Shares, and the Company.

6.3 Effect of Agreement. This Agreement shall be binding upon and shall inure to the benefit of the Company and shall be binding upon and inure to the benefit of the other parties hereto and any person who acquires Shares from the Company or from a party hereto in accordance with the terms of this Agreement (including, without limitation, pursuant to the provisions of Article 2 of this Agreement). Unless approved by the Board, the Company shall not issue any certificate for Shares to any person until such person shall have first executed and delivered a copy of this Agreement. No party to this Agreement may assign any of its rights or delegate any of its duties under this Agreement except in connection with a transfer of its Shares which complies in all respects with the terms of this Agreement.

6.4 Governing Law. This Agreement shall in all respects be interpreted, construed and governed by and in accordance with the internal substantive law of the State of Delaware.

6.5 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall constitute the same Agreement.

6.6 Notices. All notices, elections and other communications pursuant to this Agreement shall be made in writing and sent to (a) the Company at its principal business address or (b) to any Stockholder at the address as shown on the books and records of the Company and shall be deemed to be received the second business day following deposit with an overnight mail or courier service, the date of receipt of electronic confirmation of receipt of an electronic facsimile message or one week after being sent by regular or certified mail, postage prepaid.

6.7 Entire Agreement. Except as expressly set forth herein or in an instrument in writing signed by the party to be bound thereby which makes reference to this Agreement, this Agreement embodies the entire agreement in relation to its subject matter, and supersedes all prior agreements and negotiations.

6.8 Severability. Each Section, Article and lesser section of this Agreement constitutes a separate and distinct undertaking, covenant and/or provision hereof. In the event that any provision of this Agreement shall finally be determined to be unlawful, all of such provision shall be deemed severed from this Agreement, but every other provision of this Agreement shall remain in full force and effect, and in substitution for any such provision held unlawful, there shall be substituted a provision of similar import reflecting the original intent of the parties hereto to the extent permissible under law.

6.9 Construction. The headings of the Articles and Sections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part hereof. Unless otherwise specifically indicated, references in is Agreement to Articles, Sections, paragraphs and clauses refer to the Articles, Sections, paragraphs and clauses of this Agreement. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, and the singular shall include the plural and vice versa.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties to this Agreement have executed this Agreement as of the date and year first above written.

"Company"

APELLIS AG,
a Swiss *Aktiengesellschaft*

By: _____
Cédric François, as Managing Director (*Delegierter*)

Address:

201 E. Jefferson Street, Suite 312
Louisville, Kentucky 40202

SIGNATURE PAGE TO
STOCKHOLDERS AGREEMENT

"Stockholders"

By: _____
Name: _____
Title: _____

EXHIBIT A

Stockholders

HealthCare Ventures VIII, L.P.
Cedric Francois
Pascal Deschatelets
Paul Olson
Bernard Darty
Alec Machiels
Robert Rothschild
MASA Life Science Ventures
Robert Scherer
David Darst Jr.
Frederick Whittemore
The Trustees of the University of Pennsylvania
Michael Gellert
Potentia Investors LLC
Ed Hajim
David Darst Sr.
Christophe Dubois
Reahard Investments LLC
Kia Joorabchian
Harold Snyder
The Kentucky Science and Technology Corporation
Michael Parekh
Barwald Overseas Limited
Marie-Claude Bernal
Annette & John Carroll
Robert Burch
Gabriel Coscas
Averell Mortimer
Jean-Luc Halconruy
Jean Machiels & Olga Machiels-Osterrieth
EMBL Verwaltungs Ventures GmbH

EXHIBIT E

Format of Royalty Report

Center for Technology Transfer
University of Pennsylvania
Royalty Report

Licensee: _____ Agreement: _____
Inventor: _____ Patent #: _____
Period Covered: From: _____/_____/_____ Through: _____/_____ /_____
Prepared By: _____ Date: _____
Approved By: _____ Date: _____

If License covers several major product lines, please prepare a separate for each line. Then combine all product lines into a summary report.

Report Type: ☐ Single Product Line Report:
☐ Multi-product Summary Report: Page 1 of___ Pages
☐ Product Line Detail: Line:_____Trade name: _____Page:_____
Report Currency: ☐ U.S. Dollars ☐ Other _____

Country	Gross Sales	*Less: Allowances	Net Sales	Royalty Rate	Period Royalty Amount	
					This Year	Last Year
U.S.A.						
Canada						
Europe						
Japan						
Other						
Total:						

Total Royalty: _____ Conversion Rate: _____ Royalty in U.S. Dollars $ _____

The following royalty forecast is non-binding and for CTT internal planning purposes only: Royalty Forecast Under this agreement: Next Quarter: _____ Q2: _____ Q3: _____ Q4: _____

Exhibit F

Form of Patent Management Agreement

Execution Copy

PATENT MANAGEMENT AGREEMENT

The Trustees of the University of Pennsylvania ("Penn"), a Pennsylvania non-profit corporation doing business at 3160 Chestnut Street, Suite 200, Philadelphia, PA 19104-6283; and ("Company"), a corporation doing business at , have entered into a License Agreement with respect to certain inventions which are the subject of the patent applications and patents listed in Appendix A hereto, including any continuations, divisions, extensions thereof, and any foreign counterpart patents, applications, or registrations ("Patent Rights").

Penn has retained the services of ("Law Firm") with offices at to prepare, file and prosecute the pending patent applications constituting the Patent Rights and to maintain the patents that issue thereon.

Penn, Company and Law Firm, intending to formalize their business relationships, agree as follows:

1. Penn is the owner of the Patent Rights.

2. Company is the licensee of Penn's interest in the Patent Rights.

3. Penn shall maintain an attorney-client relationship with Law Firm in furtherance of efforts to secure and maintain the Patent Rights.

4. Law Firm will interact directly Company on all patent prosecution and patent maintenance matters related to the Patent Rights and will copy Penn on all correspondence related thereto. Company and Law Firm agree to use all reasonable efforts to notify Penn in writing at least thirty (30) days prior to the due date or deadline for any action which could adversely affect the pending status of any patent application within the Patent Rights, the maintenance of any granted patent within the Patent Rights. Penn's right to file any continuing application or foreign counterpart application based on the Patent Rights, or the breadth of any claim within the Patent Rights, In any case, Company shall give Penn written notice of any final decision regarding the action to be taken on such matters prior to instructing Law Firm to implement the decision. Penn reserves the right to countermand any instruction given by Company to Law Firm.

5. Law Finn's legal services relating to the Patent Rights will be performed on behalf of Penn. Law Firm will invoice Penn for all such services. Company will reimburse Penn for all such services within thirty (30) days of Company's receipt of Penn's invoice for such services.

6. To clarify each party's position with regard to prosecution and maintenance of the Patent Rights, Company will notify Law Firm in writing of all decisions to authorize the performance of any desired service(s), which shall be subject to Penn's right to countermand, as provided in paragraph 4, above. In the event Penn countermands any decision or instruction of Company, such countermand shall be promptly communicated in writing to Law Firm.

7. This agreement represents the complete understanding of each of the undersigned parties as to the arrangements defined herein. Additions or deletions of dockets identified m Appendix A will become effective only by written addendum to Appendix A. All such additions or deletions of individual patents or applications filed in the US, or as foreign counterparts thereof are considered to be within the terms of this Patent Management Agreement.

8. Notices and copies of all correspondence relating to the Patent Rights should be sent to the following:

To PENN:

Center for Technology Transfer
University of Pennsylvania
3160 Chestnut Street, Suite 200
Philadelphia, PA 19104-6283
Attn: Director, Intellectual Property

To COMPANY:

To Law Firm:

ACCEPTED AND AGREED TO:

THE TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA

By: _____
Name: _____
Title: _____
Date _____

COMPANY

By: _____
Name: _____
Title _____
Date: _____

LAW FIRM

By: _____
Name: _____
Title: _____

Appendix A

COMPANY LICENSED TECHNOLOGIES

PENN Docket Number	Title	Patent Numbers

Execution Copy

AMENDMENT TO

PATENT LICENSE AGREEMENT

This Amendment to the Patent License Agreement (this "Amendment") is dated as of September 11, 2009 (the "Amendment Execution Date") by and between The Trustees of the University of Pennsylvania, a Pennsylvania nonprofit corporation ("Penn"), and Apellis AG, a company organized and existing under the laws of Switzerland ("Company"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Patent License Agreement (the "Agreement") entered into as of March 28, 2008 (the "Agreement Effective Date"), by and between Penn and Company.

WHEREAS, under the Agreement, Penn has licensed to Company rights to develop and commercialize Licensed Products and Other Licensed Products in fields other than the Ophthalmic Field;

WHEREAS, under a separate license agreement with Potentia Pharmaceuticals, Inc., Penn has licensed to Potentia rights to develop and commercialize Licensed Products and Other Licensed Products in the Ophthalmic Field;

WHEREAS, Company and Potentia, and/or the shareholders of Company and/or Potentia, may enter into transactions with a Large Pharmaceutical Company in which rights to develop and commercialize Licensed Products and Other Licensed Products in one or more fields are granted or transferred (including without limitation by way of sublicense, merger, stock purchase or assignment of assets) to the Large Pharmaceutical Company (a "Qualified Transaction");

WHEREAS, whether or not a Qualified Transaction occurs, Company and Penn each recognize that Company or the Large Pharmaceutical Company to which Company or Potentia grants or transfers rights in a Qualified Transaction may desire to make decisions regarding such development and commercialization in fields other than the Ophthalmic Field based, *inter alia*, on information regarding the development and commercialization of Licensed Products and Other Licensed Products in the Ophthalmic Field once such information becomes better developed; and

WHEREAS, Penn has determined that, pursuant to the terms set forth in this Amendment, providing Company with additional flexibility regarding the development and commercialization of Licensed Products and Other Licensed Products in fields other than the Ophthalmic Field is in the best interest of Penn and is consistent with its educational and research missions and goals;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the parties hereto, intending to be legally bound, hereby agree as follows:

1. The table set forth in Section 2.3 of the Agreement is hereby amended and restated in its entirety to read as follows:

	DILIGENCE EVENT	COMPLETION DATE
1	Filing of IND or IND Amendment for Phase I clinical trial for the first Licensed Product	December 1, 2012
2	[**]	[**]
3	[**]	[**]
4	[**]	[**]
5	[**]	[**]

2. Section 2.4(c) of the Agreement is hereby amended and restated in its entirety to read as follows:

‘‘Notwithstanding anything else herein, if (A) (i) Company sublicenses rights to develop and commercialize Licensed Products and/or Other Licensed Products to a Large Pharmaceutical Company in one or more fields of use at any time after the Effective Date or (ii) Potentia sublicenses rights granted to Potentia under the Potentia License Agreement to develop and commercialize Licensed Products and/or Other Licensed Products to a Large Pharmaceutical Company in the Ophthalmic Field at any time after the Effective Date, and (B) the terms under which such transfer occurs requires satisfaction of the obligations set forth in Section 2.3 of the Agreement with respect to at least one Key Field or requires satisfaction of the obligations set forth in Section 2.3 of the Potentia License Agreement with respect to the Ophthalmic Field, either by the Large Pharmaceutical Company’s efforts and/or by the efforts of Company, Potentia, their respective Affiliates and any other sublicensees, if applicable, and (C) Penn receives aggregate payments of the percentage of Sublicense Income payable to Penn pursuant to this Agreement and/or pursuant to the Potentia License Agreement, within [**] of the Amendment Execution Date, which aggregate payments to Penn equal or exceed $[**], then the Active Development obligations set forth in Sections 1.2 and 2.4 (a) and (b) shall not apply with respect to any Key Fields, whether or not licensed to such Large Pharmaceutical Company. For clarity, nothing in this Section 2.4(c) shall affect any diligence obligations of Company under this Agreement other than the Active Development obligations set forth in Sections 1.2 and 2.4 (a) and (b). In addition, Company will provide to Penn an update on development efforts at least every [**] (for clarity, a [**] update of the type provided by Potentia under the Potentia License Agreement prior to September 1, 2009 would satisfy this requirement). “Large Pharmaceutical Company” means a company in the business of developing and commercializing pharmaceuticals that has, together with its affiliates, a market value or, in the case of a publicly traded company, market capitalization, of at least $[**].”

3. The following new Section 2.5 is hereby inserted into the Agreement immediately following Section 2.4 of the Agreement:

“2.5 Adjustment of Diligence Obligations in Certain Circumstances.

A. Company’s obligations under Sections 2.1 through 2.4 shall be suspended and deemed satisfied only under the following circumstances:

(a) Sublicense Scenario #1. Following a Qualified Transaction(s) in which Sublicense Income is received by Company and/or Potentia, Company and/or Potentia pays to Penn, within [**] days of receipt of any such Sublicense Income, the percentage of such Sublicense Income payable to Penn pursuant to this Agreement and/or pursuant to the Potentia License Agreement and the aggregate of all such amounts paid to Penn on or prior to April 1, 2011 equals or exceeds $[**]; or

(b) Sublicense Scenario #2. Following a Qualified Transaction(s) in which Sublicense Income is received by Company and/or Potentia, Company and/or Potentia pays to Penn (i) within [**] days of receipt of any such Sublicense Income, the percentage of such Sublicense Income payable to Penn pursuant to this Agreement and/or pursuant to the Potentia License Agreement, the sum of which is less than $[**], plus (ii) Deficit Payment(s) that, when aggregated with any and all payments made to Penn pursuant to the foregoing clause (i), equals or exceeds $[**]; provided that the first $[**] of such Deficit Payment(s) shall be treated as an advance against subsequent Penn Equity Payments (as defined below) otherwise payable to Penn, if any, and shall be offset against and deemed to fully satisfy the first $[**] of any such subsequent Penn Equity Payments otherwise payable to Penn; or

(c) Earn-Out Scenario. Following a Qualified Transaction(s) in which Sublicense Income is not received by either Company or Potentia, but in which Company and/or Potentia and/or their shareholders receive acquisition consideration payments (including without limitation in a merger, stock purchase or assignment of assets transaction), Penn receives a minimum of (i) $[**] in cash on or within [**] days after the first installment of such payments (which $ [**] may be satisfied through a combination of Penn Equity Payments paid to Penn on account of such first installment and any Deficit Payment(s) paid to Penn during such period), plus (ii) if the payment(s) made to Penn described in the foregoing clause (i) aggregate to less than $[**], additional Penn Equity Payment(s) and Deficit Payment(s) on or before April 1, 2011 that, when aggregated with the payments made to Penn described in the foregoing clause (i), bring the aggregate payments made to Penn pursuant to the foregoing clause (i) and this clause (ii) to $[**] or more: provided that, to the extent that Company and/or Potentia has paid to Penn Deficit Payment(s) pursuant to the foregoing clauses (i) and/or (ii), then the first $[**] of such Deficit Payments shall be treated as an advance against Penn Equity Payments otherwise payable to Penn following the satisfaction of the condition set forth in this Section 2.5(A)(c), if any, and shall be offset against and deemed to fully satisfy the first $[**] of any such subsequent Penn Equity Payments otherwise payable to Penn.

"*Penn Equity Payments*" means all dividends, distributions and cash consideration paid to Penn in its capacity as a shareholder of Potentia, after the Amendment Execution Date, in respect of the shares of common stock of Potentia issued to Penn pursuant to this Agreement or pursuant to the Potentia License Agreement (including without limitation any cash consideration paid to Penn in respect of such shares in connection with an acquisition of all or substantially all of the equity securities or assets of Potentia, including without limitation through a reorganization, merger or consolidation, by any third party, whether in one, or a series of, transactions.

"*Deficit Payments*" means any and all payment(s) voluntarily made by Company and/or Potentia to Penn on or prior to April 1, 2011, excluding any Penn Equity Payment and further excluding any payments owed or payable to Penn pursuant to a legal obligation, including without limitation, payments required under this Agreement or the Potentia License Agreement or any other agreement between Company or Potentia and Penn.

Notwithstanding the foregoing, if the Potentia License Agreement is terminated pursuant to Section 6.2 or 6.3 of the Potentia License Agreement (i) prior to April 1, 2011, then Company's obligations under Sections 2.1 through 2.4 shall be reinstated as of April 1, 2011 and the Parties shall in good faith negotiate amendments to the dates for Active Development required pursuant to Section 2.4 to provide Company with a reasonable opportunity to resume performance of Company's obligations in full compliance with this Article 2, as so amended or (ii) after April 1, 2011, then Company's obligations under Sections 2.1 through 2.4 shall be reinstated and the Parties shall in good faith negotiate amendments to the dates in Sections 2.1 through 2.4 to provide Company with a reasonable opportunity to resume performance of Company's obligations in full compliance with this Article 2, as so amended.

