UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2017

OR

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

For the transition period from _____ to _____

Commission File Number 001-32157

Savara Inc.

(Exact name of registrant as specified in its charter)

Delaware	**84-1318182**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
900 South Capital of Texas Highway, Las Cimas IV, Suite 150 Austin, TX	**78746**
(Address of principal executive offices)	**(Zip Code)**

(512) 614-1848
(Registrant's telephone number, including area code)

N/A

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of May 5, 2017, the registrant had 15,153,265 shares of common stock, $0.001 par value per share, outstanding.

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Mast Therapeutics, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)
(in thousands, except for share and par value data)

	March 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 7,771	$ 8,542
Investment securities	—	2,740
Prepaid expenses and other current assets	388	903
Total current assets	8,159	12,185
Property and equipment, net	88	99
In-process research and development	2,500	2,500
Goodwill	3,007	3,007
Other assets	131	131
Total assets	$ 13,885	$ 17,922
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 502	$ 626
Accrued liabilities	2,241	1,974
Accrued compensation and payroll taxes	2,270	718
Debt facility	1,580	1,548
Total current liabilities	6,593	4,866
Long-term lease obligation	14	17
Debt facility, net of current portion	1,933	2,285
Deferred income tax liability	995	995
Total liabilities	9,535	8,163
Stockholders' equity:		
Common stock, $0.001 par value; 500,000,000 shares authorized; 3,639,241 shares issued and outstanding at March 31, 2017 and December 31, 2016 (after giving effect to the 1-for-70 reverse stock split that was implemented on April 27, 2017)	255	255
Additional paid-in capital	321,037	320,576
Accumulated other comprehensive income	—	1
Accumulated deficit	(316,942)	(311,073)
Total stockholders' equity	4,350	9,759
Total liabilities and stockholders' equity	$ 13,885	$ 17,922

See accompanying notes to unaudited condensed consolidated financial statements.

Mast Therapeutics, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)
(in thousands, except for share and per share data)

	Three Months Ended March 31,	
	2017	2016
Revenues	$ 94	$ —
Operating expenses:		
Research and development	1,443	7,875
Selling, general and administrative	1,585	2,835
Transaction-related expenses	2,752	—
Depreciation and amortization	11	32
Total operating expenses	5,791	10,742
Loss from operations	(5,697)	(10,742)
Interest income	11	39
Interest expense	(178)	(519)
Other (expense)/income, net	(5)	15
Net loss	$ (5,869)	$ (11,207)
Net loss per share - basic and diluted	$ (1.61)	$ (4.40)
Weighted average shares outstanding - basic and diluted (after giving effect to the 1-for-70 reverse stock split that was implemented on April 27, 2017)	3,639,242	2,544,503
Comprehensive Loss:		
Net loss	$ (5,869)	$ (11,207)
Other comprehensive (loss)/income	(1)	22
Comprehensive loss	$ (5,870)	$ (11,185)

See accompanying notes to unaudited condensed consolidated financial statements.

Mast Therapeutics Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Three Months Ended March 31,	
	2017	2016
Cash flows from operating activities:		
Net loss	$ (5,869)	$ (11,207)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	11	32
Share-based compensation expense related to employee stock options	461	659
Amortization of debt issuance costs and debt discount	104	169
Changes in assets and liabilities:		
Decrease in prepaid expenses and other assets	515	153
Decrease in accounts payable	(127)	(776)
Increase/(decrease) in accrued liabilities	1,726	(358)
Net cash used in operating activities	(3,179)	(11,328)
Cash flows from investing activities:		
Proceeds from maturities of certificates of deposit	498	4,383
Proceeds from sales of certificates of deposit	2,241	—
Security deposit for sublease	90	—
Purchases of property and equipment	—	(5)
Net cash provided by investing activities	2,829	4,378
Cash flows from financing activities:		
Payments made on debt facility	(368)	—
Costs paid in connection with debt facility	(50)	(38)
Proceeds from sale of common stock	—	8,060
Payments for offering costs	—	(601)
Payments for capital lease	(3)	(2)
Net cash (used in)/provided by financing activities	(421)	7,419
Net (decrease)/increase in cash and cash equivalents	(771)	469
Cash and cash equivalents at beginning of period	8,542	23,052
Cash and cash equivalents at end of period	$ 7,771	$ 23,521

See accompanying notes to unaudited condensed consolidated financial statements.

1. Basis of Presentation

Savara Inc., a Delaware corporation ("Savara," "we," "us," "our" or "our company"), prepared the unaudited interim condensed consolidated financial statements included in this report in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission ("SEC") related to quarterly reports on Form 10-Q. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for annual audited financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in Mast Therapeutics, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on March 6, 2017 ("2016 Annual Report"). The condensed consolidated balance sheet as of December 31, 2016 included in this report has been derived from the audited consolidated financial statements included in the 2016 Annual Report. In the opinion of management, these condensed consolidated financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the financial position, results of operations and cash flows for the periods presented. The results of operations for the interim periods shown in this report are not necessarily indicative of the results that may be expected for any future period, including the full year. See below under "Basis of Presentation and Liquidity."

Savara is a clinical-stage specialty pharmaceutical company focused on the development and commercialization of novel therapies for the treatment of serious or life-threatening rare respiratory diseases. Savara's pipeline comprises AeroVanc, a Phase 3 ready inhaled vancomycin, Molgradex, a Phase 2/3 stage inhaled granulocyte-macrophage colony-stimulating factor, or GM-CSF, and Aironite (also known as AIR001), a Phase 2 stage inhaled nebulized sodium nitrite solution.

Subsequent Events: Name Change, Reverse Stock Split, Merger, and Related Transactions

On April 27, 2017, we completed the merger and related transactions contemplated by the Agreement and Plan of Merger and Reorganization, dated January 6, 2017 (the "Merger Agreement"), by and among Mast Therapeutics, Inc. ("Mast"), Victoria Merger Corp., a wholly-owned subsidiary of Mast ("Merger Sub"), and Savara Inc. ("Private Savara"). On April 27, 2017, Private Savara changed its name to "Aravas Inc." ("Aravas") and Mast changed its name to "Savara Inc." Then, pursuant to the Merger Agreement, Merger Sub was merged with and into Aravas, the separate corporate existence of Merger Sub ended and Aravas continued as the surviving corporation and a wholly-owned subsidiary of Savara (the "Merger").

Also on April 27, 2017, in connection with and immediately prior to the effective time of the Merger, Mast implemented a reverse stock split at a ratio of one new share for every 70 shares of its common stock outstanding (the "Reverse Stock Split").

Pursuant to the terms of the Merger Agreement, Mast issued shares of its common stock to the Aravas stockholders at an exchange ratio of 0.5860 of a share (which reflects the Reverse Stock Split) of Mast common stock for each one share of Aravas common stock outstanding as of the effective time of the Merger. As a result of such issuance of shares, the Aravas stockholders became the majority stockholders of our company. See Note 14, "Subsequent Events," for more information regarding the Merger and other post-quarter-end events.

Prior to the Merger, Mast was a biopharmaceutical company focused on developing clinical-stage therapies for serious or life-threatening diseases. Aironite, which Mast acquired in February 2014 through its acquisition of Aires Pharmaceuticals, Inc., was its lead product candidate and in Phase 2 development for the treatment of heart failure with preserved ejection fraction, or HFpEF.

Prior to the Merger, Mast's common stock was listed on NYSE MKT, LLC and traded through the close of business on April 27, 2017 under the ticker symbol "MSTX." On April 28, 2017, our common stock commenced trading on The Nasdaq Capital Market (on a Reverse Stock Split-adjusted basis) under the ticker symbol "SVRA."

Basis of Presentation and Liquidity

The accompanying unaudited consolidated financial statements include Mast and its wholly-owned subsidiaries as of March 31, 2017, Aires Pharmaceuticals, Inc., SD Pharmaceuticals, Inc. and Victoria Merger Corp. Victoria Merger Corp. was formed in January 2017 solely for purposes of carrying out the Merger. The financial statements have been labeled "Mast Therapeutics, Inc." for the purposes of this report, which was the entity name in effect for the historical periods presented. All intercompany accounts and transactions have been eliminated in consolidation.

Since its inception, Mast incurred significant operating losses and funded its operations primarily though equity and debt financings. Over the past five years, Mast had focused its resources primarily on the clinical development of vepoloxamer. After the Phase 3 clinical study of vepoloxamer in sickle cell disease did not achieve its primary or secondary efficacy endpoints, Mast restructured its organization to focus on development of Aironite, but due to, among other reasons, Mast's liquidity position, its depressed stock price in the fourth quarter of 2016, and uncertainty regarding its ability to raise capital to continue fund operations, and Mast entered into the Merger Agreement with Private Savara.

On April 27, 2017, the Reverse Stock Split was implemented by Mast, the Merger was completed and the business of Mast became the business of Savara.

All common stock share and per share information in the unaudited interim condensed consolidated financial statements and notes thereto included in this report have been restated to reflect retrospective application of the Reverse Stock Split, except for par value per share and the number of authorized shares, which were not affected by the Reverse Stock Split. For stock options and warrants to purchase common stock, the number of shares of common stock issuable upon exercise and the exercise price per share have been adjusted to give effect to the Reverse Stock Split. No fractional shares will be issued upon exercise of these instruments.

The accompanying unaudited condensed consolidated financial statements do not give effect to the completion of the Merger.

Due to Mast's recurring losses and insufficient working capital to fund operations for the twelve months after the issuance of its consolidated financial statements as of and for the year ended December 31, 2016, and the uncertainties surrounding Mast's ability to consummate the Merger or raise additional capital to fund continued operations, there was substantial doubt about Mast's ability to continue as a going concern and the audit opinion provided by Mast's independent registered public accounting firm relating to the consolidated financial statements included in the 2016 Annual Report included a going concern qualification. As of March 31, 2017, Mast's cash, cash equivalents and investment securities totaled $7.8 million and its working capital was $1.6 million and substantial doubt about Mast's ability to continue as a going concern persisted. However, in light of the completion of the Merger, the cash, cash equivalents and investment securities of Aravas as of March 31, 2017, which totaled approximately $10.5 million, and the approximately $4.0 million in aggregate proceeds from the exercise of certain previously issued warrants to purchase Aravas shares and additional capital invested into Aravas after March 31, 2017 but prior to the closing of the Merger, we anticipate that our cash, cash equivalents and investment securities will be sufficient to fund our operations for at least the next 12 months.

As discussed in detail elsewhere in this report, our business, operating results, financial condition, and growth prospects remain subject to significant risks and uncertainties, including the risk of failing to obtain additional financing to complete clinical development of and obtain regulatory approval for our product candidates.

2. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in Mast's consolidated financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates and assumptions, including estimates related to R&D expenses, in-process research and development ("IPR&D"), goodwill, and share-based compensation expenses. We base our estimates on historical experience and various other relevant assumptions we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

3. Goodwill and IPR&D

At March 31, 2017 and December 31, 2016, our goodwill and IPR&D consisted of the following (in thousands):

Goodwill	$	3,007
IPR&D		
Acquired IPR&D related to SynthRx acquisition		500
Acquired IPR&D related to Aires acquisition		2,000
Total Goodwill and IPR&D	$	5,507

Goodwill represents the difference between the total purchase price for SynthRx and the aggregate fair values of tangible and intangible assets acquired, less liabilities assumed.

Acquired IPR&D related to the Aires acquisition reflects the estimated fair value of the Aironite program as of the date Mast acquired Aires. We have not identified any impairment to that carrying value. Acquired IPR&D related to the SynthRx

acquisition reflects the estimated fair value of the vepoloxamer-related assets as of December 31, 2016, the date as of which we last tested for impairment.

We test our goodwill and acquired IPR&D for impairment annually as of September 30, or, in the case of initially acquired IPR&D, on the first anniversary of the date we acquired it and subsequently on September 30, and between annual tests if we become aware of an event or a change in circumstances that would indicate the carrying value may be impaired. Due to events and changes in circumstances after September 30, 2016 indicating that the carrying value of Mast's vepoloxamer-related acquired IPR&D may be impaired, Mast performed a quantitative assessment of vepoloxamer-related acquired IPR&D as of December 31, 2016, determined there was an impairment and reduced the carrying value of that IPR&D from $6.5 million to $0.5 million on its consolidated balance sheet as of December 31, 2016. As of March 31, 2017, we are not aware of an event or a change in circumstances that would indicate that the carrying value of Mast's goodwill or acquired IPR&D may be impaired.

4. Investment Securities

Investment securities are marketable equity or debt securities. All of Mast's investment securities are "available-for-sale" securities and carried at fair value. Fair value for securities with short maturities and infrequent secondary market trades typically is determined by using a curve-based evaluation model that utilizes quoted prices for similar securities. The evaluation model takes into consideration the days to maturity, coupon rate and settlement date convention. Net unrealized gains or losses on these securities are included in accumulated other comprehensive loss, which is a separate component of stockholders' equity. Realized gains and realized losses are included in other (expense)/income, net while amortization of premiums and accretion of discounts are included in interest income. Interest and dividends on available-for-sale securities are included in interest income. We periodically evaluate investment securities for impairment. If we determine that a decline in fair value of any investment security is other than temporary, then the cost basis would be written down to fair value and the decline in value would be charged to earnings.

Mast's investment securities are under the custodianship of a major financial institution and consist of FDIC-insured certificates of deposit. We have classified all of Mast's available-for-sale investment securities, as current assets on Mast's consolidated balance sheets because we consider them to be highly liquid and available for use, if needed, in current operations. In the three months ended March 31, 2017, Mast sold $2.2 million of certificates of deposit and recognized a realized loss of $5,000 in other (expense)/income.

At March 31, 2017 and December 31, 2016, Mast's investment securities were as follows (in thousands):

	March 31, 2017	December 31, 2016
Fair value of investment securities	$ —	$ 2,740
Cost basis of investment securities	—	2,739

	March 31, 2017	December 31, 2016
Net unrealized (gains)/losses on investment securities	$ —	$ (1)

5. Fair Value of Financial Instruments

Mast's cash equivalents are recorded at cost plus accrued interest, which approximates fair value. Mast's investment securities are carried at fair value. The fair value of financial assets and liabilities is measured under a framework that establishes "levels" which are defined as follows: (i) Level 1 fair value is determined from observable, quoted prices in active markets for identical assets or liabilities; (ii) Level 2 fair value is determined from inputs, other than Level 1 inputs, that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities, and (iii) Level 3 fair value is determined using the entity's own assumptions about the inputs that market participants would use in pricing an asset or liability.

Mast had no cash equivalents or investment securities as of March 31, 2017. The fair values of Mast's cash equivalents and investment securities as of December 31, 2016 are summarized in the following table (in thousands):

		Fair Value Determined Under:		
	Total Fair Value	(Level 1)	(Level 2)	(Level 3)
At December 31, 2016:				
Cash equivalents	$ 3,517	$ 3,517	$ —	$ —
Investment securities	$ 2,740	$ —	$ 2,740	$ —

Mast believes its debt facility (see Note 8 “Debt Facility”) bears interest at a rate that approximates prevailing market rates for instruments with similar characteristics and, accordingly, the carrying value of the debt facility approximates fair value. The fair value of Mast’s debt facility is determined under Level 2 in the fair value hierarchy.

6. Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which generally is three to five years. Leasehold improvements are amortized over the economic life of the asset or the lease term, whichever is shorter. Repairs and maintenance are expensed as incurred.

Mast leases certain office equipment under leases classified as capital leases. As of March 31, 2017, the total amount of leased equipment was $40,000 with interest rates ranging from 8% to 14% per annum. The equipment is being amortized over the life of the leases, which range from three to five years.

7. Accrued Liabilities

Accrued liabilities at March 31, 2017 and December 31, 2016 were as follows (in thousands):

	March 31, 2017	December 31, 2016
Accrued R&D agreements and study expenses	$ 1,255	$ 1,401
Accrued transaction-related expenses	733	248
Other accrued liabilities	253	325
Total accrued liabilities	$ 2,241	$ 1,974

Accrued R&D agreements and study expenses includes an accrual for approximately $0.8 million at March 31, 2017 related to a dispute with one of the CROs that provided services for Mast’s Phase 3 clinical study of vepoloxamer. The CRO contends that it is owed additional compensation for services under the parties’ contract and we dispute and deny the CRO’s claims and instead contend we are owed compensation by the CRO for damages resulting from the CRO’s breach of the contract. Based on discussions with the CRO, we expect to settle the dispute for the amount accrued. If we and the CRO fail to settle this dispute, we intend to vigorously pursue our claims against the CRO and defend the CRO’s claims against us.

8. Debt Facility

Hercules Loan and Security Agreement

In 2015, Mast borrowed an aggregate of $15.0 million pursuant to a Loan and Security Agreement with Hercules Technology III, L.P. and Hercules Capital, Inc. (formerly known as, Hercules Technology Growth Capital, Inc.) (together, “Hercules”), as amended (the “Loan Agreement”). Pursuant to the terms and conditions of the Loan Agreement, Mast received the first advance of $5.0 million on August 11, 2015 and the second advance of $10.0 million on September 28, 2015 (the “Second Advance”).

The Loan Agreement required prepayment of $10.0 million of the principal balance of the loan and any accrued but unpaid fees and expenses (the “Second Advance Prepayment”) on or before October 14, 2016 unless the Phase 3 clinical study of vepoloxamer in sickle cell disease, known as the EPIC study, demonstrated positive results. Mast’s announcement in September 2016 that EPIC did not achieve its primary or secondary efficacy endpoints triggered the Second Advance Prepayment, which was made in October 2016.

The interest rate for the principal balance under the Loan Agreement is the greater of (i) 8.95% plus the prime rate as reported in The Wall Street Journal minus 3.25%, and (ii) 8.95%, determined on a daily basis. The interest rate as of March 31, 2017 was 9.70%. Monthly payments under the Loan Agreement were interest only until July 1, 2016. On July 1, 2016, Mast started making monthly payments of principal and interest. Payments will continue through the scheduled maturity date of January 1, 2019. An end of term charge of $712,500 will be due on the scheduled maturity date and is being accrued through interest expense using the effective interest method.

If Mast elects to prepay the principal balance under the Loan Agreement prior to maturity, a prepayment charge of 1% or 2% of the then outstanding principal balance also will be due, depending upon when the prepayment occurs. No prepayment penalty applied to the Second Advance Prepayment.

Because the Merger with Savara would result in a change in control of Mast under the Loan Agreement, triggering immediate repayment of the outstanding amount of all principal, accrued interest, accrued, unpaid fees and expenses, together with a prepayment charge of 2% of the principal balance and an end of term charge of $712,500 (referred to as the “Change in Control Prepayment Provisions”), on March 3, 2017, Mast entered into a fifth amendment (the “Fifth Amendment”) of the Loan

Agreement whereby Hercules agreed that the Merger would not trigger the Change in Control Repayment Provisions and that the loan would remain in place upon its existing terms, including the January 1, 2019 scheduled maturity date, following the consummation of the merger, provided the transaction was completed on or before April 30, 2017. However, beginning on the effective date of the amendment, the combined company is required to maintain (a) at least $4 million of cash unless and until Mast, Private Savara or the combined company raises at least $6 million in net cash proceeds from equity and/or subordinated debt financings on or before April 30, 2017 and (b) at least $2 million of cash unless and until Mast, Private Savara or the combined company raises at least $20 million in net cash proceeds from equity and/or subordinated debt financings and/or other financing sources approved by Hercules (including grant amounts) on or before August 31, 2017. This amendment to the Loan Agreement became effective upon consummation of the merger on April 27, 2017.