For the sake of clarity, to the extent that Deficit Payment(s) are offset against subsequent Penn Equity Payments pursuant to this Section 2.5(A), such offset amounts shall either be allocated to other holders of Potentia's equity securities in accordance with their rights to receive dividends, distributions and cash consideration payable to holders of Potential equity securities or be retained by Potentia, as determined by Potentia.

For the additional sake of clarity, payments under this Section 2.5(A) do not affect Company's obligations to pay Milestone Payments under Section 3.3 of this Agreement or Section 3.3 of the Potentia License Agreement, and in no event are Milestone Payments under Section 3.3 of this Agreement or Section 3.3 of the Potentia License Agreement counted or included in payments under this Section 2.5(A).

B. Notwithstanding anything herein to the contrary, during such time as Company's obligations pursuant to Sections 2.1 through 2.4 are suspended and or deemed satisfied, Company shall nonetheless provide to Penn by [**] of each year a basic report of Company's development activities related to Licensed Products in the Field of Use and shall, at Penn's request, provide to Penn such other information as may be necessary for Penn to comply with Federal reporting requirements applicable to intellectual property funded under any grant or similar contract with a Federal agency, including those in 35 U.S.C. 200-212 and applicable governmental implementing regulations as amended from time to time, including the obligation to report on the utilization of the intellectual property that is the subject of the Patent Rights, as set forth in 37 CFR. § 401.14(h), and all applicable provisions of any license to the United States Government executed by Penn."

4. The following new Section 3.3(e) is hereby inserted into the Agreement immediately following Section 3.3(d) of the Agreement:

"(e) For the avoidance of doubt, the milestone payments set forth in this Section 3.3 are payable with respect to the achievement of the corresponding milestone events with

respect to Licensed Products in the Field of Use. The achievement of any of such milestone events with respect to Licensed Products in the Ophthalmic Field pursuant to rights granted in the Potentia License Agreement shall not trigger any payment obligation under this Section 3.3, provided that nothing in this Section 3.3(e) shall limit Potentia's obligations to pay Milestone Payments (as defined in the Potentia License Agreement) pursuant to the Potentia License Agreement."

5. The following new sentence is hereby inserted into the Agreement at the end of Section 3.4 of the Agreement:

"Royalty amounts otherwise payable under this Section 3.4 shall not be payable with respect to Net Sales of Licensed Products or Other Licensed Products in the Ophthalmic Field made pursuant to the Potentia License Agreement, provided that nothing in this Section 3.3(e) shall limit Potentia's obligation to pay royalties pursuant to the Potentia License Agreement with respect to such Net Sales."

6. The first sentence of Section 3,7 of the Agreement is hereby amended and restated in its entirety to read as follows:

"Subject to Section 3.3(c), in partial consideration of the License, Company will pay to Penn, within [**] days of receipt, a sublicense fee of [**] percent ([**]%) of all Sublicense Income (as hereinafter defined) received by Company and its Affiliates from any non-Affiliate sublicensee for a sublicense under the License, provided that Company will also promptly report to Penn Company's receipt of Sublicense Income, using reasonable efforts to do so within [**] business days of receipt, and further provided that failure to so report will not be deemed a material breach of this Agreement."

7. The following new sentence is hereby inserted into the Agreement at the end of Section 3.7 of the Agreement:

"Amounts otherwise payable under this Section 3.7 shall not be payable with respect to Sublicense Income for which sublicense fees are paid to Penn pursuant to the Potentia License Agreement."

8. Effectiveness of Amendment. This Amendment will take effect upon the Amendment Execution Date; provided that, if a Qualified Transaction does not take place within [**] months of the Amendment Execution Date, (a) the amendments to Section 2.4(c) of the Agreement made by Paragraph 2 above, (b) the provisions of Section 2.5(A) inserted into the Agreement by Paragraph 3 above and (c) the amendments to Section 3.7 of the Agreement made by Paragraph 6 above, shall all be null and void.

9. Miscellaneous. The parties hereby confirm and agree that, as amended hereby, the Agreement remains in full force and effect and is a binding obligation of the parties hereto. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their duly authorized representatives.

THE TRUSTEE OF THE UNIVERSITY OF PENNSYLVANIA

By: /s/ Michael J. Cleare
Name: Michael J. Cleare, Ph.D.
Title: Associate Vice Provost for Research and
Executive Director, Center for Technology Transfer

APELLIS AG

By /s/ Cedric Francois
Name: Cedric Francois
Title: Managing Director

UNIVERSITY OF PENNSYLVANIA
ASSIGNMENT AND ASSUMPTION AGREEMENT
Signature Page

LICENSEE CONTACT INFORMATION		
Company full legal name and notice address: Apellis AG c/o Apellis Pharmaceuticals, Inc. 6400 Westwind Way, Suite A Crestwood, KY 40014		*Company primary phone number:* 502-241-4114 *Company primary fax number:* *502-241-4116*
Company contact name: Cedric Francois, M.D. Ph.D.	*Contact title:* Managing Officer	*Contact phone number:* *502-241-4114*

ASSIGNEE CONTACT INFORMATION		
Company full legal name and notice address: Apellis Pharmaceuticals, Inc. 6400 Westwind Way, Suite A Crestwood, KY 40014		*Company primary phone number:* 502-241-4114 *Company primary fax number:* 502-241-4116
Company contact name: Pascal Deschatelets	*Contact title:* Chief Operating Officer	*Contact phone number:* 502-241-4114

PENN CONTACT INFORMATION		
Penn notice address: University of Pennsylvania Center for Technology Transfer 3160 Chestnut Street, Suite 200 Philadelphia, PA 19104-6283 Attention: Managing Director		*Penn primary phone number:* 215-573-4500 *Penn primary fax number:* 215-898-9519
Penn Investigator name: John Lambris	*Penn department:* Pathology and Laboratory Medicine	*Investigator phone number:* [**]

PATENT LICENSE AGREEMENT	
Patent/Docket Numbers: [**]	*Effective Date of License:* March 28, 2008
Field of Use: Any or all fields of use, except the treatment of ophthalmic indications ("Ophthalmic Field") which field has been previously licensed by Penn.	*Amendments/Effective Dates:* Amendment to Patent License Agreement dated September 11, 2009

EFFECTIVE DATE OF ASSIGNMENT	
Background: Assignee, a Delaware corporation, has completed a reorganization through which Licensor, a Swiss corporation, has become the wholly-owned subsidiary of Assignee. Assignee intends to transfer all contracts from Licensee, including the License Agreement, to Assignee and then to dissolve Licensee.	*Effective Date of Assignment:* May 17, 2011

SIGNATURES

This Agreement includes this Signature Page and all of the attached Terms and Conditions. By signing below, Licensee Assignee and Penn agree to all of the provisions of this Agreement and intend to be bound hereby.

LICENSEE	**ASSIGNEE**	**THE TRUSTEES OF THE UNIVERSITY OF PENNSYLVANIA**
By: /s/ Cedric Francois (*please sign*)	By: /s/ Cedric Francois (*please sign*)	By: /s/ Michael Cleare, Ph.D. (*please sign*)
Name: Cedric Francois (*please print*)	Name: Cedric Francois (*please print*)	Name: Michael Cleare, Ph.D. (*please print*)
Title: President (*please print*)	Title: President (*please print*)	Title: Associate Vice Provost for Research and Executive Director, Center for Technology Transfer (*please print*)
Date: May 22, 2011	Date: May 22, 2011	Date: 6/13/11

Assignment and Assumption Agreement

Terms and Conditions

This **Assignment and Assumption Agreement** ("**Assignment Agreement**") is entered into by and between, Licensee, Assignee and Penn to be effective as of the Effective Date (as defined in Section 3 below).

1. Defined Terms. Capitalized terms used but not defined in this Assignment Agreement are defined in the License Agreement between Penn and Licensee identified in the signature page.

2. Assignment and Assumption. As of the Effective Date (as defined in Section 3 below):

(a) Licensee conveys, assigns, transfers and delivers to Assignee all of Licensee's right, title and interest in, to and under the License Agreement,

(b) Assignee accepts all of Licensee's right, title and interest in, to and under the License Agreement,

(c) Assignee will become a party to the License Agreement and will succeed to all of the rights and assume all of the obligations of Licensee thereunder, and

(d) all references to "Licensee" in the License Agreement will refer to Assignee;

provided that Assignee and Licensee will be jointly and severally liable (as between each of them and Penn) for any liabilities or obligations of Licensee, whether actual or contingent, or known or unknown, arising under the License Agreement and related to events or circumstances that occurred prior to the Effective Date.

3. Conditions to Effectiveness. This Assignment Agreement takes effect on the date on which the last of the following occurs (the "**Effective Date**"):

(a) Penn receives counterparts of this Assignment Agreement duly executed by each of Licensee and Assignee;

(b) Licensee is in full compliance with all of the terms and conditions of the License Agreement; and

(c) the Effective Date listed on the Signature Page.

4. Representations and Warranties. Each party represents and warrants to each other that the person executing this Assignment Agreement on its behalf has all necessary power and authority to do so, and that upon such execution, this Assignment Agreement is a legal, valid and binding obligation enforceable against such party.

5. Miscellaneous. Any notice must be in writing and sent to the address of the party listed on the Signature Page. The parties do not intend that any agency or partnership relationship be created by this Assignment Agreement. This Agreement may only be modified by a written

amendment that is executed by an authorized representative of each party. Any waiver must be express and in writing. No waiver by a party of a breach by another party will constitute a waiver of any different or succeeding breach. This Assignment Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to conflicts of law principles of any jurisdiction. This Assignment Agreement and the License Agreement contain the entire agreement between the parties with respect to subject matter of this Assignment Agreement and supersede all other oral or written representations, statements, or agreements with respect to such subject matter. This Assignment Agreement is binding upon the parties and their respective heirs, successors, assigns, and personal representatives. No party may assign this Assignment Agreement without the prior written consent of the other parties. This Assignment Agreement may be signed in counterparts which, taken as a whole will constitute one agreement.

BLUEGRASS EYE BUILDING

OFFICE LEASE AGREEMENT

BY AND BETWEEN

DHB PROPERTIES. LLC,
A KENTUCKY PROFESSIONAL SERVICE CORPORATION
(“LANDLORD”)

AND

APELLIS PHARMACUTICALS, INC.
A DELAWARE CORPORATION
(“TENANT”)

DATED OCTOBER 21, 2010

TABLE OF CONTENTS

LEASE AGREEMENT

	PAGE
ARTICLE I - BASIC LEASE PROVISIONS AND LEASE OF PREMISES	1
ARTICLE II - TERM AND POSSESSION	3
ARTICLE III - RENT	5
ARTICLE IV - SECURITY DEPOSIT	8
ARTICLE V - OCCUPANCY AND USE	8
ARTICLE VI - UTILITIES AND OTHER BUILDING SERVICES	10
ARTICLE VII - REPAIRS, MAINTENANCE, ALTERATIONS, IMPROVEMENTS AND FIXTURES	11
ARTICLE VIII - FIRE OR OTHER CASUALTY INSURANCE	12
ARTICLE IX - EMINENT DOMAIN	15
ARTICLE X - LIENS	15
ARTICLE XI - RENTAL, PERSONAL PROPERTY AND OTHER TAXES	16
ARTICLE XII - ASSIGNMENT AND SUBLETTING	16
ARTICLE XIII - SUBORDINATION	17
ARTICLE XIV - ABANDONMENT	17
ARTICLE XV - DEFAULTS AND REMEDIES	17
ARTICLE XVI - LANDLORD’S RIGHT TO RELOCATE TENANT	19
ARTICLE XVII - HAZARDOUS MATERIAL, GOVERNMENTAL, INSURANCE AND ADA REQUIREMENTS	19
ARTICLE XVIII - NOTICE AND PLACE OF PAYMENT	21
ARTICLE XIX - MISCELLANEOUS GENERAL PROVISIONS	21

OFFICE LEASE AGREEMENT

THIS OFFICE LEASE AGREEMENT ("Lease") is entered into and made this day of October, 2010, by and between (i) **DHB PROPERTIES, LLC**, a Kentucky professional services corporation ("**Landlord**"), and (ii) **APELLIS PHARMACEUTICALS, INC**, a Delaware corporation ("**Tenant**").

WITNESSETH:

WHEREAS, Landlord desires to lease to Tenant, and Tenant desires to lease from Landlord, the Premises (as hereinafter defined), on the terms and conditions set forth in this Lease;

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I - BASIC LEASE PROVISIONS AND LEASE OF PREMISES

1.01 Basic Lease Provisions. The basic terms and definitions of this Lease are set forth below:

A.	Building:	The Bluegrass Eye Building 6400 Westwind Way Crestwood, Kentucky 40014		
	Premises:	Suite A		
B.	Total Leasable Area in the Building:	2,107 Square Feet		
	Total Leasable Area of the Premises:	20,000 Leasable Square Feet		
	Tenant's "Pro Rata Share":	10.54%		
C.	Term (see Paragraph 2.01):	Five (5) Years		
	Scheduled Commencement Date:	January 31, 2011		
	Expiration Date:	December 31, 2015		
D.	Base Rent (see Paragraph 3.01):	Year(s):		
		1 and 2	$60,000 total paid in full by Tenant	
			per month:	per annum:
		3-5	$2,984.92	$35,819.00
	Prepaid Rent:	$60,000		
	Tenant Paid Utilities:	N/A		

E.	Security Deposit (see Paragraph 4.01):	None
F.	Base Year for Operating Expense Adjustment	2009
G.	Guarantor(s) (see Paragraph 20.17):	Dr. Pascal Deschatelets and Dr. Cedric Francois
H.	Addresses for Notices and Payments:	
	Notices to Tenant:	**Notices to Landlord:**
	6400 Westwind Way, Suite A Crestwood, KY 40014 Attn: Dr. Pascal Deschatelets	6400 Westwind Way Crestwood, Kentucky 40014 Attn: Dr. Matt Blair
	Billing to Tenant:	**Payments to Landlord:**
	Apellis Pharmaceuticals Inc. 6400 Westwind Way, Suite A Crestwood, Kentucky 40014	DHB Properties, LLC 6400 Westwind Way Crestwood, Kentucky 40014
I.	Real Estate Broker (Paragraph 19.04):	Horizon Commercial Realty
J.	Option to renew:	Tenant shall have the option to renew the Lease for one (1) additional period of five (5) years at 95% of the then prevailing market rate for comparable space.
K.	Termination Right:	Tenant shall have the one-time right to terminate the Lease at the end of year two (2) with 120 days prior written notice to Landlord.
L.	Right of First Refusal:	Tenant shall have a continuing right of first refusal to lease any contiguous vacant space available in the Building. Tenant shall five (5) business days from notice of perceived interest from a third party in such vacant space as evidenced by a written letter of intent or offer to lease, a copy of which will be furnished to Tenant, to lease of such available space on the same terms and conditions offered to the third party terms pursuant to an amendment of this Lease otherwise reasonably acceptable to Landlord.

1.02 Lease of Premises. Landlord hereby leases to Tenant, and Tenant hereby takes and leases from Landlord, the Premises on the terms and conditions set forth in this Lease, to have and to hold the same, with all appurtenances, unto Tenant for the term hereinafter specified.

1.03 Description of Building, Premises and Common Areas. The following terms used in this Lease shall have the meanings hereinafter set forth:

A. The Building. "**Building**" is the office building and the Common Areas (as hereinafter defined) located on the land described in the Legal Description attached as "Exhibit A". The number of leasable square feet in the Building is specified in Paragraph 1.01B above.

B. The Premises. "**Premises**" is the office space located in an area of the Building which is shown as outlined and labeled as the Premises on the floor plan attached hereto as "Exhibit B". The Premises are known or are to be known by the suite number(s) specified in Paragraph 1.01 A above.

C. The Common Areas. "**Common Areas**" are the areas of the Building which are designated by Landlord for use in common by all tenants of the Building and their respective employees, agents, customers, invitees and others, and includes, without limitation, entrances and exits, hallways and stairwells, elevators, rest rooms, sidewalks, driveways, parking areas, landscaped areas, plaza and any other areas as may be designated at any time by Landlord as part of the Common Areas of the Building.

ARTICLE II - TERM AND POSSESSION

2.01 Commencement and Expiration. The "Term" of this Lease shall be the period of time specified in Paragraph 1.01C, commencing on the Scheduled Commencement Date shown in Paragraph 1.01C or such date as the Premises shall be tendered to Tenant as set forth below, or such earlier date as Tenant takes possession or commences use of the Premises for any purpose, including construction. The Lease shall expire without notice to Tenant on the Expiration Date shown in Paragraph 1.01C, or in the event the Premises are not ready for occupancy on the Scheduled Commencement Date, this Lease shall remain in effect, and the Term shall begin on the first day the Premises are ready for occupancy and run for the full Term of the Lease from that date. If the Lease commences on any day other than the first day of a calendar month, the Term shall be extended by that part of one month necessary to cause the Expiration Date to be on the last day of a calendar month. The dates of commencement ("**Commencement Date**") and expiration ("**Expiration Date**") of the Term shall be confirmed by Landlord and Tenant by execution of a "Acceptance of Premises Amendment" in the form attached hereto as "Exhibit C". In the event of Landlord's inability to deliver possession of the Premises upon the Commencement Date due to Acts of God, force majeure or other matters or occurrences beyond the reasonable control of Landlord (e.g. strike, riot, shortage of labor or materials, delays in governmental approvals, or unseasonable inclement weather), Landlord shall not be liable for any damage caused thereby nor shall this Lease become void or voidable, nor shall the Term be extended, but in such event, Tenant shall not be liable for any rent until such time as Landlord delivers possession; provided, that if delays in delivery of the Premises are due to Tenant's actions or delays or inaction when required or requested, then Base Rent shall begin to accrue as of the Scheduled Commencement Date. If Landlord permits Tenant to enter into possession of the Premises prior to the Commencement

Date, all of the terms and conditions of this Lease shall apply to such prior period. Landlord shall endeavor to notify Tenant at least fourteen (14) days prior to the Scheduled Commencement Date in the event that Landlord believes that it will be unable to deliver possession of the Premises by the Scheduled Commencement Date, regardless of the cause of such delay.

2.02 Construction of Tenant Finish Improvements and Possession. Landlord will perform or cause to be performed the work, if any, set forth on "Exhibit D" attached hereto ("**Landlord's Work**"). Landlord shall perform Landlord's Work in accordance with the terms of "Exhibit D" and otherwise in compliance with all applicable laws, rules, regulations, codes and ordinances, subject to events and delays due to Acts of God, force majeure or other matters or occurrences beyond the reasonable control of Landlord and for which Landlord will not be liable to Tenant in any way. Upon delivery of possession of the Premises to Tenant, Landlord covenants that the Premises shall be habitable in accordance with and required by applicable law, and Landlord and Tenant shall execute the Acceptance of Premises Amendment, which, besides fixing the Commencement Date and Expiration Date, will contain acknowledgments that Tenant has accepted the Premises in the then present condition thereof, and that the Premises and the Building are satisfactory in all respects except for minor "punch list" items agreed to in writing by Landlord and Tenant, which Landlord will promptly remedy. If Tenant takes possession of the Premises, Tenant shall be deemed to have accepted the Premises even though the Acceptance of Premises Amendment may not have yet been executed. Other than Landlord's Work, Tenant shall make all other necessary improvements to the Premises to operate Tenant's business ("**Tenant's Work**"). Tenant's Work shall comply with all applicable statutes, ordinances, regulations and codes and shall strictly comply with the requirements of Paragraph 7.03 hereof. In the event that Landlord is unable to deliver possession of the Premises upon the Scheduled Commencement Date due to matters or occurrences within Landlord's reasonable control, then Tenant shall, as its sole remedy, be entitled (a) to recover from Landlord, and Landlord shall pay to Tenant upon the actual Commencement Date and delivery of the Premises to Tenant, the aggregate holdover rent paid by Tenant for its currently occupied premises with respect to the period from and after the Scheduled Commencement date to the actual Commencement Date at a rate not to exceed $3,440 per month, and (b) to rent-free dry storage of Tenant's boxed and secured laboratory equipment, which Landlord shall at its expense move to and store in the Building pending completion and delivery of possession of the Premises to Tenant.

2.03 Surrender of the Premises. Upon the expiration or earlier termination of this Lease or upon default or breach of this Lease by Tenant, Tenant shall immediately surrender the Premises and all keys to the Premises to Landlord, together with all alterations, improvements and other property as provided elsewhere herein, in broom-clean condition and in good order, condition and repair, except for ordinary wear and tear and such damage as Tenant is not obligated to repair; failing this, Landlord may restore the Premises to such condition at Tenant's expense, and for which Tenant shall immediately reimburse Landlord upon demand. Prior to such expiration or termination, Tenant shall have the right to remove its property (as described in Paragraph 7.04). Tenant shall promptly repair any damage caused by any such removal, and shall restore the Premises to the condition existing prior to the installation of the items so removed.

2.04 Holding Over. If Tenant shall hold over after the expiration of the Term, it shall be deemed to be occupying the Premises as a Tenant from month to month, which tenancy may be terminated as provided by law. Tenant agrees that holding over beyond the Term shall cause

irreparable damage to Landlord and that it will be impossible to estimate or determine the damage that will be suffered by Landlord in such an event. Therefore during such tenancy, unless Landlord has otherwise agreed in writing, Tenant agrees to pay to Landlord monthly Base Rent at a rate equal to **125%** of the monthly Base Rent which was payable in the month immediately preceding the month in which the expiration or termination occurs and to be otherwise bound by all of the terms, covenants and conditions contained in this Lease. If Tenant fails to surrender the Premises upon the termination of this Lease, in addition to any other liabilities to Landlord arising therefrom Tenant shall indemnify and hold Landlord harmless from loss or liability resulting from such failure from whatever source. In the event that this Lease is extended by Landlord and Tenant in writing after any prior termination, the parties agree that the Base Rent negotiated for the extension term shall control over and apply to the tenancy of Tenant in the Premises without regard to the holdover rent provided for herein.

ARTICLE III - RENT

3.01 Base Rent. Tenant shall pay to Landlord as base rent ("**Base Rent**") for the Premises the annual sum specified in Paragraph 1.01D, payable as also specified in Paragraph 1.01D, in advance, on or before the first day of each and every calendar month during the Term without demand, notice or offset; provided, however, that if the Commencement Date shall be a day other than the first day of a calendar month, the Base Rent installment for such first fractional month shall be prorated on the basis of the number of days during the month this Lease was in effect in relation to the total number of days in such month.

3.02 Additional Rent. All other payments due under this Lease from Tenant shall be considered additional rent ("**Additional Rent**") and shall include the following:

A. Increases in Operating Expenses and Taxes:

1. Definitions:

(a) "**Operating Expenses**" shall mean the amount of any and all of Landlord's direct costs, expenses and disbursements of any kind and nature, incurred in connection with the management, operation, maintenance and repair of the Building (including the Common Areas and the land described in "Exhibit A") or any improvements situated on the land for a particular calendar year or portion thereof, as determined by Landlord, together with all additional direct costs, expenses and disbursements with respect to the management, operation and maintenance of the Building. If less than 100% of the rentable square feet in the Building is occupied, Operating Expenses shall be adjusted to the amount which Landlord determines that it would have paid during such year (including the Base Year) if the Building had been 100% occupied. Operating Expenses include by way of illustration but not limitation: water, sewer, electrical and other utility charges for the Common Areas and utility charges for the Premises which is not separately metered; service and other charges paid in connection with the operation and maintenance of the heating, ventilation and air-conditioning system; tools and supplies; repair costs; landscape maintenance costs; snow and ice removal; security services; license, permit and inspection fees; management fees; auditing fees; wages and related employee benefits payable for the maintenance and operation of the Building; and, in general, all other costs and expenses which would generally be regarded as operating and maintenance costs and expenses, including those

which would normally be amortized over a period not to exceed five (5) years. There shall also be included in the Operating Expenses the cost or portion thereof reasonably allocable to any capital improvement made to the Building by Landlord after the date of this Lease which (i) improves the operating efficiency of any system within the Building and thereby reduces Operating Expenses, or (ii) is required under any governmental law or regulation that was not applicable to the Building at the time it was constructed, or (iii) is installed pursuant to Paragraph 3.02C, with such cost being amortized over such period of time and in such manner as Landlord shall reasonably determine over the life of the improvement in accordance with GAAP, together with interest on such cost or the unamortized balance thereof. Operating Expenses shall not include (i) expenses for painting, redecorating or other work which Landlord performs for any tenant in the Building; (ii) expenses for repairs or other work reimbursed by insurance proceeds; (iii) expenses incurred in leasing or procuring new tenants: (iv) legal expenses incurred in enforcing the terms of any lease; (v) interest or amortization payments on any mortgage or mortgages; (vi) Taxes: and (vii) Insurance.

(b) “Taxes” shall mean any form of real estate tax or assessment, general, special, ordinary or extraordinary, improvement bond or bonds imposed on the Building or a portion thereof by any authority having a direct or indirect power to tax, including any city, county, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof against any legal or equitable interest of Landlord in the Building or any portion thereof.

(c) “Insurance Expenses” shall mean insurance premiums on insurance coverage which is required to be carried by Landlord or which Landlord may elect to carry at Landlord’s discretion

(d) Tenant’s “Pro Rata Share” shall mean the percentage specified in Paragraph 1.01B.

(e) “Base Year” shall mean the calendar year defined in Paragraph 1.01F.

(f) “Adjustment Year” shall mean any calendar year or portion thereof during the term of the Lease commencing with the year after the Base Year. In the event the last Adjustment Year is not a full calendar year, the Additional Rent payable under Paragraph 3.02A.2 with respect to such partial year shall be prorated.

2. Payment Obligations, If in any Adjustment Year during the Term:

(a) the Operating Expenses exceed the Operating Expenses for the Base Year, then Tenant shall pay as Additional Rent for such Adjustment Year a Pro Rata Share of the Operating Expenses in excess of the Operating Expenses for the Base Year;

(b) the Taxes exceed the Taxes for the Base Year, then Tenant shall pay as Additional Rent for such Adjustment Year a Pro Rata Share of the Taxes in excess of the Taxes for the Base Year; and

(c) the Insurance Expenses exceed the Insurance Expenses for the Base Year, then Tenant shall pay as Additional Rent for such Adjustment Year a Pro Rata Share of the Insurance Expenses in excess of the Insurance Expenses for the Base Year.

Statements showing the actual Operating Expenses, Taxes and Insurance Expenses and Tenant's Pro Rata Share thereof shall be delivered by Landlord to Tenant within a reasonable period of time after the end of any calendar year. Within thirty (30) days after delivery by Landlord to Tenant of such statement, Tenant shall pay to Landlord its Pro Rata Share of the excess Operating Expenses, Taxes and/or Insurance Expenses which shall be deemed Additional Rent under this Lease. Unless Tenant objects in writing within fifteen (15) days to Landlord's statements related to Operating Expenses, Taxes and Insurance Expenses, Tenant shall be deemed to have accepted such statements and shall thereafter be estopped from challenging same.

In no event shall the provisions of this Paragraph 3.02 reduce the Base Rent payable to Landlord.

3. Succeeding Year Expenses. Prior to the beginning of each Adjustment Year, Landlord shall advise Tenant of the estimated amount, if any, of the increase in Operating Expenses, Taxes and Insurance Expenses over the Base Year, for the upcoming calendar year, and Tenant shall pay to Landlord Tenant's Pro Rata Share of such estimated increase in equal monthly installments on the first day of each month during that Adjustment Year together with the Base Rent. At the end of each Adjustment Year, Landlord shall ascertain and advise Tenant of Tenant's Pro Rata Share of the actual amount of any increase in Operating Expenses, Taxes and Insurance Expenses for the preceding year and any additional sum owed by Tenant to Landlord shall be paid to Landlord within thirty (30) days following the receipt of Landlord's notice thereof. Should any excess have been paid by Tenant to Landlord for the preceding year, Landlord shall apply the excess toward sums due for the next following calendar year.

B. Improved Operating Efficiency. If Landlord shall, at any time after the Commencement Date, install a labor-saving device or other equipment, which improves the operating efficiency of any system within the Building (such as an energy management computer system) designed or intended to limit Operating Expenses or the cost of electricity or other utility service to operate the Building, or to limit future increases in Operating Expenses or electrical or other utility costs, then Landlord may add to Operating Expenses an annual amortization allowance based upon the costs of such device or equipment, plus interest on the unamortized balance thereof, amortized in equal installments over such period as determined by generally accepted accounting principals; provided, however, that the amount of such annual amortization allowance and interest shall not exceed the annual cost or expense limitation attributed by Landlord to such installed device or equipment, and in no event shall such amortization allowance increase the sum of Operating Expenses over what it would have been if such labor-saving device or other equipment had not been installed.

C. Audit. Tenant may at its expense and upon 30 days' prior written notice to Landlord elect to audit Landlord's records relating to Operating Expenses; provided, that if any such audit reveals unequivocally that the Operating Expenses charged to Tenant are in excess of the actual Operating Expenses incurred, then Landlord shall refund the excess amount to Tenant.

3.03 Definition of Rent. The Base Rent, Additional Rent and any other amounts of money to be paid by Tenant to Landlord pursuant to the provisions of this Lease, including any sums due under any and all Exhibits attached hereto, whether or not such payments are denominated Base Rent or Additional Rent and whether or not they are to be periodic or recurring, shall be deemed Base Rent or Additional Rent for purposes of this Lease; and any failure to pay any of the same as provided in this Lease shall entitle Landlord to exercise all of the rights and remedies afforded hereby or by law for the collection and enforcement of Tenant's obligation to pay rent. Tenant's obligation to pay any such Base Rent or Additional Rent pursuant to the provisions of this Lease shall survive the expiration or other termination of this Lease and the surrender of possession of the Premises after any hold-over period.

3.04 Late Charge. If any payment due Landlord under this lease has not been received by Landlord within ten (10) days after the same has become due, a late charge of five percent (5%) of the amount of the payment so overdue may be charged, and an additional five percent (5%) late charge may be charged on the first day of each calendar month thereafter until the delinquent payment has been paid in full.

ARTICLE IV - SECURITY DEPOSIT

4.01 As security for the performance and observance by Tenant of all of its obligations under this Lease, Tenant has deposited with Landlord the sum specified in Paragraph 1.01E, which sum shall be held by Landlord as a security deposit during the Term. If Tenant performs and observes all of it obligations under this Lease, Landlord shall return the security deposit, or balance thereof then held by Landlord, without interest, to Tenant within thirty (30) days after the Expiration Date or after Tenant surrenders possession of the Premises, whichever is later. In the event of a default by Tenant under this Lease, whether in payment of rent or otherwise, then Landlord may, at its option and without notice, apply all or any part of the security deposit in payment of such rent or to cure any other such default; and if Landlord does so, Tenant shall, upon request, deposit with Landlord the amount so applied so that Landlord will have on hand at all times during the Term the full amount of the security deposit. Landlord may commingle the security deposit with Landlord's other funds.

4.02 In the event of a sale or lease of the Building, Landlord shall have the right to transfer the security deposit to its purchaser or Tenant, and Landlord shall thereupon be released by Tenant from all responsibility for the return of such deposit; and Tenant agrees to look solely to the new purchaser or Tenant for the return of such deposit. In the event of a permitted assignment of this Lease by Tenant, the security deposit shall be deemed to be held by Landlord as a deposit made by the assignee, and Landlord shall have no further responsibility of such deposit to the assignor.

ARTICLE V - OCCUPANCY AND USE

5.01 Use of Premises. The Premises shall be occupied and used exclusively as office space and for the purposes incidental thereto, and shall not be used for any other purpose. Tenant will not use or occupy or permit the use or occupancy of the Premises for any purpose which is forbidden by law, ordinance or governmental or municipal regulation or order or which may be dangerous to life, limb or property; or permit the maintenance of any public or private nuisance; or do or permit any other thing which may disturb the quiet enjoyment of any other tenant of the Building; or keep

any substance or carry on or permit any operation which might emit offensive odors or conditions into other portions of the Building or the environment, or use any apparatus which might make undue noise or set up vibrations in the Building; or permit anything to be done by Tenant, its employees, agents, contractors or Invitees which would Increase the fire and extended coverage insurance rate on the Building or contents, provided that if there is any increase in such rate by reason of acts of Tenant, then Tenant agrees to pay such increase promptly upon demand therefore by Landlord. Payment by Tenant of any such rate increase shall not be a waiver of Tenant's duty to comply herewith.