Obligations under the Loan Agreement are secured by a first priority security interest in substantially all of our assets, excluding our intellectual property but including the proceeds from the sale, licensing or disposition of our intellectual property. Our intellectual property is subject to customary negative covenants.

In connection with the Loan Agreement, Mast has paid facility charges of $275,000 and a commitment charge of $25,000. Such charges were accounted for as debt issuance costs and are being amortized to interest expense using the effective interest method through the scheduled maturity date.

In connection with the Loan Agreement, Mast entered into a Warrant Agreement with Hercules, dated August 11, 2015, as amended by the First Amendment thereto dated September 28, 2015, the Second Amendment thereto dated February 25, 2016, and the Third Amendment thereto effective April 27, 2017, pursuant to which Hercules has a right to purchase up to 32,467 shares of our common stock at an exercise price of $7.00 per share. Prior to the Third Amendment to Warrant Agreement, the Warrant Agreement, as amended by the First and Second Amendments, provided Hercules a right to purchase up to 32,467 shares of our common stock at an exercise price of $19.25 per share.

The warrants issued to Hercules were valued using the Black-Scholes option pricing model with the following assumptions: volatility of 83%, expected term of five years, risk-free interest rate of 1.2% and a zero dividend yield. The warrant fair value of $0.4 million has been recorded as a debt discount and is being amortized through interest expense using the effective interest method through the scheduled maturity date. See Note 13 “Stockholders’ Equity” for further description of the terms of the warrants.

See Note 14, “Subsequent Events”, for additional information on the Loan Agreement with Hercules.

Summary of Carrying Value

The following table summarizes the components of the debt facility carrying value (in thousands):

	As of March 31, 2017	
	Short-term	Long-term
Principal payments to lender and end of term charge	$ 1,555	$ 2,135
Accrued interest	25	—
Debt issuance costs	—	(145)
Debt discount related to warrants	—	(57)
Carrying value	$ 1,580	$ 1,933

9. Share-Based Compensation Expense

Share-based compensation expense related to equity awards granted to our employees and non-employee directors for the three months ended March 31, 2017 and 2016 was as follows (in thousands):

	Three Months Ended March 31,	
	2017	2016
Selling, general and administrative expense	$ 367	$ 424
Research and development expense	94	235
Share-based compensation expense	$ 461	$ 659

During the three months ended March 31, 2017, the only equity awards granted to our employees and non-employee directors were restricted stock units ("RSUs"). The following tables summarize equity award activity during such three-month period:

	Shares Underlying Option Awards		Weighted-Average Exercise Price
Outstanding at December 31, 2016	315,203	$	46.38
Granted	—	$	—
Exercised	—	$	—
Expired/forfeited	(29,386)	$	50.21
Outstanding at March 31, 2017	285,817	$	45.98

RSUs:	Shares Underlying RSUs		Fair Value
Outstanding at December 31, 2016	—	$	—
Granted	72,588	$	9.80
Exercised	—	$	—
Expired/forfeited	(227)	$	9.80
Outstanding at March 31, 2017	72,361	$	9.80

At March 31, 2017, total unrecognized estimated compensation cost related to non-vested employee and non-employee director share-based awards and RSUs granted prior to that date was $2.1 million, which is expected to be recognized over a weighted-average period of 2.0 years. Per the terms of the RSU agreements, stock options to purchase 239,801 shares of common stock will terminate immediately prior to the Merger if not exercised before.

10. Net Loss Per Common Share

Basic and diluted net loss per common share was calculated by dividing the net loss for the three months ended March 31, 2017 and 2016 by the weighted-average number of common shares outstanding during those periods, respectively, without consideration for outstanding common stock equivalents because their effect would have been anti-dilutive. Common stock equivalents are included in the calculation of diluted earnings per common share only if their effect is dilutive. For the periods presented, Mast outstanding common stock equivalents consisted of options and warrants to purchase shares of common stock and RSUs to be settled for shares of common stock. All common stock equivalents presented had an anti-dilutive impact due to losses reported in the applicable periods. The weighted-average number of those common stock equivalents outstanding for each of the periods presented is set forth in the table below:

	Three Months Ended March 31,	
	2017	2016
Options	295,622	433,265
RSUs	59,593	—
Warrants	1,152,231	1,289,228

11. Recent Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of A Business* ("ASU 2017-01"), in an effort to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments of this ASU are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The adoption of this guidance is not expected to have a material impact on Mast's financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation – Stock Compensation* ("ASU 2016-09"), which involves multiple aspects of the accounting for share-based transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For public companies, ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. We adopted this standard in the first quarter of 2017 and it did not have a material impact on Mast's financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (ASC 842) ("ASU 2016-02"), ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to classify leases as either finance or operating leases based on the principle of

whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. Accounting Standards Codification ("ASC") 842 supersedes the previous leases standard, ASC 840 Leases. The standard is effective on January 1, 2019, with early adoption permitted. We are in the process of evaluating the impact of this new guidance.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). The amendments in ASU 2014-15 will require management to assess, at each annual and interim reporting period, the entity's ability to continue as a going concern and, if management identifies conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued, to disclose in the notes to the entity's financial statements the principal conditions or events that raised substantial doubt about the entity's ability to continue as a going concern, management's evaluation of their significance, and management's plans that alleviated or are intended to alleviate substantial doubt about the entity's ability to continue as a going concern. ASU 2014-15 is effective for annual periods ending after December 15, 2016. The amendments in ASU 2014-15 do not have any application to an entity's financial statements, but only to the related notes.

12. Supplemental Cash Flow Information

Non-cash investing and financing transactions presented separately from the condensed consolidated statements of cash flows for the three months ended March 31, 2017 and 2016 are as follows (in thousands):

	Three Months Ended March 31,	
	2017	2016
Cash paid for interest on debt facility	$ 76	$ 288
Supplemental disclosures of non-cash investing and financing activities:		
Fair value of warrants issued in connection with debt facility	$ —	$ 26
Unrealized loss (gain) on investment securities	$ 1	$ (22)
Financing costs in accounts payable and accrued liabilities	$ —	$ 167
Debt issuance costs in accounts payable and accrued liabilities	$ 3	$ 10

13. Stockholders' Equity

Underwritten Public Offering of Common Stock and Warrants

In February 2016, Mast completed an underwritten public offering with gross proceeds of $8.0 million from the sale and issuance of an aggregate of 415,584 shares of our common stock and warrants to purchase an aggregate of 415,584 shares of our common stock. Net proceeds, after deducting underwriting discounts and commissions and other estimated offering expenses, were approximately $7.3 million. The warrants have an exercise price of $29.40 per share and will expire on February 16, 2021.

"At the Market" Equity Offering Program

In February 2014, Mast entered into a sales agreement with Cowen and Company, LLC ("Cowen"), to sell shares of our common stock, with aggregate gross sales proceeds of up to $30.0 million, from time to time, through an "at the market," or ATM, equity offering program (the "2014 Sales Agreement"), under which Cowen acted as sales agent. In August 2015, Mast terminated the 2014 Sales Agreement upon entry into a new sales agreement with Cowen to sell shares of our common stock, with aggregate gross sales proceeds of up to $30.0 million, from time to time, through an ATM program. As of March 31, 2017, Mast had sold an aggregate of 1,042,905 shares at a weighted-average sales price of $28.00 per share under the ATM programs for aggregate gross proceeds of $29.4 million and $28.1 million in net proceeds, after deducting sales agent commission and discounts and other offering costs. As of March 31, 2017, approximately $18.0 million remained available under the ATM program (on a gross proceeds basis).

See Note 14 "Subsequent Events," for additional information on the ATM program.

Shares Issuable to Former SynthRx Stockholders Upon Achievement of Milestones

In April 2011, Mast acquired SynthRx as a wholly-owned subsidiary through a merger transaction in exchange for shares of our common stock and rights to additional shares of our common stock upon achievement of specified milestones related to the development of vepoloxamer in sickle cell disease. The merger agreement requires Mast to issue up to an aggregate of 178,257 additional shares of our common stock to the former SynthRx stockholders if and when the development of vepoloxamer achieves the following milestones: (a) 54,848 shares upon acceptance for review by the U.S. Food and Drug Administration ("FDA") of a new drug application ("NDA") covering the use of purified poloxamer 188 for the treatment of sickle cell crisis in children and (b) 123,409 shares upon approval of such NDA by the FDA. Because we have determined not to pursue development of vepoloxamer in sickle cell disease, it is unlikely that these milestones will be achieved and that any of these shares will be issued.

Warrants Issued to Hercules

In connection with the Loan Agreement, Mast entered into a Warrant Agreement with Hercules, dated August 11, 2015, as amended by the First Amendment thereto dated September 28, 2015, the Second Amendment thereto dated February 25, 2016, and the Third Amendment thereto effective April 27, 2017, pursuant to which Hercules has a right to purchase up to 32,467 shares of our common stock at an exercise price of $7.00 per share, at any time, or from time to time, through August 11, 2020. The Warrant Agreement, as amended, provides for adjustment to the exercise price and number of shares subject to Hercules' warrants in the event of a merger event, reclassification of our common stock, subdivision or combination of our common stock, or certain dividend payments. Upon exercise, the aggregate exercise price may be paid, at Hercules' election, in cash or on a net issuance basis, based upon the fair market value of our common stock at the time of exercise. If the fair market value of our common stock is greater than the exercise price of the warrants as of immediately before their expiration, to the extent the warrants are not previously exercised in full, the warrants shall be deemed automatically exercised on a net issuance basis as of immediately before their expiration.

Outstanding Warrants

At March 31, 2017, outstanding warrants to purchase shares of common stock are as follows:

Shares Underlying Outstanding Warrants		Exercise Price	Expiration Date
401,391	$	45.50	June 2018
314,446	$	52.50	November 2019
32,467	$	7.00	August 2020
403,927	$	29.40	February 2021
1,152,231			

14. Subsequent Events

Name Change and Reverse Stock Split

As discussed in Note 1, "Basis of Presentation," on April 27, 2017, in connection with and immediately prior to the Merger, Mast changed its name to "Savara Inc." and effected the Reverse Stock Split.

Merger and Change in Control

As discussed in Note 1, "Basis of Presentation," on April 27, 2017, Mast completed its business combination with Private Savara, which had been renamed "Aravas Inc." immediately prior to the Merger.

In accordance with the terms of the Merger Agreement, Mast issued shares of its common stock to the former Aravas stockholders at an exchange ratio of 0.5860 of a share of common stock for each one share of Aravas common stock outstanding as of the effective time of the Merger. As a result of such issuance of shares, the former Aravas stockholders became the majority stockholders of our company. We also assumed all of the stock options issued and outstanding under Aravas' stock option plan and all issued and outstanding warrants of Aravas, with such stock options and warrants henceforth representing the right to purchase a number of shares of our common stock equal to 0.5860 multiplied by the number of shares of Aravas' common stock previously represented by such stock options and warrants, as applicable. The issuance of the shares of common stock to the former Aravas stockholders was registered with the SEC on a Registration Statement on Form S-4 (File No. 333-216012).

Severance Expense

All of Mast's employees were terminated without cause immediately after the consummation of the Merger on April 27, 2017. In accordance with the Executive Severance Agreements between Mast and each of its named executive officers entered into in March 2016 and the severance arrangements for non-officer employees approved by the Mast board of directors in January 2017, aggregate cash severance payments of approximately $1.8 million were made on April 27, 2017.

Payment of Cash Retention/Performance Bonuses and Vesting of Restricted Stock Unit Awards

On April 27, 2017, Mast paid its full-time employees the cash portion of the retention/performance bonus that had been approved by Mast's board of directors in January 2017 and was contingent upon consummation of the Merger and the restricted stock units ("RSUs") portion of the bonus vested in full. The cash bonus payments totaled $153,000 and 14,006 shares of common stock were issued upon settlement of the RSUs. The RSUs had been granted under the Mast Therapeutics, Inc. 2015 Omnibus Incentive Plan (the "2015 Omnibus Incentive Plan").

Also on April 27, 2017, the RSUs granted by the Mast board of directors to Mast's full-time employees and non-employee directors in January 2017 to further incentivize the employees to help Mast achieve its goals through the Merger, as well as to reduce Mast's fully-diluted share count and maximize the exchange ratio set forth in the Merger Agreement for the benefit of Mast's stockholders, vested upon consummation of the Merger. The RSUs had been granted under the 2015 Omnibus Incentive Plan. A total of 58,355 shares of common stock were issued upon settlement of these RSUs and a total of 239,801 shares of common stock subject to stock options held by the Mast employees and non-employee directors who received the RSUs were returned to the 2015 Omnibus Incentive Plan upon cancellation of the stock options in accordance with the terms and conditions of the notices of grant and agreements governing the RSUs.

Loan Agreement with Hercules

On April 27, 2017, upon the effective time of the Merger, the Fifth Amendment to the Loan Agreement and the Third Amendment to the Warrant Agreement became effective.

Also on April 27, 2017, we entered into a sixth amendment to the Loan Agreement (the "Sixth Amendment") to permit us to make certain investments in our subsidiary, Savara ApS.

On May 2, 2017, all obligations due under the Loan Agreement, as amended, were paid in full and the Loan Agreement was terminated, all in connection with the effectiveness of the Loan and Security Agreement between Savara and Aravas, as co-borrowers, and Silicon Valley Bank ("SVB") as lender.

Loan and Security Agreement with Silicon Valley Bank

On April 28, 2017, Savara and Aravas, as co-borrowers entered into a Loan and Security Agreement with SVB (the "SVB Loan Agreement") and it became effective on May 2, 2017.

The SVB Loan Agreement provides for a $15.0 million term loan facility. Loans may be advanced in two tranches of $7.5 million each, subject to certain conditions. Loan proceeds may be used for general corporate purposes. The first tranche of $7.5 million was funded on May 2, 2017 and $3.7 million was used to pay off all obligations under the Hercules Loan Agreement. We may prepay loans under the SVB Loan Agreement in whole or in part at any time, subject to a prepayment fee of 3.0% if prepaid within the first anniversary of the closing date, 2.0% if prepaid between the first and second anniversaries of the closing date, and 1.0% thereafter.

The loans bear interest at the prime rate reported in The Wall Street Journal, plus a spread of 4.25%. Interest is due and payable in arrears monthly. Principal, together with all accrued and unpaid interest, is due and payable on March 1, 2021 (the "Maturity Date"). We are also obligated to pay customary closing fees and a final payment of 6.0% of the aggregate principal amount of term loans advanced under the facility.

Our obligations are secured by substantially all of our assets, excluding intellectual property and subject to certain other exceptions and limitations.

The SVB Loan Agreement contains customary affirmative and negative covenants, including among others, covenants limiting our ability and our subsidiaries to dispose of assets, permit a change in control, merge or consolidate, make acquisitions, incur indebtedness, grant liens, make investments, make certain restricted payments and enter into transactions with affiliates, in each case subject to certain exceptions.

Upon an event of default, SVB may declare the outstanding obligations payable by us to be immediately due and payable, terminate the commitments and exercise other rights and remedies provided for under the SVB Loan Agreement. The events of default under the SVB Loan Agreement include, among others, payment defaults, covenant defaults, a material adverse change default, bankruptcy and insolvency defaults, cross-defaults to other material indebtedness, judgment defaults, and defaults related to inaccuracy of representations and warranties. Under certain circumstances, a default interest rate will apply on all obligations during the existence of an event of default under the SVB Loan Agreement at a per annum rate of interest equal to 5.0% above the applicable interest rate.

SVB and its affiliates have engaged in, and may in the future engage in, banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

Silicon Valley Bank Warrant Agreement

In connection with the SVB Loan Agreement, we are obligated to issue Warrants to Purchase Shares of Common Stock of the Company (the "SVB Warrants"), based upon the amount funded, to SVB and its affiliate Life Science Loans II, LLC, pursuant to which SVB and Life Science Loans II, LLC may each purchase up to 24,725 shares (the "Shares") of the Company's common stock, par value $0.001 per share (the "Common Stock") if the Loan is fully funded, subject to adjustment in accordance with the terms of the Warrant, for an exercise price of $9.10 per share.

ATM Program

On April 27, 2017, we delivered written notice to Cowen and Company LLC that we were terminating our Sales Agreement, dated August 21, 2015, pursuant to Section 11(b) of the agreement. On April 28, 2017, we entered into a Common Stock Sales Agreement with H.C. Wainwright & Co., LLC ("Wainwright") as sales agent, pursuant to which we may offer and sell, from time to time through Wainwright, shares of our common stock having an aggregate offering price of not more than $18.0 million. In accordance with the agreement, Wainwright will be entitled to a commission at a fixed rate equal to 3.0% of the gross proceeds per share sold.

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

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements of Mast Therapeutics, Inc. and accompanying notes appearing elsewhere in this report. For additional context with which to understand our financial condition and results of operations, see the discussion and analysis included in Part II, Item 7 of our annual report on Form 10-K for the year ended December 31, 2016, filed with the U.S. Securities and Exchange Commission, or SEC, on March 6, 2017, the consolidated financial statements and accompanying notes contained therein, the discussion and analysis included in our Current Report on Form 8-K filed with the SEC on April 27, 2017, the consolidated financial statements and accompanying notes contained therein, and the discussion and analysis included in our Current Report on Form 8-K filed with the SEC on May 9, 2017, and the unaudited condensed consolidated financial statements and accompanying notes contained therein. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including but not limited to those identified under "Forward Looking Statements" below and those discussed in Item 1A (Risk Factors) of Part II of this report. Savara, Avaras, our corporate logo, Aironite, Aires Pharmaceuticals, Inc., VOICE Crisis Alert, SynthRx are trademarks of our company. All trademarks, service marks or trade names appearing in this report are the property of their respective owners. Use or display by us of other parties' trademarks, service marks or trade names is not intended to and does not imply a relationship with, or endorsements or sponsorship of, us by the trademark, service mark or trade name owners.

Overview

We are a clinical-stage specialty pharmaceutical company focused on the development and commercialization of novel therapies for the treatment of serious or life-threatening rare respiratory diseases. Our pipeline comprises AeroVanc, a Phase 3 ready inhaled vancomycin, Molgradex, a Phase 2/3 stage inhaled granulocyte-macrophage colony-stimulating factor, or GM-CSF, and Aironite, a Phase 2 stage inhaled nebulized sodium nitrite solution. Our strategy involves expanding our pipeline of best-in-class products through indication expansion, strategic development partnerships and product acquisitions, with the goal of becoming a leading company in its field.