5.02 Compliance with Building Rules and Regulations. Rules and regulations governing the use and occupancy of the Premises and all other leased space in the Building have been adopted by Landlord for the mutual benefit and protection of all the tenants in the Building (as existing and modified from time to time, the "**Rules and Regulations**"). Tenant shall comply with and conform to the Rules and Regulations currently in effect, which are set forth on "Exhibit E" attached hereto. Landlord shall have the right to amend the Rules and Regulations or to make new Rules and Regulations from time to time in any reasonable manner upon at least ten (10) days prior written notice to the Tenant. Any such amendments or additions to the Rules and Regulations shall be set forth in writing and shall be given to Tenant, who shall thereafter comply with and conform to the same. The Landlord shall use its good faith and commercially reasonable efforts to apply the Rules and Regulations in an even-handed non-discriminatory manner to all tenants of the Building.

5.03 Floor Loads. Tenant shall not overload the floors of the Premises beyond their designed weight-bearing capacity as determined by Landlord. Landlord reserves the right to direct the positioning of all heavy equipment, furniture and fixtures which Tenant desires to place in the Premises so as to distribute properly the weight thereof. Landlord may require the removal of any equipment or furniture which exceeds the weight limits of the Building.

5.04 Signs. Tenant shall not inscribe, paint, affix or display any signs, advertisements or notices on, in or around the Building, or in the windows thereof, except for such Tenant identification information as Landlord permits to be included or shown on or adjacent to the Tenant access door(s) to the Premises or on the Building directory.

5.05 Access to and Inspection of the Premises. Landlord, its employees and agents and any mortgagee of the Building shall have the right to enter any part of the Premises upon at least 48 hours advance written notice for the purpose of examining or inspecting the same, showing the same to prospective purchasers, mortgagees or tenants and for making such repairs, alterations or improvements to the Premises or the Building as Landlord may deem necessary or desirable; provided, that no advance notice shall be required in the event of an emergency. Such right of entry shall also include, but not be limited to, access to the Premises for purposes of environmental inspections and sampling during regular business hours upon such advance notice, or during other hours either by agreement of the parties or in the event of any environmental or Building emergency. If representatives of Tenant shall elect not to be present to open and permit such entry into the Premises at any time when such entry is necessary or permitted hereunder, or otherwise in the event of an emergency, Landlord and its employees and agents may enter the Premises by means of a master key or otherwise. Landlord shall incur no liability to Tenant for such entry

permitted hereunder, nor shall such permitted entry constitute an eviction of Tenant or a termination of this Lease or entitle Tenant to any abatement of rent therefore.

5.06 Quiet Enjoyment. Except as provided in Article XV hereof to the extent that it may be applicable, if and so long as Tenant pays the prescribed rent and performs and observes all of the terms, conditions, covenants and obligations of this Lease required to be performed or observed by it hereunder, Tenant shall at all times during the term hereof have the peaceful and quiet enjoyment, possession, occupancy and use of the Premises without any interference from Landlord or any person or persons claiming the Premises by, through or under Landlord, subject to any mortgages, underlying leases or other matters of record to which this Lease is or may become subject.

ARTICLE VI - UTILITIES AND OTHER BUILDING SERVICES

6.01 Services to be Provided. Landlord shall furnish Tenant, without cost to Tenant except as otherwise specifically provided in this Lease, during standard hours of operation, with utilities and other building services, as provided in the Rules and Regulations, to the extent considered by Landlord to be reasonably necessary for Tenant's comfortable use and occupancy of the Premises for general office use or as may be required by law or directed by governmental authority. Tenant shall pay for replacement of all lamps, starters and ballasts required as a result of normal usage, at the cost established from time to time by Landlord.

6.02 Services not provided. Any provision of this Lease to the contrary notwithstanding, Tenant shall be responsible at Tenant's sole cost and expense to obtain janitorial service to the Premises sufficient to keep the same in first class condition during the Term of this Lease. The cost of such janitorial services shall not be included by Landlord in the Operating Expenses.

6.03 Additional Services. If Tenant requests any other utilities or building services not customarily provided by Landlord for the Building and Landlord desires and is in a reasonable position to attempt to furnish Tenant with such additional utilities or building services', then Landlord may impose a reasonable charge for such additional utilities or building services, which shall be paid monthly by Tenant at the same time the monthly installment of Base Rent is due.

6.04 Special Equipment. Tenant shall obtain Landlord's written consent prior to installing or connecting any lights, machines or equipment (including but not limited to computers) which would materially affect the normal operation, or exceed the designed capacity of the Building's electrical or heating and air-conditioning systems. If Landlord determines that any such equipment is in any way incompatible with the Building's electrical or heating and air-conditioning systems, then Landlord shall have the right, as a condition to granting its consent, to install any machinery or equipment, or to make any modifications to the Building's electrical or heating and air-conditioning systems, or to require Tenant to make such modifications to the equipment to be installed or connected, as Landlord considers to be reasonably necessary. All costs expended by Landlord to install any such machinery or equipment or to make any such modifications, and any such additional costs of operation and maintenance occasioned thereby, shall be borne by Tenant, who shall, upon demand, reimburse Landlord for the same as Additional Rent.

6.05 Interruption of Services. Tenant understands, acknowledges and agrees that any one or more of the utilities or other building services identified in this Article VI may be interrupted by reason of accident, emergency or other causes beyond Landlord's control or may be discontinued or diminished temporarily by Landlord or other persons until certain repairs, alterations or improvements can be made; that Landlord does not represent or warrant the uninterrupted availability of such utilities or building services' and that any such interruption shall not be deemed an eviction or disturbance of Tenant's right to possession, occupancy or use of the Premises or any part thereof or render Landlord liable to Tenant for damages by abatement of rent or otherwise or relieve Tenant from the obligation to perform its covenants under this Lease; provided, that in the event that any such utility services are interrupted due to an act or omission of Landlord thereby rendering the Premises untenantable, and if such interruption is not cured or corrected within ten (10) business days thereafter, then any provision of this Lease to the contrary notwithstanding, Tenant may as its sole remedy hereunder elect to terminate this Lease upon written notice to Landlord given prior to restoration of such interrupted service, and to receive a pro-rata refund of any prepaid Base Rent paid to Landlord prior thereto, and neither Landlord nor Tenant shall have any further obligations hereunder.

ARTICLE VII - REPAIRS, MAINTENANCE, ALTERATIONS, IMPROVEMENTS AND FIXTURES

7.01 Repair and Maintenance of Building. Landlord shall keep and maintain the Building in good order, condition and repair, including the roof, exterior walls and windows, foundations, the Common Areas and the electrical, elevator, plumbing, heating, ventilation and air-conditioning systems serving the Premises and other parts of the Building. The cost of all such repairs shall be included by Landlord as part of the Operating Expenses, except for those made to any electrical, plumbing, heating, ventilation and air-conditioning components which have been installed in the Premises pursuant to Paragraph 6.03, and except for those made necessary by the negligence, misuse or default of Tenant, its employees, agents, customers, or invitees, in which event they shall be borne by Tenant, who shall be separately billed and shall, upon demand, reimburse Landlord for the same as Additional Rent.

7.02 Repair and Maintenance of Premises. Tenant shall keep and maintain the interior of the Premises and all improvements thereto (including, but not limited to Tenant Finish Improvements) in good order, condition, and repair, reasonable wear and tear excepted. Such requirement notwithstanding, Landlord shall repair and maintain the Premises and the Building, including building standard plumbing, heating, ventilating, air conditioning and electrical systems installed or furnished by Landlord, and the cost of all such repairs shall be included by Landlord as part of the Operating Expenses, unless such maintenance and repairs are caused in part or in whole by the act, neglect, fault of or omission of any duty by Tenant, its agents, servants, employees or invitees, in which case Tenant shall pay to Landlord, as Additional Rent, the reasonable cost of such maintenance and repairs. Tenant shall immediately notify Landlord in writing of any needed repairs and in the event of any damage or casualty to the Premises. If Landlord provides any nonstandard services and/or supplies to Tenant or the Leased Premises (including, without limitation, photocopies, carpet cleaning, repairs, locks, additional keys, additional directory strips and replacement specialty light bulbs) at Tenant's request, all charges for these services imposed by Landlord together with all applicable sales tax or other taxes thereon shall be billed to Tenant and payable by Tenant as Additional Rent.

7.03 Alterations or Improvements. Tenant may make, or permit to be made, alterations or improvements to the Premises, but only if Tenant obtains the prior written consent of Landlord. If Landlord allows Tenant to make any such alterations or improvements, Tenant shall make the same in accordance with all applicable laws and building codes, in a good and workmanlike manner and in quality equal to or better than the original construction of the Building and shall comply with such requirements as Landlord considers necessary or desirable, including without limitation requirements as to the manner in which and the times at which such work shall be done and the contractor or subcontractors to be selected to perform such work. Tenant may not puncture the roof or interfere with the sprinkler system without specific written permission from Landlord. Upon completion of any such work, Tenant shall provide Landlord with "as built" plans, copies of all construction contracts, and proof of payment for all labor and materials. Tenant shall promptly pay all costs attributable to such alterations and improvements and shall indemnify Landlord against any mechanics' liens or other liens or claims filed or asserted as a result thereof, as provided in Article X; and shall also indemnify Landlord against any costs or expenses which may be incurred as a result thereof, as provided in Article X; and shall also indemnify Landlord against any costs or expenses which may be incurred as a result of building code violations attributable to such work. Tenant shall promptly repair any damage to the Premises or the Building caused by any such alterations or improvements. Any alterations or improvements to the Premises, except movable furniture and equipment and trade fixtures, shall become a part of the realty and the property of Landlord and shall not be removed by Tenant unless Landlord specifies otherwise at the time of approval thereof by Landlord.

7.04 Trade Fixtures. Any trade fixtures installed on the Premises by Tenant at its own expense, such as movable partitions, counters, shelving, showcases, mirrors and the like, may (and at the request of Landlord shall) be removed on the Expiration Date or earlier termination of the Lease provided that Tenant is not then in default, that Tenant bears the cost of such removal and further that Tenant repairs at its own expense any and all damage to the Premises resulting from such removal. If Tenant fails to remove any and all such trade fixtures from the Premises on the Expiration Date or earlier termination of this Lease, all such trade fixtures shall become the property of Landlord unless Landlord elects to require their removal, in which case Tenant shall promptly remove same and restore the Premises to their prior condition, except for ordinary wear and tear.

ARTICLE VIII - FIRE OR OTHER CASUALTY INSURANCE

8.01 Destruction of Premises. If the Premises are damaged or destroyed, in whole or in part, at any time during the Term by fire or other casualty and the Lease is not terminated pursuant to Paragraph 8.02, Landlord with due diligence will repair and rebuild the Premises so that after such work of repairing and rebuilding has been completed, the Premises shall be substantially the same as that prior to such damage. Any provisions contained in this Lease requiring repairs, rebuilding, restoration or reconstruction or providing for the use of insurance proceeds for any purpose shall be subject to the rights of the mortgagee of Landlord. In the event more than fifty percent (50%) of the Premises are damaged or destroyed and less than one (1) year is left in the term of the Lease, Landlord, at its election, may terminate this Lease rather than repair the Premises.

8.02 Irreparable Destruction of Building. If the Building shall be damaged or destroyed to such an extent that Landlord in its discretion determines the Building to be irreparably destroyed,

Landlord shall give Tenant notice of such determination within sixty (60) days after the date of such damage or destruction, and, in such event, this Lease shall terminate on the date specified in such notice, and Landlord shall not be obligated to repair or rebuild.

8.03 Rental Abatement during Reconstruction. In the event of any damage or destruction of the Premises or Building to the extent that the Premises shall have been rendered unfit for use for Tenant's business purposes, Landlord shall, in Landlord's sole discretion, either (1) relocate Tenant in another comparable building within a three (3) mile radius with comparable office space and Landlord shall pay all reasonable uninsured moving expenses of said relocation and rent shall remain as specified within this Lease; or (2) provide an abatement of rent which shall be made corresponding to the time during which, and the extent to which, the Premises may not be used by Tenant for its business purposes. The abatement of rent will terminate on the day that Landlord has completed its repair of the Premises and tenders possession of the Premises to Tenant.

8.04 Landlord's Damage Obligations. No damages, compensations, setoffs or claims shall be payable by Landlord for inconvenience, loss of business or annoyance arising from any repair or restoration of any portion of the Premises or of the Building required to be made by Landlord under the provisions of this Article VIII, but this paragraph shall not be construed to limit the abatement of Tenant's rent in accordance with Paragraph 8.03 above. Landlord covenants with Tenant that it shall use its best commercially reasonable efforts to effect all such repairs promptly and in such manner as to not unreasonably interfere with Tenant's occupancy.

8.05 Indemnification. Except as provided in Paragraph 8.09, Tenant shall assume the risk of, be responsible for, have the obligation to insure against, and indemnify Landlord and hold it harmless from, any and all liability for any loss, damage, injury or death to person or property occurring in the Premises, regardless of cause, except for that caused by the sole negligence of Landlord and its employees, agents, customers and invitees; and Tenant hereby releases Landlord from any and all liability for the same. Tenant's obligation to indemnify Landlord hereunder shall include the duty to defend against any claims asserted by reason of such loss, damage or injury and to pay any judgments, settlements, costs, fees and expenses, including court costs and reasonable attorney's fees, incurred in connection therewith. Notwithstanding Landlord's obligations hereunder, Tenant shall bear the sole risk of any loss of or damage to any personal property (including but not limited to, any furniture, machinery, equipment, goods or supplies) of Tenant or which Tenant may have on the Premises or any trade fixtures installed by or paid for by Tenant on the Premises or any additional improvements which Tenant may construct on the Premises. Landlord shall not be liable for any injury to or death of any person or any loss of or damage to property sustained by Tenant, or by any other person(s) whatsoever, which may be caused by the Building or the Premises or any appurtenances thereto or thereof being out of repair, or by the bursting or leakage of any water, gas, sewer, or steam pipes, or by theft or by any act or neglect of any tenant or occupant of the Building, or of any other person, or by any other cause of whatsoever nature, unless, subject to Paragraph 8.09, caused by the negligence of Landlord or its officers, agents or employees.

8.06 Tenant's Insurance. Tenant, in order to enable it to meet its obligation to insure against the liabilities specified in this Lease, shall at all times during the Term carry, at its own expense, one or more policies of general public liability and property damage insurance, issued by one or

more insurance companies acceptable to Landlord, with the following minimum coverage on an occurrence basis:

A. Worker's Compensation:	- As provided by Law.
B. Commercial General Liability Insurance, Including Blanket Contractual Liability, Broad Form Property Damage, Personal Injury, Completed Operations, Products Liability and Fire Damage, or if any such coverages are not in effect when needed, such other similar coverage as is then in effect:	- Not less than $3,000,000 Combined Single Limit for both Bodily Injury and Property Damage

C. Fire and Extended Coverage, Vandalism and Malicious Mischief, and Sprinkler Leakage Insurance for the full cost of replacement of Tenant's property and fixtures located in the Premises.

Commercial General Liability Insurance policies shall name Landlord as an additional insured. All insurance carried by Tenant shall be in a form approved by Landlord and in an insurance company approved by Landlord, authorized to do business in the State and have a policy holder's rating of no less than "A" and with a financial class size of IX or better in the most current edition of Best's Insurance Reports. Upon the commencement of this Lease and prior to the expiration of any of its required insurance policies, and at interim dates upon Landlord's reasonable request, Tenant shall furnish Landlord with a certificate or certificates of insurance confirming the existence and continuity of coverage. All policies maintained by Tenant in conformance with the requirements of this Lease shall provide at least thirty (30) days' advance written notice to Landlord of cancellation, material change or intent not to renew and ten (10) days' notice to Landlord for non-payment. Should Tenant fail to carry such insurance and/or furnish Landlord with a copy of all such certificates after a request to do so, Landlord shall have the right to obtain such insurance and collect the cost thereof from Tenant as Additional Rent or, at Landlord's discretion, to evict Tenant and all its business operations from the Premises, without liability to Landlord.

8.07 Landlord's Responsibility. Except as provided in Paragraph 8.09, Landlord shall assume the risk of, be responsible for, have the obligation to insure against and indemnify Tenant and hold it harmless from any and all liability for any loss, damage or injury to person or property occurring in, on or about the Common Areas, regardless of cause, except for that caused by the negligence or malfeasance of Tenant and/or its employees, agents, customers and invitees. Landlord's obligation to indemnify Tenant hereunder shall include the duty to defend against any claims asserted by reason of such loss, damage or injury and to pay any judgments, settlements, costs, fees and expenses incurred in connection therewith.

8.08 Landlord's Insurance. Landlord shall be responsible for insuring and shall at all times during the Term carry, as an operating expense for the Building, a policy of insurance which insures the Building, including the Premises, against loss or damage by fire or other casualty (namely, the perils against which insurance is afforded by the standard insurance policy and

extended coverage endorsement); provided, however, that Landlord shall not be responsible for and shall not be obligated to insure against any loss or damage to any trade fixtures or personal property kept, placed or installed, or paid for, by Tenant on the Premises or any additional improvements which Tenant may construct on the Premises.

8.09 Waiver of Subrogation. Landlord and Tenant hereby release each other and each other's employees, agents, customers and invitees from any and all liability for any loss or damage to property occurring in, on or about or to the Premises, the Building, improvements to the Building or personal property within the Building by reason of fire or other casualty which could be insured against under a standard fire and extended coverage insurance policy, regardless of cause, including the negligence of Landlord or Tenant and their employees, agents, customers and invitees. Each party to this Lease shall obtain from its respective insurance company a consent to this mutual waiver of subrogation/release, so as to prevent the invalidation of insurance coverage by reason of this mutual waiver of subrogation/release, and shall provide the other party a copy of any such consent.

8.10 Refund of Prepaid Base Rent. Any provision of this Lease to the contrary notwithstanding, in the event that this Lease is terminated after a fire or other casualty pursuant to the provisions of this Article VIII or otherwise due to a default by Landlord, then upon any such termination, Tenant shall be entitled to receive a pro-rata refund of any prepaid Base Rent paid to Landlord prior thereto.

ARTICLE IX - EMINENT DOMAIN

9.01 In the event the Building, or any portion thereof necessary, in the sole opinion of Landlord, to the continued efficient and/or economically feasible use of the Building shall be taken or condemned in whole or in part for public purposes, or sold to a condemning authority to prevent taking, then the Term shall, at the option of Landlord, forthwith cease and terminate. All compensation awarded for such taking or conveyance shall be the property of Landlord without any deduction therefrom for any present or future estate of Tenant, and Tenant hereby assigns to Landlord all its right, title and interest in and to any such award. All compensation awarded is subject to the rights of Landlord's mortgagee. However, Tenant shall have the right to recover from such authority, but not from Landlord, such compensation as may be awarded to Tenant on account of moving and relocation expenses and depreciation to and removal of Tenant's trade fixtures and personal property as long as such award does not diminish the award to Landlord, and if Landlord receives any such awards in favor of Tenant, Landlord shall promptly remit the same to Tenant. Upon receipt of written notice of any such pending condemnation action, Landlord shall so notify Tenant.

ARTICLE X - LIENS

10.01 Tenant will keep the Premises and Building free and clear of all mechanics' and materialmen's liens and other liens on account of work done for Tenant or persons claiming under it. Should any such lien be filed against the Premises and/or the Building, Landlord may, without notice to Tenant, elect to obtain the release of each lien and any sums expended by Landlord shall be immediately repaid to Landlord by Tenant together with interest at the rate of fifteen percent (15%) per annum. Should Tenant elect to dispute the amount required to release such lien or the

quality of service provided by the contractor who placed the lien, Landlord shall have the right to require Tenant to provide a bond or other security against such lien in form and content acceptable to Landlord.

ARTICLE XI - RENTAL, PERSONAL PROPERTY AND OTHER TAXES

11.01 Tenant shall pay before delinquency any and all taxes, assessments, fees or charges, including any sales, gross income, rental, business occupation or other taxes, levied or imposed upon Tenant's business operations in the Premises and any personal property or similar taxes levied or imposed upon Tenant's trade fixtures, leasehold improvements or personal property located within the Premises. In the event any such taxes, assessments, fees or charges are charged to the account of, or levied or imposed upon the property of, Landlord, Tenant shall reimburse Landlord for the same as Additional Rent. Notwithstanding the foregoing, Tenant shall have the right to contest in good faith any such item and to defer payment, if permitted by applicable law, until after Tenant's liability therefore is finally determined.

ARTICLE XII - ASSIGNMENT AND SUBLETTING

12.01 Tenant may not assign or transfer this Lease or sublet the Premises or any part thereof unless it first has obtained Landlord's prior written consent in its discretion; provided, that Tenant may sublet the Premises to any wholly-owned subsidiary or to any affiliate controlled by or under common control with Tenant without Landlord's consent. In the event of any such permitted assignment or subletting, Tenant and any Guarantors of this Lease shall nevertheless at all times remain fully responsible and liable for the payment of rent and the performance and observance of all of Tenant's other obligations under the terms, conditions and covenants of this Lease. No assignment or subletting of the Premises or any part thereof shall be binding upon Landlord unless such assignee or subtenant shall deliver to Landlord an instrument (in recordable form, if requested) containing an agreement of assumption of all of Tenant's obligations under this Lease. Upon the occurrence of an event of default, if all or any part of the Premises are then assigned or sublet, Landlord, in addition to any other remedies provided by this Lease or by law, may, at its option, collect directly from the assignee or subtenant all rent becoming due to Landlord by reason of the assignment or subletting. Any collection by Landlord from the assignee or subtenant shall not be construed to constitute a novation or release of Tenant from the further performance of its obligations under this Lease. In the event Landlord consents to Tenant assigning or subletting all or a portion of the Premises for which Landlord's consent is required, then any rent accruing to Tenant as the result of such subletting, which rent is in excess of the rent then being paid by Tenant, and any other economic consideration received by or to be received by Tenant in connection with any subletting or assignment shall be paid to Landlord as Additional Rent. In the event Landlord consents to Tenant assigning or subletting all or a portion of the Premises, (i) both Tenant and the subtenant shall be held responsible under all the terms and conditions of this Lease including but not limited to the Rules and Regulations, and (ii) any right to extend or any other option under this Lease shall terminate unless, however, the assignee or subtenant is an affiliate or subsidiary of Tenant.

ARTICLE XIII - SUBORDINATION

13.01 Landlord shall have the right to subordinate this Lease to any mortgage or deed of trust presently existing or hereafter placed upon the Building, and the recording of any such mortgage or deed of trust shall make it prior and superior to this Lease regardless of the date of execution or recording of either document. Tenant shall, at Landlord's request, execute and deliver to Landlord, without cost, any instrument which may be deemed necessary or desirable by Landlord's lender to confirm the subordination of this Lease; and, if Tenant fails or refuses to do so, Landlord may execute such instrument in the name and as the act of Tenant. Notwithstanding the foregoing, no default by Landlord under any such mortgage or deed of trust shall affect Tenant's rights hereunder so long as Tenant is not in default under this Lease. Tenant shall, in the event any proceedings are brought forth for foreclosure of any such mortgage or deed of trust, attorn to the purchaser upon any such foreclosure and recognize such purchaser as Landlord under this Lease.

13.02 Tenant agrees that in the event of a foreclosure of any mortgage or deed of trust affecting the Premises, that in addition of Tenant's attornment as set forth above in Paragraph 13.01, Tenant shall not hold any mortgagee or beneficiary of any purchaser at a foreclosure sale responsible for any defaults of any prior Landlord (including the original Landlord), or for the return of any security deposit required hereby.

ARTICLE XIV - ABANDONMENT

14.01 Tenant shall not vacate or abandon the Premises at any time during the Term; and if Tenant shall abandon, vacate or surrender said Premises, or be dispossessed by process of law, or otherwise, any personal property belonging to Tenant and left on the Premises shall be deemed to be abandoned, at the option of Landlord, except such property as may be mortgaged by Tenant. Failure of Tenant to occupy or use the Premises for a period of thirty (30) days or longer shall constitute abandonment by Tenant.

ARTICLE XV - DEFAULTS AND REMEDIES

15.01 Defaults by Tenant. The occurrence of any one or more of the following events shall be a default and breach of this Lease by Tenant:

A. Tenant shall fail to pay any payment of Base Rent within ten (10) days after the same shall be due and payable, or any Additional Rent within thirty (30) days after the same shall be due and payable. No notice shall be required for default in payment.

B. Tenant shall fail to perform or observe any term, condition, covenant or obligation, other than the payment of rent, required to be performed or observed by it under this Lease for a period of thirty (30) days after notice thereof from Landlord; provided, however, that if the term, condition, covenant or obligations to be performed by Tenant is of such nature that the same cannot reasonably be performed within such thirty-day period, such default shall be deemed to have been cured if Tenant commences such performance within said thirty-day period, thereafter diligently undertakes to complete the same, informs Landlord, in writing, of Tenant's progress in completing same on a weekly basis, and completes such cure within no later than 60 days after notice from Landlord.

C. A trustee or receiver shall be appointed to take possession of substantially all of Tenant's assets in, on or about the Premises or of Tenant's interest in this Lease (and Tenant does not regain possession within thirty (30) days after such appointment); Tenant makes an assignment for the benefit of creditors; substantially all of Tenant's assets in, on or about the Premises or Tenant's interest in this Lease are attached or levied upon under execution (and Tenant does not discharge the same within thirty (30) days thereafter); or, a petition in bankruptcy, insolvency, or for reorganization or arrangement is filed by or against Tenant pursuant to any federal or state statute (and, with respect to any such petition filed against it, Tenant fails to secure a stay or discharge thereof within thirty (30) days after the filing of the same).

D. Tenant abandons or vacates Premises.

15.02 Remedies of Landlord. Upon the occurrence of any event of default set forth in Paragraph 15.01, Landlord shall have the following rights and remedies, in addition to those allowed by law or equity, any one or more of which may be exercised without further notice to or demand upon Tenant:

A. Landlord may apply the security deposit and/or re-enter the Premises and cure any default of Tenant, in which event Tenant shall, upon demand, reimburse Landlord as Additional Rent for any reasonable costs and expenses which Landlord may incur to cure such default; and Landlord shall not be liable to Tenant for any loss or damage which Tenant may sustain by reason of Landlord's action. In the event Landlord should consult with or employ the services of legal counsel or bring suit against Tenant for any default or enforcement of any terms of this Lease, Tenant shall be liable for all such reasonable attorney's fees and litigation costs incurred by Landlord and the same shall be recoverable against Tenant in addition to all other amounts that Landlord may recover.

B. Landlord may terminate this Lease as of the date of such default. Upon termination, Tenant or any party leasing the Premises through Tenant, shall immediately surrender the Premises to Landlord. Landlord may re-enter the Premises and dispossess Tenant or any other occupants of the Premises by force, summary proceedings, ejectment or otherwise, and may remove their effects, without prejudice to any other remedy which Landlord may have for possession or arrearage in rent. In addition, Landlord may accelerate and declare all past, present and future rent payments under this Lease to be immediately due and payable. Landlord may re-let all or part of the Premises to another party on terms and conditions which may vary from the terms of this Lease. Tenant shall be obligated to pay to Landlord the difference between the rent provided for in any such subsequent lease and the rent provided for in this Lease. No matter which remedy Landlord chooses, in its sole discretion, Tenant shall be liable for all costs and expenses caused by Tenant's default and Landlord's re-entry and re-letting, including but not limited to, all repairs, improvements, broker's fees and court costs and reasonable attorney's fees.

15.03 Non-Waiver of Defaults. The failure or delay by either party hereto to enforce or exercise at any time any of the rights or remedies or other provisions of this Lease shall not be construed to be a waiver thereof, nor affect the validity of any part of this Lease or the right of either party thereafter to enforce each and every such right or remedy or other provision. No waiver of any default and breach of this Lease shall be held to be a waiver of any other default and breach. The receipt by Landlord of less than the full rent due shall not be construed to be other than a payment

on account of rent then due, nor shall any statement on Tenant's check or any letter accompanying Tenant's check be deemed an accord and satisfaction, and Landlord may accept such payment without prejudice to Landlord's right to recover the balance of the rent due or to pursue any other remedies provided in this Lease. No act or omission by Landlord or its employees or agents during the Term shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept such a surrender shall be valid unless in writing and signed by Landlord.

15.04 Default by Landlord. In the event that Landlord shall fail to perform or observe any term, condition, covenant or obligation required to be performed or observed by it under this Lease for a period of thirty (30) days after notice thereof from Tenant, the same shall be a default and breach of this Lease by Landlord; provided, however, that if the term, condition, covenant or obligations to be performed by Landlord is of such nature that the same cannot reasonably be performed within such thirty-day period, such default shall be deemed to have been cured if Landlord commences such performance within said thirty-day period, thereafter diligently undertakes to complete the same, and completes such cure within no later than 60 days after notice from Tenant. Upon the occurrence of any such event of default by Landlord, Tenant may terminate this Lease in writing as of the date of such default, shall be entitled to a prorata refund of any unearned prepaid Base Rent and shall have such other remedies as may be available at law or in equity as a consequence of such default, excluding any claim for consequential or punitive damages. Any recovery by Tenant shall be limited to I Landlord's interest in and to the Building.

ARTICLE XVI - LANDLORD'S RIGHT TO RELOCATE TENANT

16.01 [Intentionally omitted].

ARTICLE XVII - HAZARDOUS MATERIAL, GOVERNMENTAL, INSURANCE AND ADA REQUIREMENTS

17.01 Hazardous Material. Tenant warrants and represents to Landlord that Tenant will comply with all federal, state and local environmental laws, rules, regulations and statutes applicable to Tenant's use and occupancy of the Premises during the Term.

Tenant shall not cause or permit any Hazardous Material (as hereinafter defined) to be brought upon, kept, or used in or about the Premises by Tenant, its agents, employees, contractors or invitees, except for such Hazardous Material as is necessary to Tenant's business provided that Tenant has notified Landlord that it will be bringing upon, keeping or using such Hazardous Material on or about the Premises.

Any Hazardous Material permitted on the Premises as provided in this Article, and all containers therefore, shall be used, kept, stored, and disposed of in a manner that complies with all federal, state and local laws or regulations applicable to this Hazardous Material.

Tenant shall not discharge, leak, or emit, or permit to be discharged, leaked, or emitted, any material into the atmosphere, ground, sewer system, or any body of water, if that material (as is reasonably determined by Landlord, or any governmental authority) does or may pollute or contaminate the same, or may adversely affect (a) the health, welfare, or safety of persons, whether located on the Premises or elsewhere, or (b) the condition, use, or enjoyment of the building or any other real or personal property.

As used herein, the term “Hazardous Material” means (a) a “hazardous waste” as defined by the Resource Conservation and Recovery Act of 1976, as amended from time to time, and regulations promulgated thereunder; (b) any “hazardous substance” as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, and regulations promulgated thereunder; (c) any oil, oil waste, petroleum products, and their by-products; and (d) any substance that is or becomes regulated by any federal, state, or local governmental authority.

Tenant hereby agrees that it shall be fully liable for all costs and expenses related to the use, storage, and disposal of Hazardous Material kept on the Premises by Tenant, and Tenant shall give immediate notice to Landlord of any violation or potential violation of the provisions of this Paragraph 17.01. Tenant shall defend, indemnify and hold harmless Landlord and its officers, managers, members, partners, employees and agents, as applicable, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses (including, without limitation, reasonable attorneys’ as well as all consultants’ fees, court costs, and litigation expenses) of whatever kind or nature, known or unknown, contingent or otherwise, arising out of or in any way related to (a) the presence, disposal, release, or threatened release of any such Hazardous Material that is on, from, or affecting the soil, water, vegetation, building, personal property, persons, animals, or otherwise; (b) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to that Hazardous Material; (c) any lawsuit brought or threatened, settlement reached, or government order relating to that Hazardous Material; or (d) any violation of any laws applicable thereto. The provisions of this Article shall be in addition to any other obligations and liabilities Tenant may have to Landlord at law or equity and shall survive the transactions contemplated herein and shall survive termination of this Lease.

Landlord is given the right, but not the obligation, to inspect and monitor the Premises and Tenant’s use of the Premises in order to confirm Tenant’s compliance with the terms of this Paragraph 17.01. Landlord may require that Tenant deliver to Landlord concurrent with Tenant’s vacating the Premises upon the expiration of this Lease, or any earlier vacation of the Premises by Tenant, at Tenant’s expense, a certified statement by licensed engineers satisfactory to Landlord, in form and substance satisfactory to Landlord, stating that Tenant, Tenant’s Work and any alterations thereto and Tenant’s use of the Premises complied and conformed to all environmental laws.