On April 27, 2017, we completed the merger and business combination contemplated by the Agreement and Plan of Merger and Reorganization, dated January 6, 2017, or the Merger Agreement, by and among Mast Therapeutics, Inc., Victoria Merger Corp., or Merger Sub, and Savara Inc., or Private Savara. On April 27, 2017, Private Savara changed its name to "Aravas Inc." and Mast changed its name to "Savara Inc." Then, pursuant to the Merger Agreement, Merger Sub was merged with and into Aravas, the separate corporate existence of Merger Sub ended and Aravas continued as the surviving corporation and a wholly-owned subsidiary of Savara. This is referred to as the Merger. Following the completion of the Merger, the business conducted by our company became primarily the business conducted by Aravas (formerly, Private Savara). For purposes of this discussion, for periods prior to the effective time of the merger contemplated by the Merger Agreement, we will refer to our company as "Mast" and for periods after the effective time of the merger, we will refer to our company as "Savara," "we," "us," or "our company." Also on April 27, 2017, in connection with and immediately prior to the effective time of the Merger, Mast implemented a reverse stock split at a ratio of one new share for every 70 shares of its common stock outstanding, which is referred to herein as the Reverse Stock Split. Pursuant to the terms of the Merger Agreement, Mast issued shares of its common stock to the former Aravas stockholders at an exchange ratio of 0.5860 of a share (which reflects the Reverse Stock Split) of Mast common stock for each one share of Aravas common stock outstanding as of the effective time of the Merger. As a result of such issuance of shares, the former Aravas stockholders became the majority stockholders of our company.

The condensed consolidated financial statements in this report have been labeled "Mast Therapeutics, Inc." because they present financial information for periods prior to the effective time of the Merger and business combination. Likewise, in this Management's Discussion and Analysis of Financial Condition and Results of Operations, in regard to discussion of financial condition and results of operations at and for historical periods, we refer to our company as "Mast" and the discussion relates to the pre-Merger business of our company. Mast was a biopharmaceutical company focused on developing Aironite (also known as AIR001), which Mast acquired in February 2014 through its acquisition of Aires Pharmaceuticals, Inc., for the treatment of heart failure with preserved ejection fraction, or HFpEF. Mast had also previously focused on the development of vepoloxamer (also known as MST-188), which it acquired in April 2011 through its acquisition of SynthRx, Inc. Vepoloxamer was in Phase 3 clinical development for sickle cell disease and Phase 2 clinical development for heart failure before Mast discontinued all clinical programs in the fourth quarter of 2016 following negative top-line results from the Phase 3 clinical study in sickle cell disease, which was known as the EPIC study.

Mast devoted substantially all of its resources to research and development, or R&D, and to acquisition of its product candidates. We have not yet marketed or sold any products or generated any significant revenue and we have incurred significant annual operating losses since inception. Mast incurred a loss from operations of $5.7 million for the three months ended March 31, 2017. As of March 31, 2017, Mast had an accumulated deficit of $316.9 million. Mast's cash, cash equivalents, and investment securities were $7.8 million and its working capital was $1.6 million as of March 31, 2017.

Due to Mast's recurring losses and insufficient working capital to fund operations for the twelve months after the issuance of its consolidated financial statements as of and for the year ended December 31, 2016, and the uncertainties surrounding Mast's ability to consummate the Merger or raise additional capital to fund continued operations, there was substantial doubt about Mast's ability to continue as a going concern and the audit opinion provided by Mast's independent registered public accounting firm relating to the consolidated financial statements included in its annual report on Form 10-K filed with the SEC on March 6, 2017 included a going concern qualification. Based on Mast's cash, cash equivalents and investment securities and working capital as of March 31, 2017, substantial doubt about Mast's ability to continue as a going concern persisted. However, in light of the completion of the Merger, the cash, cash equivalents and investment securities of Aravas as of March 31, 2017, which totaled approximately $10.5 million, and the approximately $4.0 million in aggregate proceeds from the exercise of certain previously issued warrants to purchase Aravas shares and additional capital invested into Aravas after March 31, 2017 but prior to the closing of the Merger, we anticipate that our cash, cash equivalents and investment securities will be sufficient to fund our operations for at least the next 12 months.

Critical Accounting Policies and Significant Judgments and Estimates

The discussion and analysis of Mast's financial condition and results of operations included in this report is based upon consolidated financial statements and condensed consolidated financial statements that we have prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The preparation of these financial statements requires us to make a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in these financial statements and accompanying notes. On an ongoing basis, we evaluate these estimates and assumptions, including those related to determination of the fair value of goodwill and acquired in-process research and development, or IPR&D, and recognition of R&D expenses and share-based compensation. We base our estimates on historical information, when available, and assumptions believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions.

We believe the following accounting estimates are those that can have a material impact on Mast's financial condition or operating performance and involve substantial subjectivity and judgment in the application of Mast's accounting policies to account for highly uncertain matters or the susceptibility of such matters to change. The following is not intended to be a comprehensive discussion of all of Mast's significant accounting policies. See the notes accompanying the consolidated financial statements appearing in the annual report on Form 10-K filed with the SEC on March 6, 2017 for a summary of all of Mast's significant accounting policies and other disclosures required by U.S. GAAP.

Accrued Research and Development Expenses. As part of the process of preparing Mast's financial statements, we are required to estimate these accrued expenses. This process involves reviewing open contracts and purchase orders, communicating with our personnel to identify services that have been performed on Mast's 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. Many of Mast's service providers invoice us monthly in arrears for services performed or when contractual milestones are met. We make estimates of Mast's accrued expenses as of each balance sheet date in the Mast financial statements based on facts and circumstances known to us at that time. We periodically confirm the accuracy of these estimates with the service providers and make adjustments, if necessary. The majority of our accrued expenses relate to R&D services and related expenses. Examples of estimated accrued R&D expenses include:

- fees paid to contract research organizations, or CROs, in connection with clinical studies;
- fees paid to investigative sites and investigators in connection with clinical studies;
- fees paid to contract manufacturing organizations, or CMOs, in connection with process development activities and production of nonclinical and clinical trial material;
- fees paid to vendors in connection with nonclinical development activities; and
- fees paid to consultants for regulatory-related advisory and data management services.

Accrued expenses related to CROs and CMOs are based on estimates of the services received and efforts expended pursuant to purchase orders or contracts with multiple service providers that Mast engages to conduct and manage its clinical studies and manufacture our clinical trial material on our behalf. The financial terms of arrangements with CROs and CMOs are subject to negotiation, vary from contract to contract and may result in uneven payment flows. Payments under some of these contracts depend on factors such as the successful completion of specified process development activities or the successful enrollment of patients and the completion of clinical study milestones. In accruing these service fees, we estimate, as applicable, the time period over which services will be performed (e.g., enrollment of patients, activation of clinical sites, etc.). If the actual timing varies from our estimate, we adjust the accrual accordingly. In addition, there may be instances in which payments made to service providers will exceed the level of services provided and result in a prepayment of R&D expense, which we report as an asset. The actual costs and timing of clinical studies and research-related manufacturing are uncertain and subject to change depending on a number of factors. Differences

between actual costs of these services and the estimated costs that we have accrued in a prior period are recorded in the subsequent period in which the actual costs become known to us. Historically, these differences have not resulted in material adjustments, but such differences may occur in the future and have a material impact on our consolidated results of operations or financial position.

Business Combinations. Business combinations, such as Mast's acquisitions of SynthRx in April 2011 and Aires Pharmaceuticals in February 2014, are accounted for in accordance with Accounting Standards Codification, or ASC, Topic 805, *Business Combinations*, which requires the purchase price to be measured at fair value. When the purchase consideration consists entirely of shares of our common stock, we calculate the purchase price by determining the fair value, as of the acquisition date, of shares issued in connection with the closing of the acquisition and, if the transaction involves contingent consideration based on achievement of milestones or earn-out events, the probability-weighted fair value, as of the acquisition date, of shares issuable upon the occurrence of future events or conditions pursuant to the terms of the agreement governing the business combination. If the transaction involves such contingent consideration, our calculation of the purchase price involves probability inputs that are highly judgmental due to the inherent unpredictability of drug development, particularly by development-stage companies such as ours. We recognize estimated fair values of the tangible assets and intangible assets acquired, including IPR&D, and liabilities assumed as of the acquisition date, and we record as goodwill any amount of the fair value of the tangible and intangible assets acquired and liabilities assumed in excess of the purchase price.

Goodwill and Acquired IPR&D. In accordance with ASC Topic 350, *Intangibles – Goodwill and Other*, or ASC Topic 350, Mast's goodwill and acquired IPR&D are determined to have indefinite lives and, therefore, are not amortized. Instead, they are tested for impairment annually and between annual tests if we become aware of an event or a change in circumstances that would indicate the carrying value may be impaired. Mast performs annual impairment testing of goodwill and IPR&D as of September 30 of each year, or, in the case of initially acquired IPR&D, on the first anniversary of the date it was acquired by Mast and subsequently on September 30. Pursuant to Accounting Standards Update, or ASU, No. 2011-08, Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment, and No. 2012-02, *Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment*, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads us to determine that it is more likely than not (that is, a likelihood of more than 50%) that goodwill or acquired IPR&D is impaired. If we choose to first assess qualitative factors and we determine that it is not more likely than not goodwill or acquired IPR&D is impaired, we are not required to take further action to test for impairment. We also have the option to bypass the qualitative assessment and perform only the quantitative impairment test, which we may choose to do in some periods but not in others.

If we perform a quantitative assessment of goodwill, we utilize the two-step approach prescribed under ASC Topic 350. Step 1 requires a comparison of the carrying value of a reporting unit, including goodwill, to its estimated fair value. We test for impairment at the entity level because we operate on the basis of a single reporting unit. If the carrying value exceeds the fair value, we then perform Step 2 to measure the amount of impairment loss, if any. In Step 2, we estimate the fair value of individual assets, including identifiable intangible assets, and liabilities to determine the implied fair value of goodwill. We then compare the carrying value of goodwill to its implied fair value. The excess of the carrying value of goodwill over its implied fair value, if any, is recorded as an impairment charge.

Similarly, if we perform a quantitative assessment of IPR&D, we compare its carrying value to its estimated fair value to determine whether an impairment exists. In previous years, due to a lack of Level 1 or Level 2 inputs (as defined in Note 5, "Fair Value of Financial Instruments," of the Notes to Condensed Consolidated Financial Statements appearing in this report), the Multi-Period Excess Earnings Method, or MPEEM, which is a form of the income approach, was used to estimate the fair value of acquired IPR&D when performing a quantitative assessment. Under the MPEEM, the fair value of an intangible asset is equal to the present value of the asset's projected incremental after-tax cash flows (excess earnings) remaining after deducting the market rates of return on the estimated value of contributory assets (contributory charge) over its remaining useful life. The MPEEM uses primarily Level 3 inputs (as defined in Note 5, "Fair Value of Financial Instruments," of the Notes to Condensed Consolidated Financial Statements appearing in this report). In evaluating potential impairment of Mast's vepoloxamer-related acquired IPR&D as of December 31, 2016, Mast utilized Level 2 inputs in the form of expressions of interest in the vepoloxamer-related assets received recent to the valuation date to estimate fair value. We believe that an approach based on third party expressions of interest is a more appropriate method for assessing fair value in the context of Mast's current situation compared to utilizing estimated long-term cash flows that may only be achieved with significant further clinical development.

Determinations as to whether, and, if so, the extent to which, Mast's goodwill and acquired IPR&D become impaired are highly judgmental and, in the case of applying the MPEEM approach to estimate fair value, are based on significant assumptions regarding projected future financial condition and operating results, changes in the manner of use of the acquired assets, development of the acquired assets or overall business strategy, and regulatory, market and economic environment and trends.

Share-based Compensation Expenses. Share-based compensation awards granted to employees, including non-employee members of Mast's board of directors, are accounted for in accordance with ASC Topic 718, *Compensation — Stock Compensation*. Compensation expense for all share-based awards is based on the estimated fair value of the award on its date of grant and recognized on a straight-line basis over its vesting period. As share-based compensation expense is based on awards ultimately expected to vest, it is reduced

for estimated forfeitures. We estimate forfeitures at the time of grant based on the expected forfeiture rate for our unvested stock options, which is based in large part on our historical forfeiture rates, but also on assumptions believed to be reasonable under the circumstances. We revise our estimates in subsequent periods if actual forfeitures differ from those estimates. Although share-based compensation expense can be significant to our consolidated financial statements, it does not involve the payment of any cash by us.

We estimate the grant date fair value of a stock option award using the Black-Scholes option-pricing model, or Black-Scholes model. In determining the grant date fair value of a stock option award under the Black-Scholes model, we must make a number of assumptions, including the term of the award, the volatility of the price of our common stock over the term of the award, and the risk-free interest rate. Changes in these or other assumptions could have a material impact on the compensation expense we recognize. The fair value of restricted stock options, or RSUs, is estimated based on the fair market values of the common stock on the date of grant. Upon vesting, new shares of common stock are issued. If vesting of RSUs is performance based, compensation expense is recognized over the expected time period to achieve the performance related goal. If vesting of RSUs is related to the cancellation of stock options, they are considered a modification to the stock options, and compensation expense is recognized when the stock options are cancelled. Compensation expense for these types of RSUs are calculated as the grant date fair value of the cancelled stock options plus any incremental fair value calculated as the excess of the fair value of the RSUs over the fair value of the cancelled stock options on the cancellation date.

Results of Operations – Overview

Mast's business operates and is evaluated on the basis of a single reportable segment, which is the business of developing therapies for serious or life-threatening diseases.

Revenue

Mast has not generated any revenue from product sales, and does not expect to generate revenue from product sales until such time, if any, that it obtains approval from a regulatory agency to sell one or more of our product candidates, which may not occur. To the extent we enter into any licensing or other collaborative arrangements regarding Mast's development programs, we may recognize revenue from those arrangements prior to commercial sale of any products.

Revenues from federal government research grants are recognized during the period in which we receive the grant funds, or their collection is reasonably assured, and we incur the qualified expenditures. The expenditures are reflected as a component of R&D expense in the Statements of Operations.

Operating Expenses

Research and Development Expenses. Mast maintains and evaluates R&D expenses by the type of cost incurred rather than by project, primarily because a substantial portion of that work is outsourced and R&D personnel and consultants work across multiple programs rather than dedicating their time to one particular program. Mast's R&D expenses are characterized as external clinical study fees and expenses, external nonclinical study fees and expenses, personnel costs and share-based compensation expense. The major components of external clinical study fees and expenses are fees and expenses related to CROs and clinical study investigative sites and investigators. The major components of external nonclinical study fees and expenses have historically been fees and expenses related to preclinical studies and other nonclinical testing, research-related manufacturing, quality assurance and regulatory affairs services, and preparation of a new drug application, or NDA, for vepoloxamer. Research-related manufacturing expenses include costs associated with producing and/or purchasing active pharmaceutical ingredient (API), conducting process development activities, producing clinical trial material, producing material for stability testing to support regulatory filings, related labeling, testing and release, packaging and storing services, related consulting fees, and costs related to purchasing nebulizers for administration of AIR001. Impairment losses on R&D-related manufacturing equipment are also considered research-related manufacturing expenses. Personnel costs relate to employee salaries, benefits and related costs.

A general understanding of drug development is critical to understanding Mast's results of operations and, particularly, R&D expenses. Drug development in the United States and most countries throughout the world is a process that includes several steps defined by the U.S. Food and Drug Administration, or FDA, and similar regulatory authorities in foreign countries. The FDA approval processes relating to new drug products differ depending on the nature of the particular product candidate for which approval is sought. With respect to any product candidate with active ingredients not previously approved by the FDA, a prospective drug product manufacturer is required to submit a NDA that includes complete reports of pre-clinical, clinical and laboratory studies and extensive manufacturing information to demonstrate the product candidate's safety and effectiveness. Generally, an NDA must be supported by at least phase 1, 2 and 3 clinical studies, with each study typically more expensive and lengthy than the previous study.

Future expenditures on R&D programs are subject to many uncertainties, including the number of clinical studies required to be conducted for each development program and whether we will develop a product candidate with a partner or independently. At this time, due to such uncertainties and the risks inherent in drug product development and the associated regulatory process, we cannot

estimate with any reasonable certainty the duration of or costs to complete the Mast R&D programs, or whether or when or to what extent revenues will be generated from the commercialization and sale of any of its product candidates. The duration and costs of our R&D programs, in particular, the duration and costs associated with clinical studies and research-related manufacturing, can vary significantly as a result of a variety of factors, including:

- the number of clinical and nonclinical studies necessary to demonstrate the safety and efficacy of a product candidate in a particular indication;
- the number of patients who participate in each clinical study;
- the number and location of sites included and the rate of site approval in each clinical study;
- the rate of patient enrollment and ratio of randomized to evaluable patients in each clinical study;
- the duration of patient treatment and follow-up;
- the potential additional safety monitoring or other studies requested by regulatory agencies;
- the time and cost to manufacture clinical trial material and commercial product, including process development and scale-up activities, and to conduct stability studies, which can last several years;
- the availability and cost of comparative agents used in clinical studies;
- the timing and terms of any collaborative or other strategic arrangements that we may establish; and
- the cost, requirements, timing of and the ability to secure regulatory approvals.

The prospects of the R&D programs are regularly evaluated, including in response to available scientific, nonclinical and clinical data, our assessments of a product candidate's market potential and available resources, in order to make determinations as to which programs to pursue and how much funding to direct to each one.

Selling, General and Administrative Expenses. Selling, general and administrative, or SG&A, expenses consist primarily of salaries, benefits and related costs for personnel in executive, finance and accounting, legal and marketing functions, and professional and consulting fees for accounting, legal, investor relations, business development, commercial strategy and research, human resources and information technology services. Other SG&A expenses include facility lease and insurance costs and in-licensing costs for third-party intellectual property, if any.

Transaction-Related Expenses. Transaction-related expenses consist of legal, accounting, financial advisor and business development advisory fees associated with the evaluation of potential acquisition transactions, including the Merger and business combination Mast completed in April 2017. Transaction-related expenses also include accrued severance expense for Mast employees anticipated to be terminated immediately following the Merger.

Interest Income. Interest income includes interest earned on our cash, cash equivalent and investment security balances.

Interest Expense. Interest expense consists of interest payments made and interest expense related to debt issuance costs and debt discount under our debt facility with Hercules and interest expense associated with payments under capital leases of equipment.

Other (Expense)/Income, Net. Other (expense)/income, net includes unrealized and realized gains and losses from foreign currency transactions and other non-operating gains and losses.

Comparison of Three Months Ended March 31, 2017 and 2016

Revenue. Mast recognized $94,000 of revenue for the three months ended March 31, 2017. The revenue represents reimbursement of costs related to the nonclinical study of vepoloxamer that was funded by a grant from the National Institute of Neurological Disorders and Stroke of the National Institutes of Health (NIH). We recognized no revenue for the three months ended March 31, 2016.