17.02 Governmental and Insurance Requirements. Tenant shall, at its sole cost and expense, comply with all of the requirements of any insurance carrier for the Building and of all county, municipal, state, federal and other applicable governmental authorities, now in force or which may hereafter be in force.

17.03 Americans with Disabilities Act. Any costs for alterations, additions or improvements required to modify the Common Areas of the Building in conjunction with the Americans with Disabilities Act (“ADA”) shall be paid by Landlord, and the cost thereof (excluding the amount of any fines or penalties assessed against Landlord for knowing and intentional non-compliance with the ADA), shall be an Operating Expense of the Building. Such alternations, additions or improvements shall be made In the sole discretion of Landlord. Any alterations, additions or improvements required to modify the Premises in conjunction with the ADA shall be approved by Landlord and paid by Tenant. Within ten (10) days after receipt, Tenant shall advise Landlord in

writing of any notices alleging violation of ADA relating to any portion of the Building or the Premises.

ARTICLE XVIII - NOTICE AND PLACE OF PAYMENT

18.01 Notices. Any notice by Tenant to Landlord must be served by overnight delivery service (with confirmation of delivery), U.S. certified mail, postage prepaid, return receipt requested, addressed to Landlord at the place designated in Paragraph 1.01H, or at such other address as Landlord may designate from time to time by written notice. Any notice by Landlord (which may be given by Landlord or Landlord's attorney or management company) to Tenant must be served by overnight delivery service (with confirmation of delivery), U.S. certified mail, postage prepaid, return receipt requested, addressed to Tenant at the place designated in Paragraph 1.01H, or at such other address as Tenant may designate from time to time by written notice to Landlord. All notices shall be effective upon delivery or attempted delivery, and shall be deemed delivered three (3) business days after deposit in the U.S. mail, in accordance with this Paragraph 18.01.

18.02 Place of Payment. All rent and other payments required to be made by Tenant to Landlord shall be delivered or mailed to Landlord's management agent at the address specified in Paragraph 1.01H or any other address Landlord may specify from time to time by written notice given to Tenant.

ARTICLE XIX - MISCELLANEOUS GENERAL PROVISIONS

19.01 Roof Rights. Except as otherwise provided in this Lease, Landlord shall have the exclusive right to use all or any portion of the roof of the Building for any purpose. This Lease does not grant any rights to light, view and/or air over the Premises or Building.

19.02 Estoppel Certificate. Tenant agrees, at any time, and from time to time, upon not less than 20 days' prior notice by Landlord (and which 20-day period is not subject to any notice and cure periods otherwise provided under this Lease), to execute, acknowledge and deliver to Landlord, a statement in writing addressed to Landlord or other party designated by Landlord certifying that this Lease is in full force and effect (or, if there have been modifications, that the same is in full force and effect as modified and stating the modifications), stating the actual commencement and expiration dates of the Lease, stating the dates to which rent and other charges, if any, have been paid, that the Premises have been completed on or before the date of such certificate and that all conditions precedent to the Lease taking effect have been carried out, that Tenant has accepted possession, that the Term has commenced, Tenant is occupying the Premises and is open for business, stating whether or not there exists any default by either party in the performance of any covenant, agreement, term, provision or condition contained in this Lease, and if so, specifying each such default of which the signer may have knowledge and the claims or offsets, if any, claimed by Tenant, and such other matters reasonably required by Landlord or any prospective purchaser, mortgagee or beneficiary of the Building; it being intended that any such statement delivered pursuant hereto may be relied upon by Landlord or a purchaser of Landlord's interest and by any mortgagee or beneficiary or prospective mortgagee or beneficiary of any mortgage or deed of trust affecting the Premises or the Building. If Tenant does not deliver such statement to Landlord within such ten (10) day period, Landlord, and any prospective purchaser or encumbrancer, may conclusively presume and rely upon the following facts: (i) that the terms and

provisions of this Lease have not been changed except as otherwise represented by Landlord; (ii) that this Lease has not been canceled or terminated except as otherwise represented by Landlord; (iii) that not more than one month's Base Rent or other charges have been paid in advance; and (iv) that Landlord is not in default under the Lease. In such event, Tenant shall be estopped from denying the truth of such facts. Tenant shall also, on 20 days' written notice, provide an agreement in favor of and in the form customarily used by such encumbrance holder, by the terms of which Tenant will agree to give prompt written notice to any such encumbrance holder in the event of any casualty damage to the Premises or in the event of any default on the part of Landlord under this Lease, and will agree to allow such encumbrance holder a reasonable length of time after notice to cure or cause the curing of such default before exercising Tenant's right of self-help under this Lease, if any, or terminating or declaring a default under this Lease, In the event Tenant fails to timely deliver any document under this Paragraph 19.02, Landlord may charge Tenant a penalty of Fifty Dollars ($50) for each day such delivery is delinquent.

19.03 Recording of Memorandum of Lease. This Lease or a certificate or memorandum thereof prepared by Landlord may at the option of Landlord be recorded. Tenant shall execute any such certificate, short form lease or memorandum upon demand by Landlord.

19.04 Real Estate Broker. Except as set forth in Paragraph 1.011, Tenant represents and warrants to Landlord that it has not engaged any broker, finder or other person who will be entitled to any commission or fee with respect to the negotiation, execution or delivery of this Lease or any assignment, sublease or renewal thereof and shall indemnify Landlord against any loss, cost, liability or expenses (including, without limitation, court costs and reasonable attorney's fees) legally imposed by Landlord as a result of any claim asserted by any such broker, finder or other person on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of Tenant.

19.05 Force Majeure. In any case where either party hereto is required to do any act, delays caused by or resulting from acts of God, war, civil commotion, fire, flood or other casualty, labor difficulties, shortages of labor, materials or equipment, government regulations, unusually severe weather or other causes beyond such party's reasonable control shall not be counted in determining the time during which work shall be completed, whether such time be designated by a fixed date, a fixed time or a "reasonable time," and such time shall be deemed to be extended by the period of such delay. The provisions of this Paragraph 19.05 shall not operate to excuse Tenant from the prompt payment of Base Rent, Additional Rent or any other payments required by the terms of this Lease.

19.06 Applicable Law; Venue. This Lease and the rights and obligations of the parties arising hereunder shall be construed in accordance with the laws of the Commonwealth of Kentucky. Any legal action under this Lease shall be brought in the county where the Premises are located.

19.07 Entire Agreement; Preliminary Negotiations. The Lease, the exhibits and addendum, if any, set forth all the covenants, promises, agreements, conditions and understandings between Landlord and Tenant concerning the Premises and there are no covenants, promises, agreements, conditions or understandings, either oral or written, between them other than as herein set forth. All prior communications, negotiations, arrangements, representations, agreements and understandings, whether oral, written or both, between the parties hereto and their representatives,

are merged herein and extinguished, this Lease superseding and canceling the same. Except as herein otherwise provided, no subsequent alteration, amendment, change or addition to this Lease shall be binding upon Landlord or Tenant unless reduced to writing and executed by the party against which such subsequent alteration, amendment, change or modification is to be enforced. Tenant hereby acknowledges that (a) this Lease contains no restrictive covenants or exclusives in favor of Tenant; (b) this Lease shall not be deemed or interpreted to contain, by implication or otherwise, any warranty, representation or agreement on the part of Landlord that any particular tenant shall open for business or occupy or continue to occupy any space in or adjoining the Building during the Term of this Lease or any part thereof, and Tenant hereby expressly waives all claims with respect thereto and acknowledges that Tenant is not relying on any such warranty, representation or agreement by Landlord either as a matter of inducement in entering into this Lease or as a condition of this Lease or as a covenant by Landlord; (c) Landlord and/or its real estate agent, has not made, and does not now make, any representations as to the past, present or future condition, income, expenses, operation or any other matter or thing affecting or relating to the Premises except as may be herein expressly set forth, and no such terms, agreements, covenants and conditions were made by and between the parties hereto; (d) Tenant has satisfied itself that the property described herein is properly zoned and usable for the purpose for which Tenant is leasing same; and (e) Tenant has obtained or satisfied itself that it can obtain a Certificate of Occupancy and/or any other required permit(s) from any authority having jurisdiction over the Premises confirming that Tenant may occupy the Premises for the purposes set forth in Paragraph 5.01.

19.08 Successors and Assigns. This Lease and the respective rights and obligations of the parties hereto shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto as well as the parties themselves; provided, however, that Landlord, its successors and assigns shall be liable for and obligated to perform Landlord's covenants under this Lease only during and in respect of their successive periods of ownership during the Term.

19.09 Severability of Invalid Provisions. If any provision of this Lease shall be held to be invalid, void or unenforceable, the remaining provisions hereof shall not be affected or impaired, and such remaining provisions shall remain in full force and effect.

19.10 Definition of the Relationship between the Parties. Landlord shall not, by virtue of the execution of this Lease or the leasing of the Premises to Tenant, become or be deemed a partner of or joint venturer with Tenant in the conduct of Tenant's business on the Premises or otherwise.

19.11 Certain Words, Gender and Headings. As used in this Lease, the word "person" shall mean and include, where appropriate an individual, corporation, partnership or other entity; the plural shall be substituted for the singular and the singular for the plural, where appropriate; and words of any gender shall include any other gender. The topical headings of the several paragraphs of this Lease are inserted only as a matter of convenience and reference and do not affect, define, limit or describe the scope or intent of this Lease.

19.12 Name of Building. Landlord shall have the right to change the name of the Building during the Term or any extension thereof and shall have no obligation for any loss or damage to Tenant by reason thereof.

19.13 Common Areas. Tenant shall have the nonexclusive right, in common with others, to the use of common entrances, lobbies, elevators, ramps, drives, stairs and similar access and service ways and other Common Areas in the Building, subject to the Rules and Regulations.

19.14 Parking. Subject to limitations and conditions established from time to time by Landlord, Tenant and its employees and visitors shall have the non-exclusive use, without charge, of any parking area made available and designated for parking generally for tenants and their employees and visitors at the Building. Upon Landlord's request, Tenant shall indicate which cars are designated to park in any one of the parking areas, and Landlord shall have the right to require that a parking sticker or decal be affixed to those cars so designated. Landlord may assign specific spaces and may reserve space for visitors, small cars, handicapped individuals, and Tenant and its employees and visitors shall not park in any such assigned and/or reserved spaces. Landlord reserves the right to close all or a portion of the parking areas in order to make repairs or perform maintenance, without claim of setoff or abatement by Tenant.

19.15 Entity Authority. If Tenant executes this Lease as a corporation, partnership or limited liability company, each of the persons executing this Lease on behalf of Tenant does hereby personally covenant and warrant that Tenant is a duly authorized and existing legal entity, that Tenant has and is qualified to do business in Kentucky, that the entity has full right and authority to enter into this Lease and that each person signing on behalf of the entity was authorized to do so.

19.16 Examination of Lease. The submission of this lease form by Landlord for examination does not constitute an offer to lease or a reservation of an option to lease. In addition, Landlord and Tenant acknowledge that neither of them shall be bound by the representations, promises or preliminary negotiations with respect to the Premises made by their respective employees or agents. It is their intention that neither party be legally bound in any way until this Lease has been fully executed by both Tenant and Landlord.

19.17 Financial Statements. The persons signing this Lease on behalf of Tenant hereby personally represent and warrant to Landlord that the financial statements delivered to Landlord prior to the execution of this Lease properly reflect the true and correct value of all the assets and liabilities of Tenant and any Guarantors. Tenant acknowledges that in entering into this Lease, Landlord is relying upon such statements and Tenant shall supply Landlord updated financial statements of Tenant and any Guarantors and from time to time as requested by Landlord.

19.18 Guarantors. This Lease shall not be effective unless the persons, if any, listed in Paragraph 1.01F hereof shall execute the Guaranty of this Lease attached as Exhibit F.

19.19 Consents and Approvals. Whenever Landlord's consent or approval is required herein or when Tenant requests any processing or documentation of any assignment, subletting, license, concession, creating of a security interest, granting of a collateral assignment, change of ownership or other transfer, such consent or approval shall not be deemed given until Landlord has provided such consent or approval in writing in its sole discretion. Tenant shall pay to Landlord the amount of five hundred dollars ($500.00) as an administrative fee in addition to Landlord's reasonable attorneys' fees incurred in connection with Tenant's request for Landlord's consent, approval or other action. Such administrative fee shall be paid to Landlord within five (5) business days of Landlord's consent, approval or other action else such consent, approval or other action

shall be null and void. Where the consent or approval of Landlord shall be required, such consent or approval shall be granted in Landlord's sole discretion. With respect to any provision of this Lease which either expressly provides or is held to provide that Landlord shall not unreasonably withhold or unreasonably delay any consent or approval, Tenant shall not be entitled to make claim for, and Tenant expressly waives claim for, damages incurred by Tenant by reason of Landlord's failure to comply, it being understood and agreed that Tenant's sole remedy shall be an action for specific performance.

19.20 Jury Trial; Claims; Survival. **To the extent permitted by applicable law, and acknowledging that the consequences of said waiver are fully understood, Tenant hereby expressly waives the right to trial by jury in any action taken with respect to this Lease and waives the right to interpose any set-off or counterclaim of any nature or description in any action or proceeding instituted against Tenant pursuant to this Lease.** Notwithstanding anything in this Lease to the contrary, the representations and undertakings of Tenant under this Lease shall survive the expiration or termination of this Lease regardless of the means of such expiration or termination.

19.21 Arbitration. With respect to any dispute arising under this Lease, Landlord and Tenant shall first use good efforts to resolve such dispute or matter between themselves. If the parties have not been able to resolve such dispute or matter after thirty (30) days from the date of the parties became aware of such dispute or matter, either party may submit the same for settlement by arbitration in Metro Louisville, KY, in accordance with the procedural rules then governing the American Arbitration Association or any successor thereto. The decision of the arbitrator shall be final, conclusive and binding upon the parties, and a judgment may be obtained thereon in any court having jurisdiction. Landlord and Tenant shall each pay one-half (1/2) of the cost and expense of such arbitration, and each shall separately pay for its own attorneys' fees and expenses.

19.22 Additional Provisions. Additional provisions of this Lease, if any, are set forth in the Addendum to Lease attached hereto and made a part hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and year first written above.

TENANT: **APELLIS PHARMACEUTICALS INC.**, a Delaware corporation

By: /s/ Pascal Deschatelets
Title: Chief Operating Officer

LANDLORD: **DHB PROPERTIES. LLC**,
a Kentucky professional service corporation

By: /s/ John A. Distler
Title: Partner

EXHIBIT A - LEGAL DESCRIPTION

BEING a consolidation of Lot 17 and Lot 17A of Arbor Ridge Subdivision, Section 5, a plat of which is of record in Plat Book 6, Page 77, in the Office of the Clerk of Oldham County, Kentucky.

BEING a portion of the same property conveyed to Grantor by Deed dated November 25, 1998 of record in Deed Book 591, Page 56, and the same property conveyed to Grantor by Deed dated August 24, 2007 of record in Deed Book 905, Page 266, both in the Office of the Clerk of Oldham County, Kentucky.

EXHIBIT B - THE PREMISES FLOOR PLAN

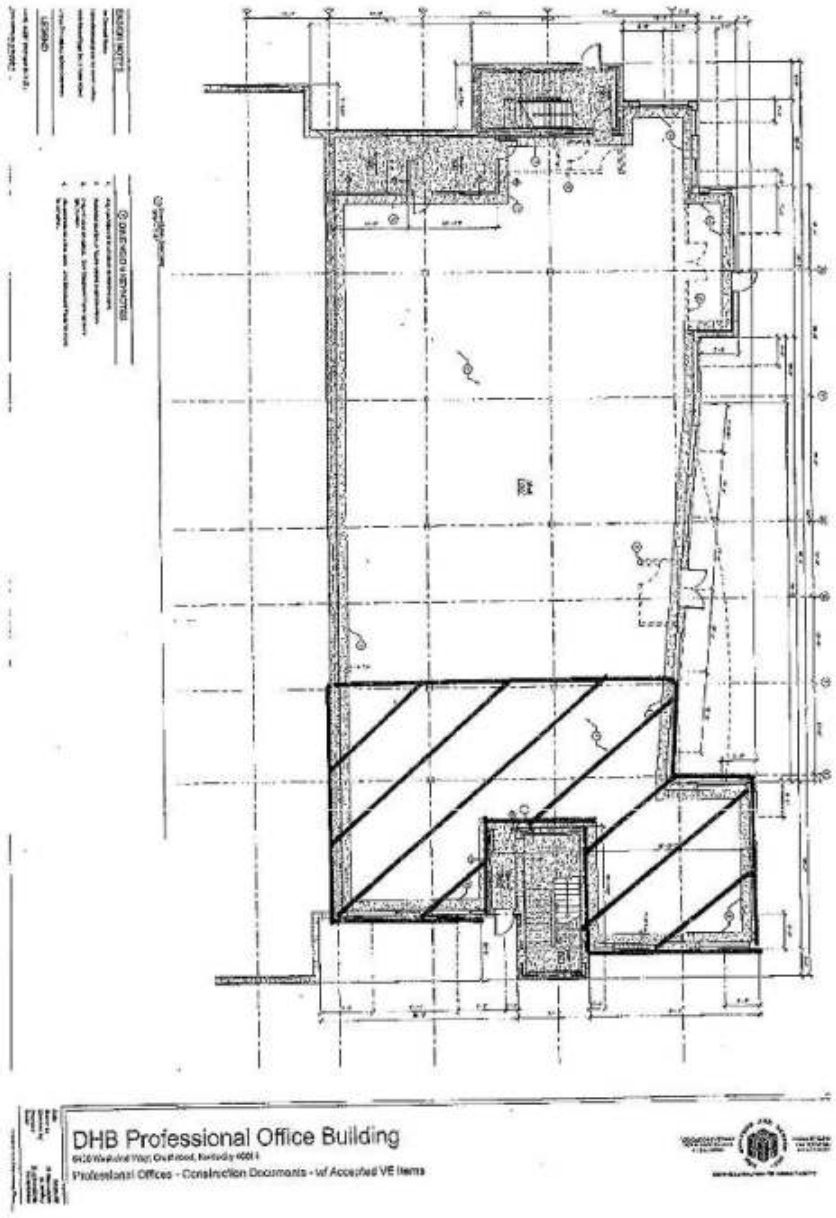


EXHIBIT C - EXAMPLE OF THE ACCEPTANCE OF PREMISES AMENDMENT

As per Paragraphs 2.01 and 2.02, below is the form to be executed by Landlord and Tenant prior to delivery of possession of the Premises to Tenant.

ACCEPTANCE OF PREMISES AMENDMENT

(Date)

THIS ACCEPTANCE OF PREMISES AMENDMENT to the Lease by and between , LLC, ("Landlord"), and , ("Tenant"), is intended to amend the terms of the Lease between Landlord and Tenant for certain office space located in , Louisville, Kentucky, known as Suite .

LANDLORD and TENANT hereby AGREE as follows:

1. Except for those items shown on the attached "punch list", which Landlord will remedy within days hereof, Landlord has fully completed the construction work required under the terms of the Lease.
2. The Premises is tenantable. The Landlord has no further obligation for construction (except as specified above) and Tenant acknowledges that both the Building and the Premises are satisfactory in all respects.
3. The Commencement Date of the Lease (Paragraph 1.01C) is hereby agreed to be .
4. The Expiration Date of the Lease (Paragraph 1.01C) is hereby agreed to be .

Except as modified herein, all terms and conditions of the Lease and any addenda are hereby ratified and acknowledged to be unchanged and shall remain in full force and effect. In the event of any conflict between the terms and conditions of the Lease and the terms and conditions of this Acceptance of Premises Amendment, this Acceptance of Premises Amendment shall govern and control.

TENANT: **APELLIS PHARMACEUTICALS INC.**, a Delaware corporation

By: _____
Title: _____

LANDLORD: **DHB PROPERTIES, LLC**,
a Kentucky professional service corporation

By: /s/ _____
Title: Partner

G & M Maintenance, Inc.
3630 East Highway 146
La Grange, KY 40031
(602) 225-9235

[to be inserted]

Estimate

Number: E883
Date: August 30, 2010

Bill To:

Horizon Commercial Realty
13125 Eastpoint Park Blvd.
Louisville, KY 40223

Date	Description	Price	Amount
	Bluegrass Eye Center		
	Build-out estimate breakdown for Potentia, approx 2000 sq. ft. to construct three private offices, one shared office, confrence room, one restroom, mechanical room, storage room, break room and dimising wall.		
	Permits, inspections, clean-up, overhead and general conditions		3,500.00
	Frame, drywall and insulate interior walls		19,800.00
	Electrical 200 amp. service, lighting and finish.		10,825.00
	Plumbing		6,900.00
	HVAC, 4 ton Geothermal system		20,947.00
	Acid stained concrete floor		10,800.00
	Store front entrance door		2,400.00
	Acoustical ceilings		4,600.00
	Sprinkler allowence		2,800.00
	Cabinetry allowence, Kitchen and wet bar in confrence room		3,500.00
	Door and hardware package		5,400.00

G & M Maintenance, Inc.
3630 East Highway 146
La Grange, KY 40031
(502) 225-9235

Estimate

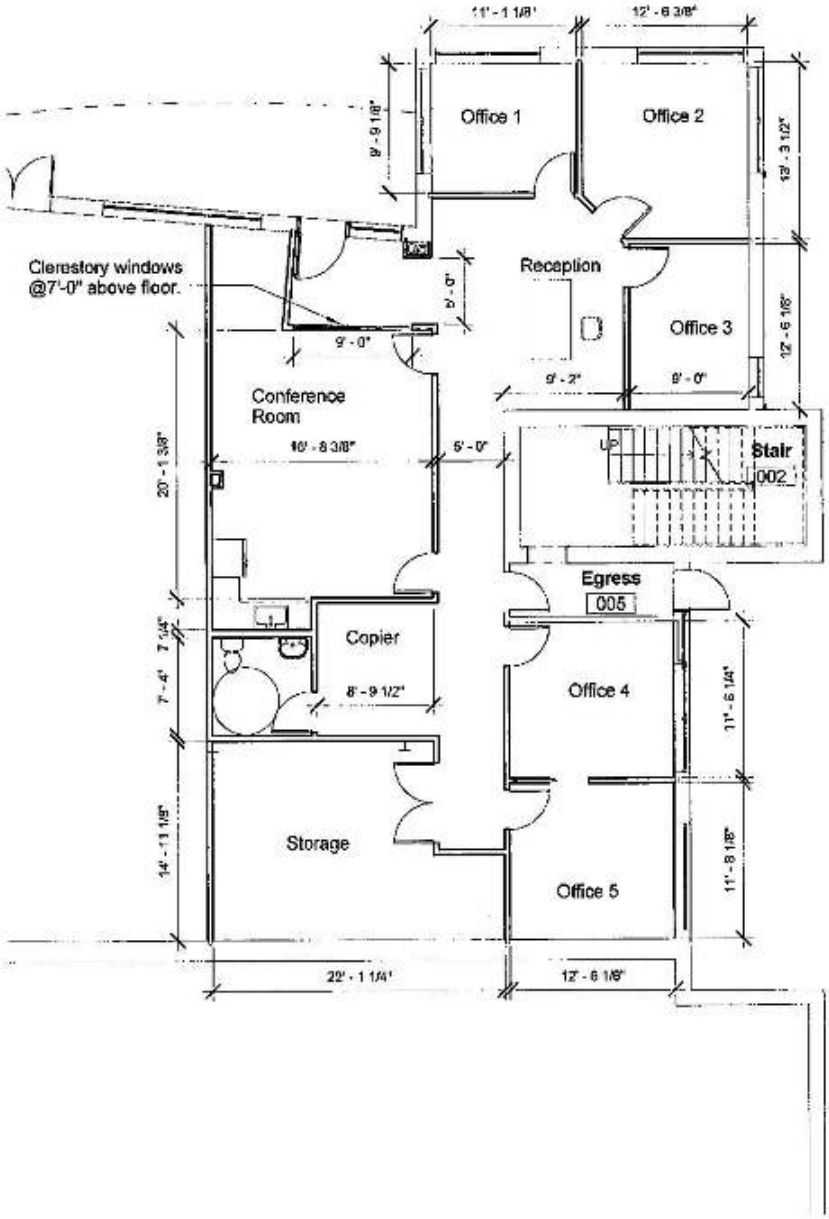
Number: E883
Date: August 30, 2010

Bill To:

Horizon Commercial Realty
13125 Eastpoint Park Blvd.
Louisville, KY 40223

Date	Description	Price	Amount
	Painting		4,000.00
	Disposal fees and final cleaning		800.00
	NOTE: Drawings will be necessary to obtain building permit		
	Thank you for this opportunity		
		Total	$96,172.00

EXHIBIT D-2 - THE PLAN



PFP-1
Proposed Floor Plan

Project No.	PROJ-V0007
Checked by	VLC
Drawn by	VLC
Date	12.11.19

Apellis Office Suite
6400 Westwind Way; Crestwood, Kentucky 40014
Office Suite Renovation

H&H Design-Build
In association for life
150 East Main Street New Albany, IN 47150
812.944.2300d phone 812.949.2999 fax
www.hhdesigns-build.com

EXHIBIT E - RULES AND REGULATIONS

1. Standard hours of operation shall be between the hours of 7:30 a.m. and 6:00 p.m. on Monday through Friday of each week except on Legal Holidays as provided below.

2. Legal Holidays: New Year's Day, January 1; Memorial Day, observed; July 4; Labor Day, observed; Thanksgiving Day, observed; Christmas, December 25; and business days before or after such days if businesses are generally closed on such business days.

3. Services to be paid for by Landlord and included as part of Building Operating Expenses without limitation: Heating, ventilation and air-conditioning; Electricity for lighting the Building lobbies, all Common Areas and Tenant's Premises that are not separately metered; Water for lavatory and drinking purposes; Washing of windows at intervals established by Landlord; Cleaning and maintenance for all Common Areas.

4. After hours electrical, lighting or HVAC controls selected either through the use of installed override switches or provided at the special request by Tenant shall be billed to Tenant at rates reasonably established by Landlord.

5. The sidewalks, halls, passages, exits, entrances, retail areas, elevators, escalators and stairways of the Building will not be obstructed by Tenant or used by Tenant for any purpose other than for ingress to and egress from the Premises. The halls, passages, exits, entrances, elevators, escalators and stairwells are not for the general public, and Landlord will in all cases retain the right to control and prevent access to them by all persons whose presence, in the judgment of Landlord, would be prejudicial to the safety, character, reputation, and interests of the Building and its tenants; however, such access will be permitted to persons with whom Tenant normally deals in the ordinary course of its business, unless such persons are engaged in illegal activities. Tenant and its employees and invitees shall not go upon the roof of the Building.

6. No sign, placard, picture, name, advertisement or notice visible from the exterior of Tenant's Premises will be inscribed, painted, affixed or otherwise displayed by Tenant on any part of the Building or the Premises without the prior written consent of Landlord. Landlord will adopt and furnish to Tenant guidelines relating to signs inside the Building on the office floors. Tenant agrees to conform to such guidelines. All approved signs or lettering on doors will be printed, painted, affixed or inscribed at the expense of Tenant by a person approved by Landlord. Material visible from outside the Building will not be permitted. Landlord may remove such materials without any liability, and may charge the expense incurred by such removal to Tenant.

7. No curtains, draperies, blinds, shutters, shades, screens or other coverings, hangings or decorations will be attached to, hung, or placed in, or used in connection with any window of the Building or the Premises unless approved in writing by Landlord.

8. The sashes, sash doors, skylights, windows, heating, ventilating, and air conditioning vents and doors that reflect or admit light and air into the halls, passageways or other public places in the Building will not be covered or obstructed by Tenant.

9. No showcases or other articles will be put in front of or affixed to any part of the exterior of the Building, nor placed in the public hails, corridors or vestibules without the prior written consent of Landlord.

10. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is under the influence of liquor or drugs, or who shall in any manner do any act of violence or violate any of the Rules and Regulations of the Building.

11. Tenant will not occupy or permit any portion of the Premises to be occupied as an office for a public stenographer or typist, or for the possession, storage, manufacture, or sale of liquor, narcotics, dope, tobacco (except vending machine sale of tobacco for the convenience of Tenant's employees) in any form, or as a barber or manicure shop, or as a public employment bureau or agency, or for a public finance (personal loan) business. Tenant will not permit the Premises to be used for lodging or sleeping or for any immoral or illegal purpose. Tenant will not use or permit the use of the Premises in any manner which involves the unusual risk of injury to any person. No cooking will be done or permitted by Tenant on the Premises, except in area of the Premises which are specially constructed for cooking, and except that use by Tenant of Underwriters' Laboratory - approved microwave equipment or equipment for brewing coffee, tea, hot chocolate and similar beverages will be permitted so long as such use is in accordance with all applicable federal, state and city laws, codes, ordinances, rules and regulations.

12. Tenant will not employ any person or persons other than the cleaning service of Landlord for the purpose of cleaning the Premises, unless otherwise agreed by Landlord in writing. Except with the written consent of Landlord, no person or persons other than those approved by Landlord will be permitted to enter the Building for the purpose of cleaning it. Tenant will not cause any unnecessary labor by reason of Tenant's carelessness or indifference in the preservation of good order and cleanliness. If Tenant's actions result in any increased expense for any required cleaning, Landlord reserves the right to assess Tenant for such expenses. Janitorial service will not be furnished on nights to offices which are occupied after business hours on those nights unless, by prior written agreement of Landlord, service is extended to a later hour for specifically designated offices.

13. The toilet rooms, toilets, urinals, wash bowls and other plumbing fixtures will not be used for any purposes other than those for which they were constructed, and no sweepings, rubbish, rags or other foreign substances will be thrown in them. All damages resulting from any misuse of the fixtures will be borne by Tenant who, or whose servants, employees, agents, visitors or licensees have caused the damage.

14. Tenant will not deface any part of the Premises or the Building of which they form a part. Without the prior written consent of Landlord, Tenant will not lay linoleum or other similar floor covering. If such floor covering is to be used, an interlining of builder's deadening felt will be first affixed to the floor, by a paste of other material soluble in water. The use of cement or other similar adhesive material is expressly prohibited. In those portions of the Premises in which carpet has been provided directly or indirectly by Landlord, Tenant will at its own expense install and maintain pads to protect the carpet under all furniture having casters other than carpet casters,

15. The Building is open to the public during the standard hours of operations established by Landlord and outlined herein under Paragraph 1. Landlord will furnish Tenant with four (4) keys to each door lock of the Premises, and four (4) building keys for entry to the Building after hours. Landlord will have the right to collect a reasonable charge for additional keys requested by Tenant. Tenant, upon termination of its tenancy, will deliver to Landlord all keys which were furnished by Landlord for the Premises and Building or any other area of the Building (e.g., conference room, exercise room, vending room).

16. Tenant will not alter, change, replace, or re-key and lock or install new lock or a knocker on any door of the Premises. Landlord, its agents or employees, will retain a master key to all door locks on the Premises. Any new door locks required by Tenant or any change of keying of existing locks will be installed or changed by Landlord following Tenant's written request to Landlord and will be at Tenant's expense. All new locks and re-keyed locks will remain operable by Landlord's master key.

17. Tenant will see that the doors of the Premises are closed and locked and that all water faucets, water apparatus and utilities are shut off before Tenant or Tenant's employees leave the Premises, so as to prevent waste or damage, and for any default or carelessness in this regard Tenant will make good all injuries sustained by other tenants or occupants of the Building or Landlord. On multiple-tenancy floors, all tenants will keep the doors to the Building corridors closed at all times except for ingress and egress.

18. Tenant agrees that Landlord shall not be responsible for lost or stolen personal property, money or jewelry from the Premises or Building regardless of whether such loss occurs when the area is locked against entry or not.

19. Smoking is not permitted in Building including, but not limited to, lobbies, common hallways, restrooms, vending areas, conference rooms and exercise facilities.

20. Tenant, its employees, agents, customers and invitees shall not loiter or solicit in the Common Areas, nor shall Tenant distribute any handbills or other advertising at the Building.

21. Upon Tenant's taking possession of the Premises, Tenant shall supply to Landlord the name, address and phone number of an emergency contact. Tenant authorizes Landlord to relinquish said information to the Police Department and Fire Department in case of an emergency.

22. Landlord may from time to time adopt appropriate systems and procedures for the security or safety of the Building, any persons occupying, using, or entering the Building, or any equipment, finishings or contents of the Building, and Tenant will comply with such systems and procedures.