R&D Expenses. Mast's most significant R&D expenses for the three months ended March 31, 2017 were external costs associated with the EPIC study, the Phase 2 study of vepoloxamer in heart failure and the Phase 2 studies of AIR001 in HFpEF. These expenses consisted primarily of CRO and CMO expenses. The following table summarizes Mast's consolidated R&D expenses by type for each of the periods listed and their respective percent of Mast's total R&D expenses for such periods (in thousands, except for percentages):

	Three Months Ended March 31,			
	2017	%	2016	%
External clinical study fees and expenses	$ 988	69%	$ 4,054	52%
External nonclinical study fees and expenses	140	10%	2,459	31%
Personnel costs	222	15%	1,127	14%
Share-based compensation expense	93	6%	235	3%
Total	$ 1,443	100%	$ 7,875	100%

R&D expenses decreased by $6.5 million, or approximately 81.7%, to $1.4 million for the three months ended March 31, 2017, compared to $7.9 million for the same period in 2016. This decrease was due primarily to the completion or discontinuation and wind-down of all manufacturing work and clinical studies of vepoloxamer in the fourth quarter of 2016.

The $3.1 million decrease in external clinical study fees and expenses was due primarily to decreases of $2.7 million in costs associated with the EPIC study and $0.6 million in costs for the Phase 2 study of vepoloxamer in heart failure, offset by increases of $0.2 million in costs for the Phase 2 studies of AIR001 in HFpEF. The $2.3 million decrease in external nonclinical study fees and expenses was due primarily to decreases of $1.5 million in research-related manufacturing costs for vepoloxamer, $0.5 million in external costs related to preparing an NDA for vepoloxamer and $0.3 million in costs for nonclinical studies of vepoloxamer. The $0.9 million decrease in personnel costs was due primarily to workforce reductions that Mast implemented in the fourth quarter of 2016.

SG&A Expenses. SG&A expenses decreased by $1.2 million, or approximately 44.1%, to $1.6 million for the three months ended March 31, 2017, compared to $2.8 million for the same period in 2016. The decrease was primarily due to reduced personnel costs following the workforce reductions implemented in the fourth quarter of 2016 and fees for consulting and legal services compared to the 2016 period.

Transaction-Related Expenses. Transaction-related expenses of $2.8 million for the three months ended March 31, 2017 consisted primarily of professional legal and accounting and financial advisor fees as well as accrued severance expense for employees anticipated to be terminated immediately following the Merger. There were no transaction-related expenses for the three months ended March 31, 2016.

Interest Expense. Interest expense for the three months ended March 31, 2017 was $0.2 million compared to $0.5 million for the same period in 2016. The decrease in interest expense was primarily due to a lower principal balance on the Hercules debt facility in 2017 versus 2016.

Net Loss. Net loss was $5.9 million, or $1.61 per share, for the three months ended March 31, 2017, compared to net loss of $11.2 million, or $4.40 per share, for the same period in 2016.

Liquidity and Capital Resources

Mast has a history of annual losses from operations and anticipates it will continue to incur losses for at least the next several years. For the three months ended March 31, 2017, Mast incurred a loss from operations of $5.7 million. Mast's cash, cash equivalents and investment securities were $7.8 million and its working capital was $1.6 million as of March 31, 2017.

Mast has historically funded operations principally through proceeds from sales of its equity securities. In February 2016, Mast completed an underwritten public offering with gross proceeds of $8.0 million from the sale and issuance of 415,584 shares of its common stock and warrants to purchase 415,584 shares of its common stock, after giving effect to the 1-for-70 reverse stock split that was effected on April 27, 2017. Net proceeds, after deducting underwriting discounts and commissions and other estimated offering expenses, were approximately $7.3 million. The warrants have an exercise price of $29.40 per share (on a reverse split-adjusted basis), are exercisable any time, subject to certain beneficial ownership limitations, and will expire on February 16, 2021.

We have outstanding warrants which were issued in the underwritten public offerings Mast completed in June 2013, November 2014 and February 2016 with exercise prices of $45.50, $52.50 and $29.40 per share, respectively (on a reverse stock split-adjusted basis). In comparison, the closing sale price of our common stock on May 5, 2017 was $5.60 per share and we do not expect the holders of the warrants to exercise them unless and until our common stock trades at or above the exercise price of their warrants.

On April 27, 2017, we delivered written notice to Cowen and Company LLC that we were terminating our Sales Agreement, dated August 21, 2015, pursuant to Section 11(b) of the agreement. On April 28, 2017, we entered into a Common Stock Sales Agreement with H.C. Wainwright & Co., LLC ("Wainwright") as sales agent, pursuant to which we may offer and sell, from time to time through Wainwright, shares of our common stock having an aggregate offering price of not more than $18.0 million. In accordance with the agreement, Wainwright will be entitled to a commission at a fixed rate equal to 3.0% of the gross proceeds per share sold.

On April 28, 2017, Savara and Aravas, as co-borrowers entered into a Loan and Security Agreement with SVB (the "SVB Loan Agreement") and it became effective on May 2, 2017.

The SVB Loan Agreement provides for a $15.0 million term loan facility. Loans may be advanced in two tranches of $7.5 million each, subject to certain conditions. Loan proceeds may be used for general corporate purposes. The first tranche of $7.5 million was funded on May 2, 2017 and $3.7 million was used to pay off all obligations under the Hercules Loan Agreement. We may prepay loans under the SVB Loan Agreement in whole or in part at any time, subject to a prepayment fee of 3.0% if prepaid within the first anniversary of the closing date, 2.0% if prepaid between the first and second anniversaries of the closing date, and 1.0% thereafter.

See Note 14, "Subsequent Events," of the Notes to the Condensed Consolidated Financial Statements in this report for additional information regarding our debt facility with Silicon Valley Bank. Our obligations under our agreement with SVB are secured by substantially all of our assets other than our intellectual property, but including proceeds from the sale, licensing or other disposition of our intellectual property. Our intellectual property is subject to negative covenants, which, among other things, prohibit us from selling, transferring, assigning, mortgaging, pledging, leasing, granting a security interest in or otherwise encumbering our intellectual property, subject to limited exceptions. The agreement includes a number of other restrictive covenants that may limit our ability to raise capital through other debt or equity financing. The debt facility also includes events of default, the occurrence and continuation of which would provide SVB with the right to exercise remedies against us and the collateral securing our indebtedness, which include declaring payment of all or any part of the debt, together with a potential end of term charge of $900,000 and a prepayment charge of 1%, 2% or 3% of the then outstanding principal balance, immediately due and payable. These events of default include, among other things, payment defaults, covenant defaults, a material adverse change default, bankruptcy and insolvency defaults, cross-defaults to other material indebtedness, judgment defaults, and defaults related to inaccuracy of representations and warranties. Under certain circumstances, a default interest rate will apply on all obligations during the existence of an event of default under the SVB Loan Agreement at a per annum rate of interest equal to 5.0% above the applicable interest rate.

We are engaged in a dispute with one of the CROs that provided services for Mast's Phase 3 clinical study of vepoloxamer. The CRO contends that it is owed additional compensation for services under the parties' contract and we dispute and deny the CRO's claims and instead contend we are owed compensation by the CRO for damages resulting from the CRO's breach of the contract. Based on discussions with the CRO, we expect to settle the dispute for approximately $0.8 million, and Mast's accrued liabilities at March 31, 2017 include that settlement amount. If we and the CRO fail to settle this dispute, we intend to vigorously pursue our claims against the CRO and defend the CRO's claims against us.

Operating activities. Net cash used in operating activities was $3.2 million for the three months ended March 31, 2017, consisting primarily of a net loss of $5.9 million, adjusted for share-based compensation expenses of $0.5 million, amortization of debt issuance costs and debt discount of $0.1 million, a net increase in accounts payable and accrued liabilities of $1.6 million and a decrease of $0.5 million in prepaid expenses and other assets. Net cash used in operating activities was $11.3 million for the three months ended March 31, 2016, consisting primarily of a net loss of $11.2 million, adjusted for share-based compensation expenses of $0.7 million and amortization of debt issuance costs and debt discount of $0.2 million, an increase in prepaid expenses and other assets of $0.2 million, offset by a net decrease in accounts payable and accrued liabilities of $1.1 million.

Investing activities. Net cash provided by investing activities was $2.8 million for the three months ended March 31, 2017 compared to $4.4 million for the same period in 2016. Net cash provided by investing activities for the three months ended March 31, 2017 was primarily due to $2.7 million in proceeds from the sale and maturity of certificates of deposit. Net cash provided by investing activities for the three months ended March 31, 2016 was primarily due to $4.4 million in proceeds from the maturity of certificates of deposit.

Financing activities. Net cash used in financing activities was $0.4 million for the three months ended March 31, 2017 compared to net cash provided by financing activities of $7.4 million for the same period in 2016. Cash used in financing activities for the three months ended March 31, 2017 was primarily a result of payments made on our debt facility. Cash provided by financing activities for the three months ended March 31, 2016 was primarily related to net proceeds of $7.3 million from the sale of units consisting of shares of our common stock and warrants to purchase our common stock in February 2016.

Contractual Obligations

The following provides information supplemental to the tabular summary of contractual obligations of Mast as of December 31, 2016 presented in the annual report on Form 10-K filed on March 6, 2017.

Long-term Debt Obligations

As discussed above under “Liquidity and Capital Resources,” in May 2017, our loan and security agreement with Hercules Technology III, L.P. and Hercules Capital, Inc. was terminated and we utilized proceeds from our new credit facility with Silicon Valley Bank to repay all outstanding amounts owed under our agreement with Hercules, which totaled $3.7 million.
Under the SVB Loan Agreement, we received an advance of $7.5 million on May 2, 2017. This loan bears interest at the prime rate reported in The Wall Street Journal, plus a spread of 4.25%. Interest is due and payable in arrears monthly. Principal, together with all accrued and unpaid interest, is due and payable on March 1, 2021. We also are obligated to pay customary closing fees and a final payment of 6.0% of the aggregate principal amount of term loans advanced under the facility.

Operating Leases

Mast subleases approximately 13,707 square feet of rentable office space on the fifth floor of the building located at 3611 Valley Centre Drive, San Diego, California 92130, or the Subleased Premises, which served as Mast’s corporate headquarters prior to its business combination with Private Savara on April 27, 2017. The sublease expires on May 31, 2020. Mast’s current monthly rent is $43,625. The monthly base rent escalates by 3% each year on January 20th. Mast recognizes this rent expense on a straight-line basis.

In March 2017, Mast entered into a Sub-Sublease Agreement with MEI Pharma, Inc., or Sub-Sublessee, pursuant to which Mast will sublease the Subleased Premises to Sub-Sublessee, which rental income will offset Mast’s rent expense for the Subleased Premises. The term of the Sub-Sublease commences on July 1, 2017 and expires on May 31, 2020. The commencement date of the Sub-Sublease may be earlier than July 1, 2017 if Sub-Sublessee completes its move-in and begins operating its business in the Subleased Premises, however, such move-in will not begin earlier than June 1, 2017. The period beginning with the date on which the Sub-Sublease commences through May 31, 2020 is herein referred to as the Sub-Sublease Term. Monthly base rent payable to Mast under the Sub-Sublease is $43,862.40, subject to increases of 3% annually on the anniversary of commencement of the Sub-Sublease Term. However, monthly base rent for calendar month 2 of the Sub-Sublease Term shall be abated.

Management Outlook

We have not generated any revenue from product sales. We do not know when, or if, we will generate any revenue from product sales. We do not expect to generate any revenue from product sales unless and until we obtains regulatory approval for and commercializes one or more of our product candidates. At the same time, we expect our expenses to increase in connection with our ongoing development and manufacturing activities, particularly as we continue the research, development, manufacture and clinical trials of, and seeks regulatory approval for, our product candidates. In addition, subject to obtaining regulatory approval of any of our product candidates, we anticipate that we will need substantial additional funding in connection with its continuing operations.

As of April 28, 2017, we had cash of approximately $16.8 million. We will continue to require substantial additional capital to continue our clinical development and potential commercialization activities. Accordingly, we will need to raise substantial additional capital to continue to fund our operations. The amount and timing of our future funding requirements will depend on many factors, including the pace and results of our clinical development efforts. Failure to raise capital as and when needed, on favorable terms or at all, would have a negative impact on our financial condition and our ability to develop our product candidates.

Until we can generate a sufficient amount of product revenue to finance our cash requirements, we expect to finance our future cash needs primarily through the issuance of additional equity, and potentially through borrowings, grants and strategic alliances with partner companies. To the extent that we raise additional capital through the issuance of additional equity or convertible debt securities, the ownership interest of our stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of existing stockholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through marketing and distribution arrangements or other 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 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 commercialization efforts or grant rights to develop and market product candidates to third parties that we would otherwise prefer to develop and market itself.

Recent Accounting Pronouncements

See Note 11, “Recent Accounting Pronouncements,” of the Notes to the Condensed Consolidated Financial Statements (Unaudited) in this report for a discussion of recent accounting pronouncements and their effect, if any, on us.

Forward Looking Statements

This report, particularly in Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements, including, but not limited to, statements we make regarding our business strategy, expectations and plans, our objectives for future operations and our future financial position. When used in this report, the words “believe,” “may,” “could,” “would,” “will,” “estimate,” “continue,” “anticipate,” “plan,” “intend,” “expect,” “indicate” and similar expressions are intended to identify forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements we make regarding estimated operating expenses and our belief that our current capital resources will be sufficient to fund planned operations into 2018, plans to raise additional capital, collaborative opportunities for our assets, and the activities, timing and costs related to further development of our product candidates.

We have based the forward-looking statements we make on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. The forward-looking statements we make are subject to known and unknown risks and uncertainties that could cause our actual results, performance or achievements to be materially different from any result, performance or achievement expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to the risks described in Part II, Item 1a of this report on Form 10-Q.

Except as required by law, we do not intend to update the forward-looking statements discussed in this report publicly or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future. In light of these risks and uncertainties and our assumptions, actual results may differ materially and adversely from expectations indicated or implied by the forward-looking statements contained in this report and in any documents incorporated in this report. Accordingly, you are cautioned not to place undue reliance on such forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our quantitative and qualitative disclosures about market risk contained in our annual report on Form 10-K for the fiscal year ended December 31, 2016.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2017. Based on that evaluation, our principal executive officer and principal financial officer have concluded that as of March 31, 2017 these disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) under the Exchange Act that occurred during the quarterly period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in various claims and legal proceedings. Regardless of outcome, litigation and other legal and administrative proceedings can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors. We are not currently a party to any material pending litigation or other material legal proceeding.

Item 1A. Risk Factors

Investment in our common stock involves a high degree of risk and uncertainty. Our business, operating results, growth prospects and financial condition are subject to various risks, many of which are not exclusively within our control, that may cause actual performance to differ materially from historical or projected future performance. We urge investors to consider carefully the risks described below, together with all of the information in this report and our other public filings, before making investment decisions regarding our securities. Each of these risk factors, as well as additional risks not presently known to us or that we currently deem immaterial, could adversely affect our business, operating results, growth prospects or financial condition, as well as the trading price of our common stock, in which case you may lose all or part of your investment.

Risks Related to Our Capital Requirements and Financial Condition

We have a limited operating history and have incurred significant losses since inception, and expect that we will continue to incur losses for the foreseeable future, which makes it difficult to assess our future viability.

We are a clinical development-stage biopharmaceutical company with a limited operating history upon which to evaluate our business and prospects. We have not been profitable since Mast commenced operations, and may not achieve profitability. In addition, we have limited history as an organization and have not yet demonstrated an ability to successfully overcome many of the risks and uncertainties frequently encountered by companies in new and rapidly evolving fields, particularly in the biopharmaceutical industry. Drug development is a highly speculative undertaking and involves a substantial degree of risk. To date, we have not obtained any regulatory approvals for any of our product candidates, commercialized any of our product candidates or generated any product revenue. We have devoted significant resources to research and development and other expenses related to our ongoing clinical trials and operations, in addition to acquiring product candidates.

For the quarter ended March 31, 2017, Mast incurred losses from operations of $5.7 million, and net cash used in operating activities was $3.2 million. At March 31, 2017, Mast's cash, cash equivalents and investment securities were $7.8 million, and working capital was $1.6 million. At March 31, 2017, Mast had an accumulated deficit of $316.9 million. We expect to continue to incur substantial operating losses for the next several years as we advance our product candidates through clinical development, global regulatory approvals, and commercialization. No revenue from operations will likely be available until, and unless, one of our product candidates is approved by the FDA or another regulatory agency and successfully marketed, or we enter into an arrangement that provides for licensing revenue or other partnering-related funding, outcomes which we may not achieve.

We will require substantial additional financing to obtain regulatory approval for AeroVanc, Molgradex and Aironite, and a failure to obtain this necessary capital when needed on acceptable terms, or at all, could force us to delay, limit, reduce or terminate our product development efforts or other operations.

Since our Aravas subsidiary was formed, most of our resources have been dedicated to the development and acquisition of our product candidates, AeroVanc and Molgradex. In recent periods, Mast has focused its development efforts on its Aironite program, which we plan to continue developing following the closing of the merger. We believe that our existing capital resources will be sufficient to fund our operations into 2018. We may raise additional capital from new investors, including through our "at the market" (ATM) offering program. We will require significant additional capital to continue operations and execute on our current business strategy to develop AeroVanc, Molgradex and Aironite through to regulatory approval. We cannot estimate with reasonable certainty the actual amounts necessary to successfully complete the development and commercialization of our product candidates and there is no certainty that we will be able to raise the necessary capital on reasonable terms or at all.

Our capital requirements for the foreseeable future will depend in large part on, and could increase significantly as a result of, our expenditures on our development programs. Future expenditures on our development programs are subject to many uncertainties, and will depend on, and could increase significantly as a result of, many factors, including:

- the number, size, complexity, results and timing of our drug development programs;
- the timing and terms of any collaborative or other strategic arrangement that we may establish;
- the number of clinical and nonclinical studies necessary to demonstrate acceptable evidence of the safety and efficacy of our product candidates;
- changes in standards of care which could increase the size and complexity of clinical studies;
- the number of patients who participate, the rate of enrollment, and the ratio of randomized to evaluable patients in each clinical study;
- the ability to locate patients to participate in a study given the limited number of patients available for orphan or ultra-orphan indications;
- the number and location of sites and the rate of site initiation in each study;
- the duration of patient treatment and follow-up;
- the potential for additional safety monitoring or other post-marketing studies that may be requested by regulatory agencies;
- the time and cost to manufacture clinical trial material and commercial product, including process development and scale-up activities, and to conduct stability studies, which can last several years;
- the degree of difficulty and cost involved in securing alternate manufacturers or suppliers of drug product, components or delivery devices, as necessary to meet FDA requirements and/or commercial demand;
- the costs, requirements, timing of, and the ability to, secure regulatory approvals;
- the extent to which we increase our workforce and the costs involved in recruiting, training and incentivizing new employees;
- the costs related to developing, acquiring and/or contracting for sales, marketing and distribution capabilities, supply chain management capabilities, and regulatory compliance capabilities, if we obtain regulatory approval for a product candidate and commercializes it without a partner;

- the costs related to developing, acquiring and/or contracting for sales, marketing and distribution capabilities, supply chain management capabilities, and regulatory compliance capabilities, if we obtain regulatory approval for a product candidate and commercialize it without a partner;

- the costs involved in evaluating competing technologies and market developments or the loss in sales in case of such competition; and

- the costs involved in establishing, enforcing or defending patent claims and other proprietary rights.

Additional capital may not be available when we need it, on terms that are acceptable to us or at all. If adequate funds are not available to us on a timely basis, we will be required to delay, limit, reduce or terminate our establishment of sales and marketing, manufacturing or distribution capabilities, development activities or other activities that may be necessary to commercialize our product candidates, conduct preclinical or clinical studies, or other development activities.

If we raise additional capital through marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish certain valuable rights to our product candidates, technologies, future revenue streams or research programs or grant licenses on terms that may not be favorable. If we raise additional capital through public or private equity offerings, the ownership interest of our stockholders will be diluted and the terms of any new equity securities may have preferential rights over our common stock. If we raise additional capital through debt financing, it may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt or making capital expenditures, or subject to specified financial ratios, any of which could restrict our ability to develop and commercialize our product candidates or operate as a business.

Our loan agreement contains covenants which may adversely impact our business; the failure to comply with such covenants could cause our outstanding debt to become immediately payable.

On April 28, 2017, we and our subsidiary, Aravas Inc., a Delaware corporation, which we refer to Aravas, entered into a Loan and Security Agreement between us and Aravas, as co-borrowers, and Silicon Valley Bank, which we refer to as the SVB Loan Agreement. The SVB Loan Agreement includes a number of restrictive covenants, including restrictions on incurring additional debt, making investments, granting liens, disposing of assets, paying dividends and redeeming or repurchasing capital stock, subject to certain exceptions. Collectively, these covenants could constrain our ability to grow our business through acquisitions or engage in other transactions. In addition, the SVB Loan Agreement includes covenants requiring, among other things, that we provide financial statements, comply with all laws, pay all taxes and maintain insurance. If we are not able to comply with these covenants, the loans under the SVB Loan Agreement could become immediately due and payable and the borrowing of the second tranche loan under the SVB Loan Agreement would not be allowed, any of which would have a material adverse effect on our liquidity our liquidity, financial condition, operating results, business, and prospects and cause the price of our common stock to decline.

We have significant goodwill and IPR&D and impairment of goodwill and IPR&D may have a significant adverse impact on our future financial condition and results of operations.

As of March 31, 2017, Mast and Private Savara had goodwill and IPR&D of approximately $5.5 million and $13.7 million, respectively. The pro forma information for March 31, 2017 is not yet complete, and therefore, amounts are presented prior to adjustment. These intangible assets are subject to an impairment analysis whenever an event or change in circumstances indicates the carrying amount of such an asset may not be recoverable. We test our goodwill and IPR&D for impairment annually, or more frequently if an event or change in circumstances indicates that the asset may be impaired. If an impairment is identified, we would be required to record an impairment charge with respect to the impaired asset to Mast consolidated statements of operations and comprehensive loss. A significant impairment charge could have a material negative impact on our financial condition and results of operations.

For example, Mast's IPR&D resulted from its acquisitions of SynthRx and Aires Pharmaceuticals in 2011 and 2014, respectively, through which Mast acquired its vepoloxamer and Aironite programs, respectively. Based on Mast's assessment of fair value of its vepoloxamer-related IPR&D as of December 31, 2016, Mast reduced the carrying value of its IPR&D by $6.0 million to $0.5 million and recorded an impairment charge of $6.0 million as a separate operating expense in its consolidated statement of operations and comprehensive loss for the year ended December 31, 2016.

We will continue to evaluate our intangible assets for potential impairment in accordance with its accounting policies. If additional impairments are identified, we would be required to record an impairment charge with respect to the impaired asset to its consolidated statements of operations and comprehensive loss. A significant impairment charge could have a material negative impact on our financial condition and results of operations.

Events giving rise to impairment are difficult to predict and are an inherent risk in the pharmaceutical industry. Some of the potential risks that could result in impairment of our goodwill and IPR&D include negative clinical study results, adverse regulatory developments, delay or failure to obtain regulatory approval, additional development costs, changes in the manner of our use or development of vepoloxamer or Aironite, competition, earlier than expected loss of exclusivity, pricing pressures, higher operating costs, changes in tax laws, prices that third parties are willing to pay for our IPR&D or similar assets in an arm's-length transaction being less than the carrying value of our IPR&D, and other market and economic environment changes or trends. Events or changes in circumstances may lead to significant impairment charges on our goodwill and/or IPR&D in the future, which could materially adversely affect our financial condition and results of operations.

Risks Related to Our Business Strategy and Operations

We are substantially dependent upon the clinical, regulatory and commercial success of our product candidates, AeroVanc, Molgradex and Aironite. Clinical drug development involves a lengthy and expensive process with an uncertain outcome, results of earlier studies and trials may not be predictive of future trial results, and our clinical trials may fail to adequately demonstrate to the satisfaction of regulatory authorities the safety and efficacy of our product candidates.

The success of our business is dependent on our ability to advance the clinical development of AeroVanc for the treatment of persistent methicillin-resistant *Staphylococcus aureus* (MRSA) infections in the lungs of cystic fibrosis patients, and Molgradex for the treatment of patients with pulmonary alveolar proteinosis (PAP) and Aironite for the treatment of heart failure with preserved ejection fraction, or HFpEF, also known as diastolic heart failure or heart failure with preserved systolic function. The AeroVanc Phase 3 study is scheduled to start in the United States and Canada in Q3 2017, the Molgradex Phase 2/3 clinical study (IMPALA) is ongoing in Europe and Japan, and Aironite is in Phase 2 clinical development. We expect to announce top-line results from the Phase 2/3 study of Molgradex in the first quarter of 2018.

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. A failure of one or more of our clinical trials can occur at any time during the clinical trial process. The results of preclinical studies and early clinical trials of our product candidates may not be predictive of the results of later-stage clinical trials. There is a high failure rate for drugs proceeding through clinical trials, and product candidates in later stages of clinical trials may fail to show the required safety and efficacy despite having progressed through preclinical studies and initial clinical trials. A number of companies in the pharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier clinical trials, and we cannot be certain that we will not face similar setbacks. Even if our clinical trials are completed, the results may not be sufficient to obtain regulatory approval for our product candidates.

Given the development nature of our product candidates, we are subject to risks associated with initiating, completing and achieving positive outcomes from our current and future clinical trials, including:

- slow implementation, enrollment and completion of the clinical trials;
- inability to enroll enough patients in the clinical trials;
- low patient compliance and adherence to dosing and reporting requirements, for example incomplete reporting of patient reported outcomes in the clinical trials or missed doses;
- lack of safety and efficacy in the clinical trials;
- delays in manufacture of supplies for both drug and device components due to delays in formulation, process development, or manufacturing activities;
- requirements for additional nonclinical or clinical studies based on changes to formulation and/or changes to regulatory requirements; and
- requirements for additional clinical studies based on inconclusive clinical results or changes in market, standard of care, and/or regulatory requirements.

If we successfully complete the necessary clinical trials for our product candidates, our success will be subject to the risks associated with obtaining regulatory approvals, product launch, and commercialization, including:

- FDA rejection of our NDA submissions for our product candidates;
- regulatory rejection in the EU, Japan, and other markets;

- delays during regulatory review and/or requirements for additional CMC, nonclinical, or clinical studies, resulting in increased costs and/or delays in marketing approval and subsequent commercialization of the product candidates in the United States and other markets;
- inability to consistently manufacture commercial supplies of drug and delivery devices resulting in slowed market development and lower revenue;
- poor commercial sales due to:
    - the ability of our future sales organization or our potential commercialization partners to effectively sell the product candidates;
    - our lack of success in educating physicians and patients about the benefits, administration and use of our product candidates;
    - the availability, perceived advantages, relative cost, relative safety and relative efficacy of other products or treatments for the targeted indications of the product candidates;
    - low patient demand for the product candidates;
    - poor prescription coverage and inadequate reimbursement for our product candidates;
- our inability to enforce our intellectual property rights in and to our product candidates; and
- reduction in the safety profile of our product candidates following approval.

Many of these clinical, regulatory and commercial matters are beyond our control and are subject to other risks described elsewhere in this “Risk Factors” section. Accordingly, we cannot assure that we will be able to advance our product candidates further through final clinical development, or obtain regulatory approval of, commercialize or generate significant revenue from them. If we cannot do so, or are significantly delayed in doing so, our business will be materially harmed.

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

We have historically operated with a limited number of employees that manage third-parties for most development activities. Institutional knowledge is concentrated within a small number of employees. Our success depends in part on our continued ability to attract, retain and motivate highly qualified management, clinical and scientific personnel. Our future success is highly dependent upon the contributions of our senior management, as well as our senior scientists and other members of our senior management team. The loss of services of any of these individuals, who all have at-will employment arrangements with us, could delay or prevent the successful development of our product pipeline, completion of our planned clinical trials or the commercialization of our product candidates.

Replacing key employees may be a difficult, costly and protracted process, and we may not have other personnel with the capacity to assume all the responsibilities of a key employee upon his/her departure. Transition periods can be difficult to manage and may cause disruption to our business. In addition, there may be intense competition from other companies and organizations for qualified personnel. Other companies and organizations with which we compete for personnel may have greater financial and other resources and different risk profiles than us, and a history of successful development and commercialization of our product candidates. If we cannot attract and retain skilled personnel, as needed, we may not achieve our development and other goals.

In addition, the success of our business will depend on our ability to develop and maintain relationships with respected service providers and industry-leading consultants and advisers. If we cannot develop and maintain such relationships, as needed, the rate and success at which we can develop and commercialize product candidates may be limited. In addition, our outsourcing strategy, which has included engaging consultants that spend considerable time in our office to manage key functional areas, may subject us to scrutiny under labor laws and regulations, which may divert management time and attention and have an adverse effect on our business and financial condition.

We do not have, and do not have plans to establish manufacturing facilities. We completely rely on third parties for the manufacture and supply of our clinical trial drug and delivery device supplies and, if approved, commercial product materials. The loss of any of these vendors or a vendor's failure to provide us with an adequate supply of clinical trial or commercial product material in a timely manner and on commercially acceptable terms, or at all, could harm our business.

We outsource the manufacture of our product candidates, including the Aironite program that we acquired as a result of the merger with Mast, and do not plan to establish our own manufacturing facilities. To manufacture our product candidates, we have made numerous custom modifications at CMOs, making us highly dependent on these CMOs. For clinical and commercial supplies, if approved, we have supply agreements with third party CMOs for drug substance, finished drug product, drug delivery devices and other necessary components of our product candidates. While we have secured long-term commercial supply agreements with many of the third party CMOs, we would need to negotiate agreements for commercial supply with several important CMOs, and we may not be able to reach agreement on acceptable terms. In addition, we rely on these third parties to conduct or assist us in key manufacturing development activities, including qualification of equipment, developing and validating methods, defining critical process parameters, releasing component materials and conducting stability testing, among other things. If these third parties are unable to perform their tasks successfully in a timely manner, whether for technical, financial or other reasons, we may be unable to secure clinical trial material, or commercial supply material if approved, which likely would delay the initiation, conduct or completion of our clinical studies or prevent us from having enough commercial supply material for sale, which would have a material and adverse effect on our business.

All manufacturers of our clinical trial material and, if approved, commercial product, including drug substance manufacturers, must comply with cGMP requirements enforced by the FDA through its facilities inspection program and applicable requirements of foreign regulatory authorities. These requirements include quality control, quality assurance and the maintenance of records and documentation. Manufacturers of our clinical trial material may be unable to comply with these cGMP requirements and with other FDA, state and foreign regulatory requirements. While we and our representatives generally monitor and audit our manufacturers' systems, we do not have full control over their ongoing compliance with these regulations. And while the responsibility to maintain cGMP compliance is shared between us and the third-party manufacturer, we bear ultimately responsibility for our supply chain and compliance with regulatory standards. Failure to comply with these requirements may result in fines and civil penalties, suspension of production, suspension or delay or failure to obtain product approval, product seizure or recall, or withdrawal of product approval.

Currently, we do not have alternative vendors to back up our primary vendors of clinical trial material or, if approved, commercial supply material. Identification of and discussions with other vendors may be protracted and/or unsuccessful, or these new vendors may be unsuccessful in producing the same results as the current primary vendors producing the material. Therefore, if our primary vendors become unable or unwilling to perform their required activities, we could experience protracted delays or interruptions in the supply of clinical trial material and, ultimately, product for commercial sale, which would materially and adversely affect our development programs, commercial activities, operating results and financial condition. In addition, the FDA or regulatory authorities outside of the United States may require that we have an alternate manufacturer of a drug product before approving it for marketing and sale in the United States or abroad and securing such alternate manufacturer before approval of an NDA could result in considerable additional time and cost prior to NDA approval.

Any new manufacturer or supplier of finished drug product or its component materials, including drug substance and delivery devices, would be required to qualify under applicable regulatory requirements and would need to have sufficient rights under applicable intellectual property laws to the method of manufacturing of such product or ingredients required by us. The FDA or foreign regulatory agency may require us to conduct additional clinical studies, collect stability data and provide additional information concerning any new supplier, or change in a validated manufacturing process, including scaling-up production, before we could distribute products from that manufacturer or supplier or revised process. For example, if we were to engage a third party other than our current CMOs to supply the drug substance or drug product for future clinical trial, or commercial product, the FDA or regulatory authorities outside of the United States may require us to conduct additional clinical and nonclinical studies to ensure comparability of the drug substance or drug product manufactured by our current CMOs to that manufactured by the new supplier. Changing of suppliers or equipment is particularly challenging for companies like us, with inhalation products, because any change could alter the drug product of its performance. The manufacturing of the drug substance of Molgradex, molgramostim, a biological drug substance, as well as the drug product, Molgradex, is currently being transferred to a new manufacturing site. Producing a pharmaceutically and biologically similar product may prove to be challenging, and may take more time and resources that currently anticipated. The transfer of the manufacturing to the new site may also cause regulatory agencies, including the FDA, to require additional nonclinical or clinical studies, which may cause delay or failure to obtain regulatory approval, and incur substantial additional cost.

The manufacture of pharmaceutical products requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Manufacturers of pharmaceutical products often encounter difficulties in production, particularly in scaling-up initial production. These problems include difficulties with production costs and yields, quality control, including stability of the product candidate and quality assurance testing, and shortages of qualified personnel. Some of our product candidates have not been manufactured at the scale we believe will be necessary to maximize its commercial value and, accordingly, we may encounter difficulties in attempting to scale-up production and may not succeed in that effort on a timely basis or

at all. In addition, the FDA or other regulatory authorities may impose additional requirements as we scale up initial production capabilities, which may delay our scale-up activities and/or add expense.

If our manufacturers encounter any of the aforementioned difficulties or otherwise fail to comply with their contractual obligations or there are delays entering commercial supply agreements due to capital constraints, we may have insufficient quantities of material to support ongoing and/or planned clinical studies or to meet commercial demand, if approved. In addition, any delay or interruption in the supply of materials necessary or useful to manufacture our product candidates could delay the completion of our clinical studies, increase the costs associated with our development programs and, depending upon the period of delay, require us to commence new clinical studies at significant additional expense or terminate the studies completely. Delays or interruptions in the supply of commercial product could result in increased cost of goods sold and lost sales. We cannot provide assurance that manufacturing or quality control problems will not arise in connection with the manufacture of our clinical trial material or commercial product, if approved, or that third-party manufacturers will be able to maintain the necessary governmental licenses and approvals to continue manufacturing such clinical trial material or commercial product, as applicable. In addition, AeroVanc and Molgradex are currently manufactured entirely or partially outside the United States and, as a result, we may experience interruptions in supply due to shipping or customs difficulties or regional instability. Furthermore, changes in currency fluctuations, shipping costs, or import tariffs could adversely affect cost of goods sold. Any of the above factors could cause us to delay or suspend anticipated or ongoing trials, regulatory submissions or commercialization of our product candidates, entail higher costs or result in being unable to effectively commercialize our products. Our dependence upon third parties for the manufacture of our clinical trial material may adversely affect our future costs and our ability to develop and commercialize our product candidates on a timely and competitive basis.

We rely significantly on third parties to conduct our nonclinical testing and clinical studies and other aspects of our development programs and if those third parties do not satisfactorily perform their contractual obligations or meet anticipated deadlines, the development of our product candidates could be adversely affected.

We do not employ personnel or possess the facilities necessary to conduct many of the activities associated with our programs. We engage consultants, advisors, CROs, CMOs and others to assist in the design and conduct of nonclinical and clinical studies of our product candidates, with interpretation of the results of those studies and with regulatory activities, and we expect to continue to outsource all or a significant amount of such activities. As a result, many important aspects of our development programs are and will continue to be outside our direct control, and our third-party service providers may not perform their activities as required or expected including the maintenance of GCP, GLP and GMP compliance, which are ultimately our responsibility to ensure. Further, such third parties may not be as committed to the success of our programs as our own employees and, therefore, may not devote the same time, thoughtfulness or creativity to completing projects or problem-solving as our own employees would. To the extent we are unable to successfully manage the performance of third-party service providers, our business may be adversely affected.

The CROs that we engage to execute our clinical studies play a significant role in the conduct of the studies, including the collection and analysis of study data, and we likely will depend on CROs and clinical investigators to conduct future clinical studies and to assist in analyzing data from completed studies and developing regulatory strategies for our product candidates. Individuals working at the CROs with which we contract, as well as investigators at the sites at which our studies are conducted, are not our employees, and we have limited control over the amount or timing of resources that they devote to their programs. If our CROs, study investigators, and/or third-party sponsors fail to devote sufficient time and resources to studies of our product candidates, if we and/or our CROs do not comply with all GLP and GCP regulatory and contractual requirements, or if their performance is substandard, we may delay commencement and/or completion of these studies, submission of applications for regulatory approval, regulatory approval, and commercialization of our product candidates. Failure of CROs to meet their obligations to us could adversely affect development of our product candidates.

In addition, CROs we engage may have relationships with other commercial entities, some of which may compete with us. Through intentional or unintentional means, our competitors may benefit from lessons learned on the Savara project that could ultimately harm our competitive position. Moreover, if a CRO fails to properly, or at all, perform our activities during a clinical study, we may not be able to enter into arrangements with alternative CROs on acceptable terms or in a timely manner, or at all. Switching CROs may increase costs and divert management time and attention. In addition, there likely would be a transition period before a new CRO commences work. These challenges could result in delays in the commencement or completion of our clinical studies, which could materially impact our ability to meet our desired and/or announced development timelines and have a material adverse impact on our business and financial condition.

We currently have limited marketing capabilities and no sales organization. If we are unable to establish sales and marketing capabilities on our own or through third parties, we will be unable to successfully commercialize our products, if approved, or generate product revenue.

To commercialize our products, if approved, in the United States and other jurisdictions we seek to enter, we must build our marketing, sales, managerial and other non-technical capabilities or make arrangements with third parties to perform these services, and we may not be successful in doing so. If our products receive regulatory approval, we expect to market such products in the United States

through a focused, specialized sales force, which will be costly and time consuming. We have no prior experience in the marketing and sale of pharmaceutical products and there are significant risks involved in building and managing a sales organization, including our ability to hire, retain and incentivize qualified individuals, generate sufficient sales leads, provide adequate training to sales and marketing personnel and effectively manage a geographically dispersed sales and marketing team. Outside of the United States, we may consider collaboration arrangements. If we are unable to enter into such arrangements on acceptable terms or at all, we may not be able to successfully commercialize our products in certain markets. Any failure or delay in the development of our internal sales, marketing and distribution capabilities would adversely impact the commercialization of our products. If we are not successful in commercializing our products, either on our own or through collaborations with one or more third parties, our future product revenue will suffer and we would incur significant additional losses.