23. All persons entering or leaving the Building after standard hours of operation including Saturday, Sunday, and holidays will comply with such off-hours regulations as Landlord may establish and modify from time to time. Landlord reserves the right to limit or restrict access to the Building during such time periods.

24. The elevator designated by Landlord will be available for use by all tenants in the Building during the hours and pursuant to such procedures as Landlord may determine from time to time. The persons employed to move Tenant's equipment, material, furniture or other property in or out of the Building must be accepted by Landlord. The moving company must be a locally recognized professional mover, whose primary business is the performing of relocation services, and must be bonded and fully insured. A certificate or other verification of such insurance must be received and approved by Landlord prior to the start of any moving operations. Insurance must be sufficient, in Landlord's sole opinion, to cover all personal liability, theft or damage to the Building, including without limitation, floor coverings, doors, walls, elevators, stairs, foliage and landscaping. Special care must be taken to prevent damage to foliage and landscaping during adverse weather. All moving operations will be conducted at such times and in such a manner as Landlord may direct, and all moving will take place during non-business hours unless Landlord agrees in writing otherwise. Tenant will be responsible for the provision of Building security during all moving operations, and will be liable for all losses and damages sustained by any party as a result of the failure to supply adequate security. Landlord will have the right to prescribe the weight, size and position of all equipment, materials, furniture or other property brought into the Building. Heavy objects will, if considered necessary by Landlord, stand on wood strips of such thickness as is necessary to distribute the weight properly. Landlord will not be responsible for loss of or damage to any such property from any cause, and all damage done to the Building by moving or maintaining such property will be repaired at the expense of Tenant. Landlord reserves the right to inspect all such property to be brought into the Building and to exclude from the Building all such property which violates any of these Rules and Regulations. Supplies, goods, materials, packages, furniture and all other items of every kind delivered to or taken from the Premises will be delivered or removed through the entrance and route designated by Landlord. Landlord will not be responsible for the loss or damage of any such property, even if such loss or damage may occur through the carelessness or negligence of Landlord, its agents or employees.

25. Tenant will not use or keep in the Premises or the Building any kerosene, gasoline, or flammable or combustible or explosive fluid or material or chemical substance other than limited quantities reasonably necessary for the operation or maintenance of office equipment or limited quantities of cleaning fluids and solvents required in normal operation of the Premises. Without Landlord's prior written approval, Tenant will not use any method of heating or air conditioning other than that supplied by Landlord. Tenant will not use or keep or permit to be used or kept, any foul or noxious gas or substance in the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of noise, odors or vibrations, or interference in any way with other tenants or those having business in the Building. Tenant will not place or install any object (including, without limitation, radio and television antenna, loudspeakers, sound amplifiers, microwave dishes, solar devices or similar devices) on the exterior of the Building or on the roof of the Building.

26. Landlord may without notice and without liability to Tenant, change the name and street address of the Building.

27. Landlord will have the right to prohibit any advertising by Tenant (mentioning the Building) which, in Landlord's reasonable opinion, tends to impair the reputation of the Building

or its desirability as a building for offices, and upon written notice from Landlord, Tenant will discontinue such advertising.

28. Tenant will not bring any animals or birds into the Building, and will not permit bicycles or other vehicles inside or on the sidewalks outside the Building except in areas designated from time to time by Landlord for such purposes.

29. Tenant will store all of its trash and garbage within the Premises. No material will be placed in the trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of trash and garbage without being in violation of any law or ordinance governing such disposal. All garbage and refuse disposal will be made only through entryway and elevators provided for such purposes and at such times as Landlord may designate. Removal of any furniture or furnishings, large equipment, packing crates, packing materials and boxes will be the responsibility of Tenant, and such items may not be disposed of in the Building trash receptacles, nor will they be removed by the Building's janitorial service, except at Landlord's sole option and at Tenant's expense. No furniture, appliances, equipment or flammable products of any type may be disposed of in the Building trash receptacles.

30. Canvassing, peddling, soliciting and distribution of handbills or any other written materials in the Building are prohibited, and Tenant will cooperate to prevent same.

31. The requirements of tenants will be attended to only upon application by written, personal or telephone notice at the office of the Building. Employees of Landlord will not perform any work or do anything outside of their regular duties unless under special instruction from Landlord.

32. A directory of the Building will be provided for the display of the name and location of Tenant but Landlord will not in any event be obligated to furnish more than one (1) directory strip for the Premises. Any additional names which Tenant will desire to place in such directory must first be approved by Landlord, and if so approved, a charge will be made for them.

33. Whenever Tenant submits to Landlord any plan, agreement or other document for Landlord's consent or approval, Tenant agrees to pay Landlord as additional rent, on demand, a processing fee in the sum equal to the reasonable fee of the architect, engineer or attorney employed by Landlord to review the plan, agreement or document.

34. Tenant will not conduct itself in any manner which is inconsistent with the character of the Building as a first quality building or which will impair the comfort and convenience of other tenants in the Building.

35. No act or thing done or omitted to be done by Landlord or Landlord's agent during the term of the lease in connection with the enforcement of these Rules and Regulations will constitute an eviction by Landlord of Tenant nor will it be deemed an acceptance of surrender of the Premises by Tenant. No agreement to accept such termination or surrender will be valid unless in a writing signed by Landlord. The delivery of keys to any employee or agent of Landlord will not operate as a termination of the lease or a surrender of the Premises unless such delivery of keys

is done in connection with a written instrument executed by Landlord approving the termination or surrender.

36. Tenant agrees that it shall not willfully do or omit to do any act or thing which shall discriminate or segregate upon the basis of race, color, sex, creed or national origin in the use and occupancy or in any subleasing or subletting in the Premises.

37. Tenant shall be deemed to have read these Rules and Regulations and to have agreed to abide by them as a condition of its occupancy of the Premises.

Apellis Pharmaceuticals, Inc., Tenant

THIS ADDENDUM TO LEASE is entered into by and between **DHB Properties. LLC**, a Kentucky professional services corporation ("Landlord"), and Apellis Pharmaceuticals, Inc., a Delaware corporation ("Tenant") to amend the terms of the Lease ("Lease") between Tenant and Landlord for certain office space located The Bluegrass Eye Building, 8400 Westwind Way, Crestwood, Kentucky, designated as Suite A.

Now, therefore, Landlord and Tenant mutually agree to the following:

1. Prepaid Base Rent of $60,000 shall be paid in two stages as outlined herein. On or about December 1, 2010 Landlord shall provide to Tenant an invoice from G&M Maintenance ("Genera Contractor") which Invoice shall be for one half the coat of the Landlord's work e$ outlined on Exhibit D, which Tenant shall directly reimburse General Contractor for, not to exceed $50,000. Upon completion of Landlord's work and acceptance of the improvements as completed in accordance with the plans by Tenant, Landlord shall provide to Tenant the final invoice from General Contractor and Tenant shall pay the balance of Prepaid Base Rent, not to exceed $60,000 directly to General Contractor. Landlord shall be responsible for the balance and remaining cost of Landlord's work as outlined on Exhibit D.

2. In the event that Landlord is unable to deliver possession of the Premises to Tenant by April 30, 2011 then Tenant shall have the right to terminate the Lease upon written notice to Landlord and within five (5) business days or receipt of Tenant's notice, Landlord shall reimburse Tenant for all Prepaid Base Rent.

Except as modified herein, all terms and conditions of the Lease and any addenda are hereby ratified and acknowledged to be unchanged and shall remain in full force and effect. In the event of any conflict between the terms and conditions of the Lease and the terms and conditions of this Addendum, this Addendum shall govern and control.

TENANT: **Apellis Pharmaceuticals, Inc.** a Delaware corporation

By: /s/ Pascal Deschatelets
Title: Chief Operating Officer

LANDLORD: **DHB Properties, LLC**
a Kentucky professional services corporation

By: /s/ Anne C. Huntington
Title: Partner

ACCEPTANCE OF PREMISES AMENDMENT

February 25, 2011
(Date)

THIS ACCEPTANCE OF PREMISES AMENDMENT to the Lease by and between **DHB Properties, LLC,** ("Landlord"), and **Apellis Pharmaceuticals, Inc.,** ("Tenant"), is intended to amend the terms of the Lease between Landlord and Tenant for certain office space located in **The Bluegrass Eye Building,** 6400 Westwind Way, Crestwood, Kentucky, 40014 known as **Suite .**

LANDLORD and TENANT hereby AGREE as follows:

1. Except for those items shown on the attached "punch list", which Landlord will remedy within days hereof, Landlord has fully completed the construction work required under the terms of the Lease.
2. The Premises is tenantable. The Landlord has no further obligation for construction (except as specified above) and Tenant acknowledges that both the Building and the Premises are satisfactory in all respects.
3. The Commencement Date of the Lease (Paragraph 1.01 C) is hereby agreed to be February 28, 2011.
4. The Expiration Date of the Lease (Paragraph 1.01 C) is hereby agreed to be February 29, 2016.

Except as modified herein, all terms and conditions of the Lease and any addenda are hereby ratified and acknowledged to be unchanged and shall remain in full force and effect. In the event of any conflict between the terms and conditions of the Lease and the terms and conditions of this Acceptance of Premises Amendment, this Acceptance of Premises Amendment shall govern and control.

TENANT: **Apellis Pharmaceuticals, Inc.**
a Delaware corporation

By: /s/ Pascal Deschatelets
Title: COO

LANDLORD: **DHB Properties, LLC**
a Kentucky professional services corporation

By: /s/ Matt Blair
Title: _____ , Partner

THIRD ADDENDUM TO OFFICE LEASE AGREEMENT

THIS THIRD ADDENDUM TO OFFICE LEASE AGREEMENT ("Third Addendum") is made and entered into as of April 27th, 2015 (the "**Effective Date**"), by and between (I) DHB PROPERTIES, LLC, a Kentucky limited liability company ("**Landlord**"), and (II) APELLIS PHARMACEUTICALS, INC., a Delaware corporation ("**Tenant**").

WITNESSETH:

WHEREAS, Landlord and Tenant entered into that certain Office Lease Agreement dated October 21, 2010, which was subsequently amended by an Addendum to Lease dated October 27, 2010, and Second Addendum dated May 20, 2014, executed prior to this Third Addendum (as previously amended, the "**Lease**"), and capitalized terms used and not otherwise defined in this Third Addendum will have the respective meanings given to such terms in the Lease; and

WHEREAS, Landlord and Tenant desire to further amend the Lease as hereinafter set forth;

NOW, THEREFORE, in consideration of the foregoing premises, which are incorporated within this Third Addendum, and for other good and valuable consideration, the mutuality, receipt and sufficiency of which are hereby acknowledged and agreed, the parties hereto hereby agree as follows:

1. **Second Expansion Space:** The area of the Premises leased to Tenant under the Lease is expanded as of the Effective Date by an additional 3,325+/- square feet, the location of such additional area being depicted and labeled as the "**Second Expansion Space**" on the Exhibit A attached hereto and made a part hereof (the "**Second Expansion Space**"). As of the Effective Date the Second Expansion Space shall be encompassed and included within the definition of the Premises leased to Tenant under the Lease, and the area of the Premises is agreed to be 7,125 square feet.

2. **Second Expansion Space Delivery Date:** The delivery date of the Second Expansion Space is estimated to be July 15, 2015. Delivery shall be deemed satisfied upon issuance of a certificate of occupancy on the Second Expansion Space and Landlord and Tenant agree to execute an Acceptance of Premises Amendment that shall establish actual delivery of the Second Expansion Space.

3. **Term Extension:** The Term is hereby extended through, and the Expiration Date of the Term shall now be the date that is three (3) years from the Delivery Date, estimated to be July 14, 2018.

4. **Base Rent:** The Base Rent for the Premises shall be calculated as follows: Original Premises:

   (a) The monthly installments of Base Rent for the area of the Premises originally leased to Tenant under the Lease (the "**Original Premises**") shall continue to be $2,984.92 (based on an annual rental amount of $17.00 per square foot), and shall continue to be due and payable on the first (1st) day of each month through February 2016.

(b) The monthly installments of Base Rent due and payable to Landlord for the Original Premises shall increase as of March 1, 2016 (based on an annual rental amount of $18.00 per square foot), and will be due and payable to Landlord by Tenant in monthly amounts of $3,160.50 commencing on March 1, 2016, and continuing on the first (1sl) day of each month thereafter through the remaining Term as extended by this Third Addendum.

First Expansion Premises:

(a) Base Rent for the area of the Premises which comprises the First Expansion Space shall commence on October 7, 2014, and shall be due and payable to Landlord by Tenant in monthly installments of $2,398.42 (based on an annual rental amount of $17.00 per square foot) on October 7, 2014, and continuing on the first (1st) day of each month thereafter through February 2016.

(b) The monthly installments of Base Rent due and payable to Landlord for the area of the Premises which comprises the First Expansion Space shall increase as of March 1, 2016 (based on an annual rental amount of $18.00 per square foot), and will be due and payable to Landlord by Tenant in monthly amounts of $2,539.50 commencing on March 1, 2016, and continuing on the first (1st) day of each month thereafter through the remaining Term as extended by the Third Addendum.

Second Expansion Premise

5. (a) Base Rent for the area of the Premises which comprises the Second Expansion Space shall commence on delivery estimated to be July 15, 2015 and shall be due and payable to Landlord by Tenant in monthly installments of $4,710.42 (based on an annual rental amount of $17.00 per square foot) and continuing on the first (1sl) day of each month thereafter through February 2016.

(b) The monthly Installments of Base Rent due and payable to Landlord for the area of the Premises which comprises the Second Expansion Space shall increase as of March 1, 2016 (based on an annual rental amount of $18.00 per square foot), and will be due and payable to Landlord by Tenant In monthly amounts of $4,987.50 commencing on March 1, 2016, and continuing on the first (1st) day of each month thereafter through the remaining Term as extended by the Third Addendum,

6. **Tenant Finish:** The Landlord's Work with regard to the Second Expansion Space is out depicted and described on Exhibit B attached hereto and made a part hereof (the "**Tenant Finish**"), and Tenant shall be responsible for and shall pay the cost of the Tenant Finish, up to an agreed aggregate maximum amount of $207,788.00 (the "**Tenant Contribution**"), in two stages as follows:

(a) On or about , Landlord shall provide to Tenant a copy of an invoice from the general contractor (the "General Contractor") for one-half (1/2) of the cost of the Tenant Finish, which invoice amount Tenant shall directly pay to the General Contractor up to a maximum amount of $89,644.

(b) Upon completion of the Tenant Finish, Landlord shall provide to Tenant a copy of the final invoice from the General Contractor for the cost thereof, and Tenant shall pay directly to the General Contractor the balance of the amount due for the Tenant Finish, not to exceed a maximum amount from Tenant $89,644.

(c) Landlord shall be responsible for the HVAC cost for the Second Expansion Space and shall pay the General Contractor directly for the cost estimated to be $28,500.

Landlord shall be responsible for any amounts due to the General Contractor for the Tenant Finish In excess of the Tenant Contribution.

7. **Expansion Space Delivery:** Landlord shall deliver the Expansion Space to Tenant, with the Tenant Finish complete, on or before July 15, 2015, subject to extension for delays resulting from Acts of God, unusual Inclement weather and occurrences of force majeure.

8. **Expansion Space Rent Credit:** Notwithstanding the terms of Section 4 above, Tenant shall be entitled to credit the amount of the Tenant Contribution actually paid by Tenant against the amount of Base Rent due with respect to the Second Expansion Space, to be taken by Tenant as a credit against each such Installment of Base Rent until such credit amount has been exhausted.

9. **Utilities.** Tenant shall be responsible for heating and cooling costs for the Second Expansion Space.

10. **Miscellaneous.** Except as expressly modified herein, all terms and conditions of the Lease fire hereby ratified and acknowledged to be unchanged and shall remain in full force and effect. Nothing herein modifies the terms of Section 6 of the Second Amendment. In the event of any conflict between the terms and conditions of the Lease and the terms and conditions of this Addendum, this Addendum shall govern and control.

WITNESS the signatures of the undersigned as of the Effective Date.

TENANT: **Apellis Pharmaceuticals, Inc.** a Delaware corporation

By: /s/ Pascal Deschatelets
Title: COO

LANDLORD: **DHB Properties, LLC** a Kentucky limited liability company

By: /s/ Bryan Matthew Blair
Title: VP

Exhibit 21.1

SUBSIDIARIES OF APELLIS PHARMACEUTICALS, INC.

Subsidiary	Jurisdiction of Incorporation or Organization
Apellis Australia Pty Ltd.	Australia