We are in the process of integrating the systems, products and contracts from the recent merger with Mast and the complete scope and impact of the integration is unknown.

Our merger with Mast on April 27, 2017 has inherent risks, including risks associated with the integration of systems, products and contracts. We have devoted resources towards the successful integration of the companies, but there is potential exposure to unknown or contingent liabilities, liability associated with the assumption of legacy agreements, and many other such risks typical for such mergers.

Any future acquisitions that we make could disrupt our business and harm our financial condition.

We expect to evaluate, from time to time, potential strategic acquisitions of complementary businesses, products or technologies. In addition, we expect to evaluate joint ventures, licensing and other collaborative projects. We may not be able to identify appropriate acquisition candidates or strategic partners, or successfully negotiate, finance or integrate acquisitions of any businesses, products or technologies. Furthermore, the integration of any acquisition and management of any collaborative project may divert our management's time and resources from our core business and disrupt our operations. Any cash acquisition we pursue would diminish the funds otherwise available to us for other uses. Any stock acquisition would dilute our stockholders' ownership.

To establish a sales and marketing infrastructure and expand our manufacturing capabilities, we will need to increase the size of our organization, and we may experience difficulties in managing this growth.

As of March 31, 2017, Private Savara had 14 full-time employees, including 8 employees engaged in research and development. As we advance our product candidates through the development process and to commercialization, we will need to continue to expand our development, regulatory, quality, managerial, sales and marketing, operational, finance and other resources to manage our operations and clinical trials, continue our development activities and commercialize our product candidates, if approved. As our operations expand, we expect that we will need to manage additional relationships with various manufacturers and collaborative partners, suppliers and other organizations.

Due to our limited financial resources and our limited experience in managing a company with such anticipated growth, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. In addition, the physical expansion of our operations may lead to significant costs and may divert our management attention and resources. Any inability to manage growth could delay the execution of our development and strategic objectives, or disrupt our operations, which could materially impact our business, revenue and operating results.

Our product candidates may cause undesirable side effects or adverse events, or have other properties that could delay or prevent our clinical development, regulatory approval or commercialization.

Undesirable side effects or adverse events caused by our product candidates could interrupt, delay or halt clinical studies and could result in the denial of regulatory approval by the FDA or other regulatory authorities for any or all indications, and in turn prevent us from commercializing our product candidates. A significant challenge in clinical development is that the patient population in early studies, where small numbers of patients are required, is different to the patient population observed in later stage studies, where larger groups of patients are required. For example, patients in earlier stage studies may be more sick, compliant, or otherwise motivated than patients in larger studies. As such, efficacy or safety results may differ significantly between studies. Side-effects seen at high doses in earlier studies of AeroVanc, such as bronchoconstriction or other airway irritation, may be seen in significant numbers at the lower doses selected for later studies. Also, for AeroVanc, while not observed in the Phase 2 clinical study, the emergence of vancomycin-resistant MRSA could occur during the longer dosing period of AeroVanc that is currently planned for the Phase 3 clinical study. If this or other undesirable side effects occur, they could possibly prevent approval, which would have a material and adverse effect on our business.

If any of our product candidates receive marketing approval and we or others later identify undesirable side effects caused by the product:

- regulatory authorities may require the addition of labeling statements, such as a “black box” warning or a contraindication;
- regulatory authorities may withdraw its approval of the product;
- we may be required to change the way the product is administered, conduct additional clinical studies or change the labeling of the product; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the affected product or could substantially increase the costs and expenses of commercializing the product, which in turn could delay or prevent us from generating significant revenue from its sale.

We may not achieve our projected development goals in the time frames we have announced.

We have set goals for accomplishing certain objectives material to the successful development of our product candidates. The actual timing of these events may vary due to many factors, including delays or failures in our nonclinical testing, clinical studies and manufacturing and regulatory activities and the uncertainties inherent in the regulatory approval process. From time to time we create estimates for the completion of enrollment of or announcement of data from clinical studies of our product candidates. However, predicting the rate of enrollment or the time from completion of enrollment to announcement of data for any clinical study requires us to make significant assumptions that may prove to be incorrect. As discussed in other risk factors above, our estimated enrollment rates and the actual rates may differ materially and the time required to complete enrollment of any clinical study may be considerably longer than we estimate. Such delays may adversely affect our financial condition and results of operations.

Even if we complete a clinical study with successful results, we may not achieve our projected development goals in the time frames we initially anticipate or announce. If a development plan for a product candidate becomes more extensive and costly than anticipated, we may determine that the associated time and cost are not financially justifiable and, as a result, may discontinue development in a particular indication or of the product candidate as a whole. In addition, even if a study did complete with successful results, changes may occur in regulatory requirements or policy during the period of product development and/or regulatory review of an NDA that relate to the data required to be included in NDAs which may require additional studies that may be costly and time consuming. Any of these actions may be viewed negatively, which could adversely impact our financial condition.

Further, throughout development, we must provide adequate assurance to the FDA and other regulatory authorities that we can consistently develop and produce our product candidates in conformance with GLP, GCP, cGMP, and other regulatory standards. As discussed above, we rely on CMOs for the manufacture of clinical, and future commercial, quantities of our product candidates. If future FDA or other regulatory authority inspections identify cGMP compliance deficiencies at these third-party facilities, production of our clinical trial material or, in the future, commercial product, could be disrupted, causing potentially substantial delay in or failure of development or commercialization of our product candidates.

Our employees, independent contractors and consultants, principal investigators, CROs, CMOs and other vendors, and any future commercial partners may engage in misconduct or other improper activities, including noncompliance 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 and consultants, principal investigators, CROs, CMOs and other vendors, and any future commercial partners may engage in fraudulent conduct or other misconduct, including intentional failures to comply with FDA regulations or similar regulations of comparable foreign regulatory authorities, to provide accurate information to the FDA or comparable foreign regulatory authorities, to comply with manufacturing standards required by cGMP or our standards, to comply with federal and state healthcare fraud and abuse laws and regulations and similar laws and regulations established and enforced by comparable foreign regulatory authorities, and to report financial information or data accurately or disclose unauthorized activities to them. The misconduct of our employees and other service providers could 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. Although we have adopted a code of business ethics and conduct, it is not always possible to identify and deter such 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 or regulations. If any such actions are instituted against them, and we is 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. For example, if one of our manufacturing partners was placed under a consent decree, we may be hampered in our ability to manufacture clinical or commercial supplies.

Our business and operations would suffer in the event of third-party computer system failures, cyber-attacks on third-party systems or deficiency in our cyber security.

We rely on information technology systems, including third-party "cloud based" service providers, to keep financial records, maintain laboratory, clinical data and corporate records, communicate with staff and external parties and operate other critical functions. This includes critical systems such as email, other communication tools, electronic document repositories, and archives. If any of these third-party information technology (IT) providers are compromised due to computer viruses, unauthorized access, malware, natural disasters, fire, terrorism, war and telecommunication failures, electrical failures, cyber-attacks or cyber-intrusions over the internet, then sensitive emails or documents could be exposed or deleted. Similarly, we could incur business disruption if our access to the internet is compromised and we are unable to connect with third-party IT providers. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusion, including by computer hackers, foreign governments, and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. In addition, we rely on those third parties to safeguard important confidential personal data regarding our employees and patients enrolled in our clinical trials. If a disruption event were to occur and cause interruptions in a third-party IT provider's operations, it could result in a disruption of our drug development programs. For example, the loss of clinical trial data from completed, ongoing or planned clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach results in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and development of our product candidates could be delayed, or could fail.

Our operations might be interrupted by the occurrence of a natural disaster or other catastrophic event.

Our corporate headquarters is located in a single commercial facility in Austin, Texas, USA. We maintain a second office in a single commercial facility in Denmark where many of our product development staff are located. Important documents and records, including copies of our regulatory documents and other records for our product candidates, are located both at a secure offsite document storage facility as well at our own facilities and we depend on our facilities for the continued operation of our business. Natural disasters and other catastrophic events, such as wildfires and other fires, earthquakes and extended power interruptions and terrorist attacks or severe weather conditions, could significantly disrupt our operations and result in additional, unplanned expense. As a small company with limited resources, we have not prepared or implemented a formal business continuity or disaster recovery plan and any natural disaster or catastrophic event could disrupt our business operations and result in setbacks to our development programs. Even though we believe we carry commercially reasonable insurance, we might suffer losses that are not covered by or exceed the coverage available under these insurance policies.

Risks Related to Drug Development and Commercialization

We depend on the successful completion of clinical studies of our product candidates, and any positive results in prior clinical studies do not ensure that ongoing or future clinical studies will be successful.

Pharmaceutical products are subject to stringent regulatory requirements covering quality, safety, and efficacy. The burden of proof is on the manufacturer, such as Savara, to show with substantial clinical data that the risk/benefit profile for any new drug is favorable. Only after successfully completing extensive pharmaceutical development, nonclinical testing, and clinical studies may a product be considered for regulatory approval.

Clinical studies are expensive, difficult to design and implement, they can take many years to complete, and outcomes are inherently uncertain. A drug product may fail to demonstrate positive results at any stage of testing despite having progressed satisfactorily through nonclinical testing and initial clinical studies. There is significant risk in clinical development where later stage clinical studies are designed and powered based on the analysis of data from earlier studies, with these earlier studies involving a smaller number of patients, and the results of the earlier studies being driven primarily by a subset of responsive patients. In addition, interim results of a clinical study do not necessarily predict final results. Further, clinical study data frequently are susceptible to varying interpretations. Medical professionals and/or regulatory authorities may analyze or weigh study data differently than the sponsor company, resulting in delay or failure to obtain marketing approval for a product candidate. Additionally, the possible lack of standardization across multiple investigative sites may induce variability in the results which can interfere with the evaluation of treatment effects.

If we license rights to develop our product candidates to independent third parties or otherwise permit such third parties to evaluate our product candidates in clinical studies, we may have limited control over those clinical studies. Any safety or efficacy concern identified in a third-party sponsored study could adversely affect our or another licensee's development of our product candidate and prospects for its regulatory approval, even if the data from that study are subject to varying interpretations and analyses.

There is significant risk that ongoing and future clinical studies of our product candidates are unsuccessful. Negative or inconclusive results could cause the FDA and other regulatory authorities to require us to repeat or conduct additional clinical studies, which could significantly increase the time and expense associated with development of that product candidate or cause us to elect to discontinue

one or more clinical programs. Failure to complete a clinical study of a product candidate or an unsuccessful result of a clinical study could have a material adverse effect on our business.

AeroVanc and Molgradex have received Orphan Drug Designation by the Food and Drug Administration (FDA) and Molgradex has received Orphan Drug Designation also in Europe. While orphan designation provides certain benefits there are also associated risks.

AeroVanc has been granted Orphan Drug Designation in the United States by the FDA for the treatment of persistent methicillin-resistant *Staphylococcus aureus* (MRSA) lung infection in patients with cystic fibrosis and Molgradex has received Orphan Drug Designation in the United States by the FDA and in Europe by the European Medicines Agency for the treatment of pulmonary alveolar proteinosis (PAP). Orphan Designation will not shorten the regulatory review or reduce the clinical data requirements needed to obtain approval. If approval is received to market either AeroVanc or Molgradex for the respective indications, FDA will not approve a similar product, with the same active ingredient, to AeroVanc or Molgradex for seven years and the European Medicines Agency will not approve a similar product to Molgradex for ten years, unless we are unable to produce enough supply to meet demand in the marketplace or another similar product, with the same active ingredient, is deemed clinically superior. Similar product candidates, with the same active ingredient and route of delivery, may be granted Orphan Drug Designation during the development of the respective products, but the Orphan Drug exclusivity is granted only to the first of such products approved, which means there is risk that a competitor product candidate may receive approval and Orphan Drug exclusivity before us, thus preventing us from marketing one or more of our product candidates until the exclusivity of the competing product expires. Also, the Orphan Drug status will not prevent a competitor with a different active ingredient from competing with our product candidates. If we are prevented from marketing one or more product candidates due to a competitor's Orphan Drug exclusivity, this would have a material adverse effect on our business.

Delays in commencement and completion of clinical studies are common and have many causes. Delays in clinical studies of our product candidates could increase overall development costs and jeopardize our ability to obtain regulatory approval and successfully commercialize any approved products.

Clinical testing typically is expensive, can take many years to complete, and its outcome is inherently uncertain. Clinical studies may not commence on time or be completed on schedule, if at all. The commencement and completion of clinical studies can be delayed for a variety of reasons, including:

- inability to raise sufficient funding to initiate or continue a clinical study;
- delays in obtaining regulatory approval to commence a clinical study;
- delays in identifying and reaching agreement on acceptable terms with prospective contract research organizations, or CROs, and clinical study sites and investigators, which agreements can be subject to extensive negotiation and may vary significantly among study sites;
- delays in obtaining regulatory approval in a prospective country;
- delays in obtaining ethic committee approval to conduct a clinical study at a prospective site;
- delays in reaching agreements on acceptable terms with prospective contract manufacturing organizations, or CMOs, or other vendors for the production and supply of clinical trial material and, if necessary, drug administration devices, which agreements can be subject to extensive negotiation;
- delays in the production or delivery of sufficient quantities of clinical trial material or drug delivery devices from our CMOs and other vendors to initiate or continue a clinical study;
- delays due to product candidate recalls as result of stability failure, excessive product complaints or other failures of the product candidate during its use or testing;
- invalidation of clinical data caused by premature unblinding or integrity issues;
- invalidation of clinical data caused by mixing up of the active drug and placebo through randomization or manufacturing errors;
- delays on the part of our CROs, CMOs, and other third-party contractors in developing procedures and protocols or otherwise conducting activities in accordance with applicable policies and procedures and in accordance with agreed upon timelines;
- delays in identifying and hiring or engaging, as applicable, additional employees or consultants to assist in managing clinical study-related activities;
- delays in recruiting and enrolling individuals to participate in a clinical study, which historically can be challenging in orphan diseases;

- delays caused by patients dropping out of a clinical study due to side effects, concurrent disorders, difficulties in adhering to the study protocol, unknown issues related to different patient profiles than in previous studies, such as the reduced age limit required for inclusion into the planned AeroVanc Phase 3 study, or otherwise;
- delays in having patients complete participation in a clinical study, including returning for post-treatment follow-up;
- delays resulting from study sites dropping out of a trial, providing inadequate staff support for the study, problems with shipment of study supplies to clinical sites or focusing its staff's efforts on enrolling studies that compete for the same patient population;
- suspension of enrollment at a study site or the imposition of a clinical hold by the FDA or other regulatory authority following an inspection of clinical study operations at study sites or finding of a drug-related serious adverse event; and
- delays in quality control/quality assurance procedures necessary for study database lock and analysis of unblinded data.

Patient enrollment, a critical component to successful completion of a clinical study, is affected by many factors, including the size and nature of the study population, the proximity of patients to clinical sites, the eligibility criteria for the study, the design of the clinical study, ongoing studies competing for the same patient population and clinicians', patients' perceptions as to the potential advantages of the drug being studied in relation to available alternatives, including therapies being investigated by other companies which may be viewed as more beneficial or important to study, fear of being randomized to the placebo arm, and changes in standard of care. Challenges to complete enrollment can be exacerbated in orphan indications, like those being pursued by us, with a limited number of qualifying patients and the lack of clinical sites with the necessary expertise and experience to conduct our studies. Further, completion of a clinical study and/or its results may be adversely affected by failure to retain patients who enroll in a study but withdraw due to adverse side effects, perceived lack of efficacy, belief that they are on placebo, improvement in condition before treatment has been completed, or for personal reasons, or without reason, or by patients who fail to return for or complete post-treatment follow-up.

Clinical studies may not begin on time or be completed in the time frames we anticipate and may be costlier than we anticipate for a variety of reasons, including one or more of those described above. The length of time necessary to successfully complete clinical studies varies significantly and is difficult to predict accurately. We may make statements regarding anticipated timing for completion of enrollment in and/or availability of results from our clinical studies, but such predictions are subject to a number of significant assumptions and actual timing may differ materially for a variety of reasons, including patient enrollment rates, length of time needed to prepare raw study data for analysis and then to review and analyze it, and other factors described above. If we experience delays in the completion of a clinical study, if a clinical study is terminated, or if failure to conduct a study in accordance with regulatory requirements or the study's protocol leads to deficient safety and/or efficacy data, the regulatory approval and/or commercial prospects for our product candidates may be harmed and our ability to generate product revenue will be delayed. In addition, any delays in completing our clinical studies likely will increase our development costs. Further, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical studies may ultimately lead to the denial of regulatory approval of a product candidate. Even if we ultimately commercialize our product candidates, the standard of care may have changed or other therapies for the same indications may have been introduced to the market in the interim and may establish a competitive threat to us or diminish the need for our products.

Clinical studies are very expensive, difficult to design and implement, often take many years to complete, and the outcome is inherently uncertain.

Clinical development of pharmaceutical products for humans is generally very expensive, takes many years to complete and failures can occur at any stage of clinical testing. We estimate that clinical development of our product candidates will take several additional years to complete, but because of the variety of factors that can affect the design, timing and outcome of clinical studies, we are unable to estimate the exact funds required to complete research and development, obtain regulatory approval and commercialize all of our product candidates. We will need significant additional capital to continue to advance our products as per current business plans.

Failure at any stage of clinical testing is not uncommon and we may encounter problems that would require additional, unplanned studies or cause us to abandon a clinical development program.

In addition, a clinical study may be suspended or terminated by us, an IRB, a data safety monitoring board, the FDA or other regulatory authorities due to a number of factors, including:

- lack of adequate funding to continue the study;
- failure to conduct the study in accordance with regulatory requirements or the study's protocol;
- inspection of clinical study operations or sites by the FDA or other regulatory authorities resulting in the imposition of a clinical hold;

- unforeseen safety issues, including adverse side effects; or
- changes in governmental regulations or administrative actions.

Changes in governmental regulations and guidance relating to clinical studies may occur and we may need to amend study protocols to reflect these changes, or we may amend study protocols for other reasons. Amendments may require us to resubmit protocols to IRBs for re-examination and approval or renegotiate terms with CROs, study sites and investigators, all of which may adversely impact the costs or timing of or our ability to successfully complete a trial.

There is significant uncertainty regarding the regulatory approval process for any investigational new drug, substantial further testing and validation of our product candidates and related manufacturing processes may be required, and regulatory approval may be conditioned, delayed or denied, any of which could delay or prevent us from successfully marketing our product candidates and substantially harm our business.

Pharmaceutical products generally are subject to rigorous nonclinical testing and clinical studies and other approval procedures mandated by the FDA and foreign regulatory authorities. Various federal and foreign statutes and regulations also govern or materially influence the manufacturing, safety, labeling, storage, record keeping and marketing of pharmaceutical products. The process of obtaining these approvals and the subsequent compliance with appropriate U.S. and foreign statutes and regulations is time-consuming and requires the expenditure of substantial resources.

We are preparing AeroVanc for a Phase 3 trial, the success of which will be needed for FDA approval to market AeroVanc in the United States to treat persistent MRSA lung infection in cystic fibrosis patients. While significant communication with the FDA on the Phase 3 study design has occurred, even if the Phase 3 clinical study meets all of its statistical goals and protocol end points, the FDA may not view the results as robust and convincing. They may require additional clinical studies and/or other costly studies, which could require us to expend substantial additional resources and could significantly extend the timeline for clinical development prior to market approval. Additionally, we are required by the FDA to conduct a two-year nonclinical carcinogenicity study on the AeroVanc powder. The results of this study will not be known until a short time prior to potential submission of an NDA for AeroVanc. If the carcinogenicity study cannot be completed for technical or other reasons, or provides results that the FDA determine to be concerning, this may cause a delay or failure in obtaining approval for AeroVanc.

Molgradex is currently undergoing a Phase 2/3 clinical study in Europe and Japan. Concurrently, we plan to make formulation changes to Molgradex that would simplify the composition of the drug product and eliminate potentially harmful excipients. While this change is expected by us to reduce studies and/or other documentation requirements, the regulatory agencies may require additional clinical or nonclinical studies prior to approval, even if current clinical studies are deemed successful, which could require us to expend substantial additional resources and significantly extend the timeline for clinical development of Molgradex in PAP.

We are currently undergoing active discussion with the FDA on the requirements for obtaining IND approval to initiate clinical studies in the United States and achieve NDA approval for Molgradex. However, no agreement has yet been reached on the design of the clinical program required for the submission of an NDA, and there is risk that reaching agreement may take longer than currently planned, or the FDA may require such studies that we deem unfeasible, preventing us from reaching agreement with the FDA, which may result in delay or failure to complete the development of Molgradex in the US.

We are currently conducting Phase 2 studies of Aironite. Datasets from the ongoing Phase 2 studies, if supportive of further development of Aironite in HFpEF patients, along with the completed toxicology studies and prior Aironite human safety data, will be adequate for an end of Phase 2 meeting with the FDA to enter into discussion regarding a Phase 3 program in HFpEF.

Significant uncertainty exists with respect to the regulatory approval process for any investigational new drug, including AeroVanc, Molgradex and Aironite. Regardless of any guidance the FDA or foreign regulatory agencies may provide a drug's sponsor during its development, the FDA or foreign regulatory agencies retains complete discretion in deciding whether to accept an NDA or the equivalent foreign regulatory approval submission for filing or, if accepted, approve an NDA. There are many components to an NDA or marketing authorization application submission in addition to clinical study data. For example, the FDA or foreign regulatory agencies will review the sponsor's internal systems and processes, as well as those of our CROs, CMOs and other vendors, related to development of our product candidates, including those pertaining to our clinical studies and manufacturing processes. Before accepting an NDA for review or before approving the NDA, the FDA or foreign regulatory agencies may request that we provide additional information that may require significant resources and time to generate and there is no guarantee that our product candidates will be approved for any indication for which we may apply. The FDA or foreign regulatory agencies may choose not to approve an NDA for any of a variety of reasons, including a decision related to the safety or efficacy data, manufacturing controls or systems, or for any other issues that the agency may identify related to the development of our product candidates. Even if one or more Phase 3 clinical studies are successful in providing statistically significant evidence of the efficacy and safety of the investigational drug, the FDA or foreign regulatory agencies may not consider efficacy and safety data from the submitted studies

adequate scientific support for a conclusion of effectiveness and/or safety and may require one or more additional Phase 3 or other studies prior to granting marketing approval. If this were to occur, the overall development cost for the product candidate would be substantially greater and our competitors may bring products to market before us, which could impair our ability to generate revenues from the product candidates, or even seek approval, if blocked by a competitor's Orphan Drug exclusivity, which would have a material adverse effect on our business, financial condition and results of operations.

Further, development of our product candidates and/or regulatory approval may be delayed for reasons beyond our control. For example, U.S. federal government shut-down or budget sequestration, such as one that occurred during 2013, may result in significant reductions to the FDA's budget, employees and operations, which may lead to slower response times and longer review periods, potentially affecting our ability to progress development of our product candidates or obtain regulatory approval for our product candidates.

Even if the FDA or foreign regulatory agencies grant approvals for our product candidates, the conditions or scope of the approval(s) may limit successful commercialization of the product candidates and impair our ability to generate substantial sales revenue. For example, the FDA may approve label claims for AeroVanc with age restrictions and/or treatment duration limitations, or Molgradex with restrictions for use only by patients unresponsive to the current standard of care. They may limit the label of AeroVanc, Molgradex or Aironite to a subset of patients based on a review of which patient groups had the greatest efficacious response in clinical studies. Such label restriction may be undesirable and may limit successful commercialization. The FDA or foreign regulatory agencies may also only grant marketing approval contingent on the performance of costly post-approval nonclinical or clinical studies, or subject to warnings or contraindications that limit commercialization. Additionally, even after granting approval, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and recordkeeping for our products will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, and continued compliance with current good manufacturing processes, or cGMP, good clinical practices, international conference on harmonization regulations and good laboratory practices, which are regulations and guidelines that are enforced by the FDA or foreign regulatory agencies for all of our clinical development and for any clinical studies that we conduct post-approval. The FDA or foreign regulatory agencies may decide to withdraw approval, add warnings or narrow the approved indications in the product label, or establish risk management programs that could restrict distribution of our products. These actions could result from, among other things, safety concerns, including unexpected side effects or drug-drug interaction problems, or concerns over misuse of a product. If any of these actions were to occur following approval, we may have to discontinue commercialization of the product, limit our sales and marketing efforts, implement risk minimization procedures, and/or conduct post-approval studies, which in turn could result in significant expense and delay or limit our ability to generate sales revenues.

Regulations may be changed prior to submission of an NDA that require higher hurdles than currently anticipated. These may occur as a result of drug scandals, recalls, or a political environment unrelated to our products.

Even if we receive regulatory approval for a product candidate, we may face regulatory difficulties that could materially and adversely affect our business, financial condition and results of operations.

Even if initial regulatory approval is obtained, as a condition to the initial approval the FDA or a foreign regulatory agency may impose significant restrictions on a product's indicated uses or marketing or impose ongoing requirements for potentially costly post-approval studies or marketing surveillance programs, any of which would limit the commercial potential of the product. Our product candidates also will be subject to ongoing FDA requirements related to the manufacturing processes, labeling, packaging, storage, distribution, advertising, promotion, record-keeping and submission of safety and other post-market information regarding the product. For instance, the FDA may require changes to approved drug labels, require post-approval clinical studies and impose distribution and use restrictions on certain drug products. In addition, approved products, manufacturers and manufacturers' facilities are subject to continuing regulatory review and periodic inspections. If previously unknown problems with a product are discovered, such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, the FDA may impose restrictions on that product or us, including requiring withdrawal of the product from the market. If we or a CMO of ours fail to comply with applicable regulatory requirements, a regulatory agency may:

- issue warning letters or untitled letters;
- impose civil or criminal penalties;
- suspend or withdraw regulatory approval;
- suspend or terminate any ongoing clinical studies;
- refuse to approve pending applications or supplements to approved applications;
- exclude our product from reimbursement under government healthcare programs, including Medicaid or Medicare;
- impose restrictions or affirmative obligations on our or our CMO's operations, including costly new manufacturing

requirements;

- close the facilities of a CMO; or
- seize or detain products or require a product recall.

If any of our product candidates for which we receive regulatory approval fails to achieve significant market acceptance among the medical community, patients or third-party payers, the revenue we generate from its sales will be limited and our business may not be profitable.

Our success will depend in substantial part on the extent to which our product candidates, if approved, are accepted by the medical community and patients and reimbursed by third-party payers, including government payers. The degree of market acceptance with respect to each of our approved products, if any, will depend upon a number of factors, including:

- the safety and efficacy of our products as demonstrated in clinical studies;
- acceptance in the medical and patient communities of our products as a safe and effective treatment;
- the product's taste, ease of use, or features associated with the delivery device;
- the perceived advantages of our product over alternative treatments, including with respect to the incidence and severity of any adverse side effects and the cost of treatment;
- the indications for which our product is approved;
- claims or other information (including limitations or warnings) in a product's approved labeling;
- reimbursement and coverage policies of government and other third-party payers;
- pricing and cost-effectiveness of our product relative to alternative treatments;
- availability of alternative treatments;
- smaller than expected market size due to lack of disease awareness of a rare disease, or the patient population with a specific rare disease being smaller than anticipated;
- inappropriate diagnostic efforts due to limited knowledge and/or resources among clinicians;
- the prevalence of off-label substitution of chemically equivalent products or alternative treatments; and
- the resources we devote to marketing our product and restrictions on promotional claims we can make with respect to the product.

We cannot predict with reasonable accuracy whether physicians, patients, healthcare insurers or health maintenance organizations, or the medical community in general, will accept or utilize any of our products, if approved. If our product candidates are approved but do not achieve an adequate level of acceptance by these parties, we may not generate sufficient revenue to become or remain profitable. In addition, our efforts to educate the medical community and third-party payers regarding benefits of our products may require significant resources and may never be successful.

If we determine that a product candidate may not achieve adequate market acceptance or that the potential market size does not justify additional expenditure on the program, we may reduce our expenditures on the development and/or the process of seeking regulatory approval of the product candidate while we evaluate whether and on what timeline to move the program forward.

Even if we receive regulatory approval to market one or more of our product candidates in the United States, we may never receive approval or commercialize our products outside of the United States, which would limit our ability to realize the full commercial potential of our product candidates.

In order to market products outside of the United States, we must establish and comply with the numerous and varying regulatory requirements of other countries regarding safety and efficacy. Approval procedures vary among countries and can involve additional product testing and validation and additional administrative review periods. The time required to obtain approval in other countries generally differs from that required to obtain FDA approval. The regulatory approval process in other countries may include all of the risks detailed above regarding FDA approval in the United States, as well as other risks. Regulatory approval in one country does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval in one country may have a negative effect on the regulatory process in others. Failure to obtain regulatory approval in other countries or any delay or setback in obtaining such approval could have the same adverse effects detailed above regarding FDA approval in the United States. As described above, such effects include the risks that our product candidates may not be approved for all indications requested, which could limit the uses of

our product candidates and have an adverse effect on product sales, and that such approval may be subject to limitations on the indicated uses for which the product may be marketed or require costly, post-marketing follow-up studies.

Conversely, if the product candidates do receive approval outside the US in the future, we may not meet the FDA requirements in the United States for approval. For example, Molgradex is currently being studied in Europe and Japan in what could be a pivotal study for use of Molgradex to treat PAP. However, in the United States, we do not yet have approval from the FDA to start clinical studies with Molgradex due to different requirements by the FDA, which have not yet been met or agreed upon.

We must comply with the U.S. Foreign Corrupt Practices Act and similar foreign anti-corruption laws.

The U.S. Foreign Corrupt Practices Act, to which we are subject, prohibits corporations and individuals from engaging in certain activities to obtain or retain business or to influence a person working in an official capacity. It is illegal to pay, offer to pay or authorize the payment of anything of value to any foreign government official, government staff member, political party or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity. Other countries, such as the U.K., have similar laws with which we must comply. We face the risk that an employee or agent could be accused of violating one or more of these laws, particularly in geographies where significant overlap exists between local government and healthcare industries. Such an accusation, even if unwarranted, could prove disruptive to our developmental and commercialization efforts.

Risks Related to Our Intellectual Property

Our success will depend in part on obtaining and maintaining effective patent and other intellectual property protection for our product candidates and proprietary technology.

AeroVanc has received a U.S. Patent Notice of Allowance for its formulation in the United States, AeroVanc's primary market. AeroVanc has either been issued patents or is prosecuting patent applications in numerous countries outside the United States. We have no patent protection for Molgradex for the treatment of PAP, and primarily rely on the Orphan Drug exclusivity as our primary barrier to competition. Both AeroVanc and Molgradex utilize proprietary delivery devices with exclusive supply agreements. Molgradex is eligible for protection via a proprietary cell bank used in the production of the drug substance. For Aironite, which is administered via nebulization, we have no patent protection and may rely on regulatory exclusivity for the combination of Aironite and its delivery system. Other medications that alter pulmonary pressures include the delivery device in their U.S. and European market labels, and are approved for use only with the specified proprietary delivery device. However, there is no assurance that our AIR001 product and its delivery system, if approved, will benefit from this type of market protection.

Our success will depend in part on our ability to:

- obtain and maintain patent and other exclusivity with respect to our products and its uses;
- prevent third parties from infringing upon our proprietary rights;
- maintain proprietary know-how and trade secrets;
- operate without infringing upon the patents and proprietary rights of others; and
- obtain appropriate licenses to patents or proprietary rights held by third parties if infringement would otherwise occur or if necessary to secure exclusive rights to them, both in the United States and in foreign countries.

The patent and intellectual property positions of biopharmaceutical companies generally are highly uncertain, involve complex legal and factual questions, and have been and continue to be the subject of much litigation. There is no guarantee that we have or will develop or obtain the rights to products or processes that are patentable, that patents will issue from any pending applications or that claims allowed will be sufficient to protect the technology we develops or have developed or that is used by us, our CMOs or our other service providers. In addition, any patents that are issued to us may be limited in scope or challenged, invalidated, infringed or circumvented, including by our competitors, and rights we have under issued patents may not provide competitive advantages to us. If competitors can develop and commercialize technology and products similar to ours, our ability to successfully commercialize our technology and products may be impaired.

Patent applications in the United States are confidential for a period of time until they are published, and publication of discoveries in scientific or patent literature typically lags actual discoveries by several months. As a result, we cannot be certain that the inventors listed in any patent or patent application owned by us were the first to conceive of the inventions covered by such patents and patent applications (for U.S. patent applications filed before March 16, 2013), or that such inventors were the first to file patent applications for such inventions outside the United States and, after March 15, 2013, in the United States. In addition, changes in or different

interpretations of patent laws in the United States and foreign countries may affect our patent rights and limit the number of patents we can obtain, which could permit others to use our discoveries or to develop and commercialize Our technology and products without any compensation to us.

Our AeroVanc patent is specific to the formulation of the AeroVanc powder. While this may prevent identical products from entering the market, it may not preclude someone skilled in the art from inventing an alternate formulation approach with comparable or improved characteristics.

We also rely on unpatented know-how and trade secrets and continuing technological innovation to develop and maintain our competitive position, which we seek to protect, in part, through confidentiality agreements with employees, consultants, collaborators and others. We also have invention or patent assignment agreements with our employees and certain consultants. The steps we have taken to protect our proprietary rights, however, may not be adequate to preclude misappropriation of or otherwise protect our proprietary information or prevent infringement of our intellectual property rights, and we may not have adequate remedies for any such misappropriation or infringement. In addition, it is possible that inventions relevant to our business could be developed by a person not bound by an invention assignment agreement with us or independently discovered by a competitor.

We also intend to rely on regulatory exclusivity for protection of our product candidates, if approved for commercial sale. Implementation and enforcement of regulatory exclusivity, which may consist of regulatory data protection and market protection, varies widely from country to country. Failure to qualify for regulatory exclusivity, or failure to obtain or maintain the extent or duration of such protections that we expect for our product candidates, if approved, could affect our decision on whether to market the products in a particular country or countries or could otherwise have an adverse impact on our revenue or results of operations. For Molgradex, which is administered via nebulization, we may rely on regulatory exclusivity for the combination of Molgradex and its delivery system. However, there is no assurance that our Molgradex product and its delivery system, if approved, will benefit from this type of market protection.

We may rely on trademarks, trade names and brand names to distinguish our products, if approved for commercial sale, from the products of our competitors. We intend to seek approval for new names for AeroVanc and Molgradex that meet the FDA’s and foreign regulatory requirements. However, our trademark applications may not be approved. Third parties may also oppose our trademark applications or otherwise challenge our use of the trademarks in which case we may expend substantial resources to defend our proposed or approved trademarks and may enter into agreements with third parties that may limit our use of our trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our product, which could result in loss of brand recognition and could require us to devote significant resources to advertising and marketing these new brands. For example, we filed a trademark for the name “Savara” and were challenged. We decided to terminate its application, which it may revisit such filings at a future date. Further, our competitors may infringe our trademarks or we may not have adequate resources to enforce our trademarks.

Our success depends on our ability to prevent competitors from duplicating or developing and commercializing equivalent versions of our product candidates, but patent protection may be difficult to obtain and any issued claims may be limited.

We have filed for patent protection in the United States and other countries to cover the formulation of AeroVanc and were granted a notice of allowance in the United States, its primary market. However, this patent may not provide us with significant competitive advantages, because the validity or enforceability of the patents may be challenged and, if instituted, one or more of the challenges may be successful. Patents may be challenged in the United States under post-grant review proceedings, *inter partes* re-examination, *ex parte* re-examination, or challenges in district court. Any patents issued in foreign jurisdictions may be subjected to comparable proceedings lodged in various foreign patent offices, or courts. These proceedings could result in either loss of the patent or loss or reduction in the scope of one or more of the claims of the patent. Even if a patent issues, and is held valid and enforceable, competitors may be able to design around our patents, such as by using pre-existing or newly developed technology, in which case competitors may not infringe our issued claims and may be able to market and sell products that compete directly with us before and after our patents expire.

Mast has filed for patent protection in the U.S. and other countries to cover various methods of therapeutic use of their product candidates, including the use of inhaled inorganic nitrite for treating HFpEF. The potential use and therapeutic benefits of inorganic nitrite, such as sodium nitrite (the API in Aironite) have been known for decades. There is substantial prior art describing the uses of inorganic nitrite in a wide range of diseases and conditions. As a result, our ability to find novel and non-obvious uses of Aironite is uncertain. Further, a patent examiner may combine numerous, disparate references in order to reject a claimed composition, formulation and/or use for obviousness. If the prior art suggests, even implicitly, the desirability of combining previously known elements, such as the use of Aironite in a particular indication, the subsequent use of Aironite in that indication may be unpatentable.

The patent prosecution process is expensive and time-consuming. We and any future licensors and licensees may not apply for or prosecute patents on certain aspects of our product candidates at a reasonable cost, in a timely fashion, or at all. We may not have the right to control the preparation, filing and prosecution of some patent applications related to our product candidates or technologies. As a result, these patents and patent applications may not be prosecuted and enforced in a manner consistent with the best interests of

us. It is also possible that we or any future licensors or licensees will 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. Further, it is possible that defects of form in the preparation or filing of our patent applications may exist, or may arise in the future, such as with respect to proper priority claims, inventorship, assignment, or claim scope. If there are material defects in the form or preparation of our patents or patent applications, such patents or applications may be invalid or unenforceable. In addition, one or more parties may independently develop similar technologies or methods, duplicate our technologies or methods, or design around the patented aspects of our products, technologies or methods. Any of these circumstances could impair our ability to protect our products, if approved, in ways which may have an adverse impact on our business, financial condition and operating results.

Furthermore, the issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and our owned and licensed patents may be challenged in the courts or patent offices in and outside of the United States. Such challenges may result in loss of exclusivity or freedom to operate or in patent claims being narrowed, invalidated or held unenforceable, in whole or in part, which could limit our ability use our patents to stop others from using or commercializing similar or identical products or technology, or limit the duration of the patent protection of our technology and drugs. Given the amount of time required for the development, testing and regulatory review of new drug candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our owned and licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing drugs similar or identical to those of us once Orphan Drug and Qualified Infectious Disease Product exclusivities have expired. See the section entitled “Risks Related to Our Industry” for further description of Orphan Drug and Qualified Infectious Disease Product exclusivities.

Enforcement of intellectual property rights in certain countries outside the United States, including China in particular, has been limited or non-existent. Future enforcement of patents and proprietary rights in many other countries will likely be problematic or unpredictable. Moreover, the issuance of a patent in one country does not assure the issuance of a similar patent in another country. Claim interpretation and infringement laws vary by nation, so the extent of any patent protection is uncertain and may vary in different jurisdictions.

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 United States Patent and Trademark Office, or 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 decreased patent term adjustment or in abandonment or lapse of the patent or patent application, leading to partial or complete loss of patent rights in the relevant jurisdiction.

Third parties may claim that our products, if approved, infringe on their proprietary rights and may challenge the approved use or uses of a product or its patent rights through litigation or administrative proceedings, and defending such actions may be costly and time consuming, divert management attention away from our business, and result in an unfavorable outcome that could have an adverse effect on our business.

Our commercial success depends on our ability and the ability of our CMOs and component suppliers to develop, manufacture, market and sell its products and product candidates and use its proprietary technologies without infringing the proprietary rights of third parties. Numerous U.S. and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we are or may be developing products. Because patent applications can take many years to publish and issue, there currently may be pending applications, unknown to us, that may later result in issued patents that its products, product candidates or technologies infringe, or that the process of manufacturing its products or any of its respective component materials, or the component materials themselves, infringe, or that the use of its products, product candidates or technologies infringe.

We or our CMOs or component material suppliers may be exposed to, or threatened with, litigation by third parties alleging that our products, product candidates and/or technologies infringe its patents and/or other intellectual property rights, or that one or more of the processes for manufacturing its products or any of its respective component materials, or the component materials themselves, or the use of its products, product candidates or technologies, infringe its patents and/or other intellectual property rights. If a third-party patent or other intellectual property right is found to cover our products, product candidates, technologies or our uses, or any of the underlying manufacturing processes or components, we could be required to pay damages and could be unable to commercialize our products or use our technologies or methods unless we are able to obtain a license to the patent or intellectual property right. A license may not be available to us in a timely manner or on acceptable terms, or at all. In addition, during litigation, the third-party alleging infringement could obtain a preliminary injunction or other equitable remedy that could prohibit us from making, using, selling or importing our products, technologies or methods.

There generally is a substantial amount of litigation involving patent and other intellectual property rights in the industries in which we operate and the cost of such litigation may be considerable. We can provide no assurance that our product candidates or technologies will not infringe patents or rights owned by others, licenses to which might not be available to us in a timely manner or on acceptable terms, or at all. If a third party claims that we or our CMOs or component material suppliers infringe its intellectual property rights, we may face a number of issues, including, but not limited to:

- infringement and other intellectual property claims which, with or without merit, may be expensive and time consuming to litigate and may divert management's time and attention from our core business;
- substantial damages for infringement, including the potential for treble damages and attorneys' fees, which we may have to pay if it is determined that the product and/or its use at issue infringes or violates the third party's rights;
- a court prohibiting us from selling or licensing the product unless the third-party licenses its intellectual property rights to us, which we may not be required to do;
- if a license is available from the third party, we may have to pay substantial royalties, fees and/or grant cross-licenses to the third party; and
- redesigning our products or processes so they do not infringe, which may not be possible or may require substantial expense and time.

No assurance can be given that patents do not exist, have not been filed, or could not be filed or issued, which contain claims covering our products, product candidates or technology or those of our CMOs or component material suppliers or the use of our products, product candidates or technologies. Because of the large number of patents issued and patent applications filed in the industries in which we operate, there is a risk that third parties may allege they have patent rights encompassing our products, product candidates or technologies, or those of our CMOs or component material suppliers, or uses of our products, product candidates or technologies.

In the future, it may be necessary for us to enforce our proprietary rights, or to determine the scope, validity and unenforceability of other parties' proprietary rights, through litigation or other dispute proceedings, which may be costly, and to the extent we are unsuccessful, adversely affect our rights. In these proceedings, a court or administrative body could determine that our claims, including those related to enforcing patent rights, are not valid or that an alleged infringer has not infringed our rights. The uncertainty resulting from the mere institution and continuation of any patent- or other proprietary rights-related litigation or interference proceeding could have a material and adverse effect on our business prospects, operating results and financial condition.

Risks Related to Our Industry

We expect competition in the marketplace for our product candidates, should any of them receive regulatory approval.

AeroVanc and Molgradex have received Orphan Drug Designation from FDA and Molgradex has received Orphan Drug Designation from the European Medicines Agency. Orphan Drug Designation will provide market exclusivity in U.S. for seven years and 10 years in Europe, but only if (1) AeroVanc and Molgradex receive market approval before a competitor using the same active compound for the same indication, (2) we are able produce sufficient supply to meet demand in the marketplace, and (3) another product with the same active ingredient is not deemed clinically superior. AeroVanc has also received Qualified Infectious Disease Product (QIDP) status extending market exclusivity by an additional five years in addition to any other exclusivity obtained in the United States.

In terms of Aironite, we are not aware of any pharmacologic therapy of proven benefit for patients with HFpEF. Therapies that have demonstrated efficacy in heart failure with reduced ejection fraction (HFrEF) have thus far failed to demonstrate improved outcomes in patients with HFpEF. A couple Phase 3 studies of Novartis' LCZ696 in patients with HFpEF are underway, with estimated completion dates of May 2019 and July 2021, respectively. We are aware of other therapies under investigation in earlier stage clinical studies for the treatment of HFpEF. We also are aware of a non-surgical medical device being studied for treatment of HFpEF patients in the U.S., which device has received CE Mark approval in the European Union. Should any therapy that receives approval prior to our product candidates become entrenched in the standard of care, the need for our product candidates may be diminished and/or such competing products may be difficult to displace. However, we believe that, as with HFrEF, there will be a need for a multimodal therapy approach to treating patients with HFpEF.

The industries in which we operate (biopharmaceutical, specialty pharmaceutical, biotechnology and pharmaceutical) are highly competitive and subject to rapid and significant change. Developments by others may render potential application of any of our product candidates in a particular indication obsolete or noncompetitive, even prior to completion of its development and approval for

that indication. If successfully developed and approved, we expect our product candidates will face competition. We may not be able to compete successfully against organizations with competitive products, particularly large pharmaceutical companies. Many of our potential competitors have significantly greater financial, technical and human resources than us, and may be better equipped to develop, manufacture, market and distribute products. Many of these companies operate large, well-funded research, development and commercialization programs, have extensive experience in nonclinical and clinical studies, obtaining FDA and other regulatory approvals and manufacturing and marketing products, and have multiple products that have been approved or are in late-stage development. These advantages may enable them to receive approval from the FDA or any foreign regulatory agency before us and prevent us from competing due to their orphan drug protections. Smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with large pharmaceutical and biotechnology companies. Furthermore, heightened awareness on the part of academic institutions, government agencies and other public and private research organizations of the potential commercial value of their inventions have led them to actively seek to commercialize the technologies they develop, which increases competition for investment in our programs. Competitive products may be more effective, easier to dose, or more effectively marketed and sold, than theirs, which would have a material adverse effect on our ability to generate revenue.

We are subject to uncertainty relating to healthcare reform measures and reimbursement policies that, if not favorable to our products, could hinder or prevent our products' commercial success, if any of our product candidates are approved.

The unavailability or inadequacy of third-party payer coverage and reimbursement could negatively affect the market acceptance of our product candidates and the future revenues we may expect to receive from those products. The commercial success of our product candidates, if approved, will depend in part on the extent to which the costs of such products will be covered by third-party payers, such as government health programs, commercial insurance and other organizations. Third-party payers are increasingly challenging the prices and examining the medical necessity and cost-effectiveness of medical products and services, in addition to their safety and efficacy. These challenges to prices may be problematic to us since our products are targeted for a small number of patients (those suffering from orphan diseases) thus requiring us to charge very high prices in order to recover development costs and achieve a profit on our revenue. If these third-party payers do not consider our products to be cost-effective compared to other therapies, we may not obtain coverage for our products after approval as a benefit under the third-party payers' plans or, even if we do, the level of coverage or payment may not be sufficient to allow us to sell our products on a profitable basis.

Significant uncertainty exists as to the reimbursement status for newly approved drug products, including coding, coverage and payment. There is no uniform policy requirement for coverage and reimbursement for drug products among third-party payers in the United States, therefore coverage and reimbursement for drug products can differ significantly from payer to payer. 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 payer separately, with no assurance that coverage and adequate payment will be applied consistently or obtained. The process for determining whether a payer will cover and how much it will reimburse a product may be separate from the process of seeking approval of the product or for setting the price of the product. Even if reimbursement is provided, market acceptance of our products may be adversely affected if the amount of payment for our products proves to be unprofitable for healthcare providers or less profitable than alternative treatments or if administrative burdens make our products less desirable to use. Third-party payer reimbursement to providers of our products, if approved, may be subject to a bundled payment that also includes the procedure of administering our products or third-party payers may require providers to perform additional patient testing to justify the use of our products. To the extent there is no separate payment for our product(s), there may be further uncertainty as to the adequacy of reimbursement amounts.

The continuing efforts of governments, private insurance companies, and other organizations to contain or reduce costs of healthcare may adversely affect:

- our ability to set an appropriate price for our products;
- the rate and scope of adoption of our products by healthcare providers;
- our ability to generate revenue or achieve or maintain profitability;
- the future revenue and profitability of our potential customers, suppliers and collaborators; and
- our access to additional capital.

Our ability to successfully commercialize our products will depend in part on the extent to which governmental authorities, private health insurers and other organizations establish what we believe are appropriate coverage and reimbursement for our products. The containment of healthcare costs has become a priority of federal and state governments worldwide and the prices of drug products have been a focus in this effort. For example, there have been several recent U.S. Congressional inquiries and proposed bills designed to, among other things, bring more transparency to drug pricing, review the relationship between pricing and manufacturer patient

programs, and reform government program reimbursement methodologies for drugs and the new U.S. President has stated that reducing drug pricing is a priority for his administration. We expect that federal, state and local governments in the United States, as well as in other countries, will continue to consider legislation directed at lowering the total cost of healthcare. In addition, in certain foreign markets, the pricing of drug products is subject to government control and reimbursement may in some cases be unavailable or insufficient. It is uncertain whether and how future legislation, whether domestic or abroad, could affect prospects for our product candidates or what actions federal, state, or private payers for healthcare treatment and services may take in response to any such healthcare reform proposals or legislation. Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures reforms may prevent or limit our ability to generate revenue, attain profitability or commercialize our product candidates, especially in light of our plans to price our product candidates at a high level.

Furthermore, we expect that healthcare reform measures that may be adopted in the future, including the possible repeal and replacement of the Affordable Care Act, which the Trump administration has stated is a priority, are unpredictable, and the potential impact on our operations and financial position is uncertain, but may result in more rigorous coverage criteria, lower reimbursement, and additional downward pressure on the price we may receive for approved product. Any reduction in reimbursement from Medicare or other government-funded programs may result in a similar reduction in payments from private payers. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability or commercialize our products, if approved.

We face potential product liability exposure and, if successful claims are brought against us, we may incur substantial liability for a product or product candidate and may have to limit its commercialization. In the future, we anticipate that we will need to obtain additional or increased product liability insurance coverage and it is uncertain whether such increased or additional insurance coverage can be obtained on commercially reasonable terms, if at all.

Our business (in particular, the use of our product candidates in clinical studies and the sale of any products for which we obtain marketing approval) will expose us to product liability risks. Product liability claims might be brought against us by patients, healthcare providers, pharmaceutical companies or others selling or involved in the use of our products. If we cannot successfully defend ourselves against any such claims, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- decreased demand for our products and loss of revenue;
- impairment of our business reputation;
- delays in enrolling patients to participate in our clinical studies;
- withdrawal of clinical study participants;
- a “clinical hold,” suspension or termination of a clinical study or amendments to a study design;
- significant costs of related litigation;
- substantial monetary awards to patients or other claimants; and
- the inability to commercialize our products and product candidates.

We maintain limited product liability insurance for our clinical studies, but our insurance coverage may not reimburse us or may not be sufficient to reimburse us for all expenses or losses we may suffer. Moreover, insurance coverage is becoming increasingly expensive and, in the future, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses.

We expect that we will expand our insurance coverage to include the sale of commercial products if us obtain marketing approval for any of our product candidates, but we may be unable to obtain product liability insurance on commercially acceptable terms or may not be able to maintain such insurance at a reasonable cost or in sufficient amounts to protect us against potential losses. Large judgments have been awarded in class action lawsuits based on drug products that had unanticipated side effects. A successful product liability claim or series of claims brought against us, if judgments exceed our insurance coverage, could decrease our cash and adversely affect our business.

Risks Related to our Common Stock

Our stock price is expected to be volatile.

The market price of our common stock will be subject to significant fluctuations. Market prices for securities of early-stage pharmaceutical, biotechnology and other life sciences companies have historically been particularly volatile. Some of the factors that may cause the market price of the common stock to fluctuate include:

- our ability to obtain regulatory approvals for our product candidates, and delays or failures to obtain such approvals;
- failure of any of our product candidates, if approved, to achieve commercial success;
- failure to maintain our existing third party license and supply agreements;
- failure by us or our licensors to prosecute, maintain, or enforce our intellectual property rights;
- changes in laws or regulations applicable to our product candidates;
- any inability to obtain adequate supply of our product candidates or the inability to do so at acceptable prices;
- adverse regulatory authority decisions;
- introduction of new products, services, or technologies by our competitors;
- failure to meet or exceed any financial and development projections that we may provide to the public;
- failure to meet or exceed the financial and development projections of the investment community;
- if securities or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinions regarding our business and stock;
- the perception of the pharmaceutical industry by the public, legislatures, regulators, and the investment community;
- announcements of significant acquisitions, strategic partnerships, joint ventures, or capital commitments by us or our competitors;
- disputes or other developments relating to proprietary rights, including patents, litigation matters, and our ability to obtain patent protection for our technologies;
- additions or departures of key personnel;
- significant lawsuits, including patent or stockholder litigation;
- changes in the market valuations of similar companies;
- general market or macroeconomic conditions
- sales of our common stock by us or our stockholders in the future;
- trading volume of our common stock;
- announcements by commercial partners or competitors of new commercial products, clinical progress or the lack thereof, significant contracts, commercial relationships or capital commitments;
- adverse publicity relating to the cystic fibrosis market generally, including with respect to other products and potential products in such markets;
- the introduction of technological innovations or new therapies that compete with potential products of the combined organization;
- changes in the structure of health care payment systems; and
- period-to-period fluctuations in our financial results.

Moreover, the stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of individual companies. These broad market fluctuations may also adversely affect the trading price of our common stock.

In the past, following periods of volatility in the market price of our securities, stockholders have often instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and diversion of management attention and resources, which could significantly harm our profitability and reputation.

Future sales of shares by existing stockholders could cause our stock price to decline.

If our stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market after legal restrictions on resale and the lock-up agreements lapse, the trading price of our common stock could decline. As of May 5, 2017, we had approximately 15.2 million shares of common stock outstanding. Substantially all of such shares of common stock may be sold in the public market; however, approximately 10.5 million of such shares are subject to lock-up restrictions, which restrictions expire beginning on October 27, 2017. If substantial 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 will incur costs and demands upon management as a result of complying with the laws and regulations affecting public companies.

We will incur significant legal, accounting and other expenses that we did not incur as a private company, including costs associated with public company reporting requirements. We will also incur costs associated with corporate governance requirements, including requirements under the Sarbanes-Oxley Act, as well as new rules implemented by the SEC and Nasdaq. These rules and regulations are expected to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. For example, our management team will consist of certain officers of us prior to the merger, some of whom have not previously managed and operated a public company. These officers and other personnel will need to devote substantial time to gaining expertise regarding operations as a public company and compliance with applicable laws and regulations. These rules and regulations may also make it difficult and expensive for us to obtain directors' and officers' liability insurance. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers, which may adversely affect investor confidence in us and cause our business or stock price to suffer.

We do not expect to pay any cash dividends in the foreseeable future.

We expect to retain our future earnings to fund the development and growth of the combined organization's business. As a result, capital appreciation, if any, of our common stock will be stockholders' sole source of gain, if any, for the foreseeable future.

Because the merger likely has resulted in an ownership change under Section 382 of the Code, our pre-merger net operating loss carryforwards and certain other tax attributes will be subject to limitation. The net operating loss carryforwards and certain other tax attributes may also be subject to limitations as a result of ownership changes.

If a corporation undergoes an "ownership change" within the meaning of Section 382 of the Code, the corporation's net operating loss carryforwards and certain other tax attributes arising from before the ownership change are subject to limitations on use after the ownership change. In general, an ownership change occurs if there is a cumulative change in the corporation's equity ownership by certain stockholders that exceeds fifty percentage points over a rolling three-year period. Similar rules may apply under state tax laws. The merger likely has resulted in an ownership change for us and, accordingly, our net operating loss carryforwards and certain other tax attributes with respect to the pre-closing period will be subject to limitations on use after the merger. The merger may also have resulted in an ownership change for us, in which case, our net operating loss carryforwards and certain other tax attributes would also be subject to limitations. Additional ownership changes in the future could result in additional limitations on our net operating loss carryforwards. Consequently, even if we achieve profitability, we may not be able to utilize a material portion of its net operating loss carryforwards and other tax attributes, which could have a material adverse effect on cash flow and results of operations.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

An Exhibit Index has been attached as part of this report and is incorporated herein by reference.

Signatures

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

Savara Inc.

Date: May 9, 2017

By: /s/ Robert Neville
Robert Neville
Chief Executive Officer and Chairman
(Principal Executive Officer)

Date: May 9, 2017

By: /s/ David Lowrance
David Lowrance
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description	Filed Herewith	Incorporated by Reference Form	Incorporated by Reference File/Film No.	Incorporated by Reference Date Filed
2.1	Agreement and Plan of Merger and Reorganization, dated January 6, 2017, by and among Mast Therapeutics, Inc., Savara Inc. and Victoria Merger Corp.		Form 8-K	001-32157-17515840	01/09/17
2.2	Form of Voting Agreement, by and between Mast Therapeutics, Inc. and its directors and officers		Form 8-K	001-32157-17515840	01/09/17
2.3	Form of Voting Agreement, by and between Savara Inc. and its directors, officers and certain of its stockholders		Form 8-K	001-32157-17515840	01/09/17
3.1	Amended and Restated Certificate of Incorporation of the registrant		Form 8-K	001-32157-17790390	04/28/17
4.1	Third Amendment to Warrant Agreement, dated as of March 3, 2017, between Mast Therapeutics, Inc. and Hercules Technology III, L.P.		Form 10-K	001-32157-17668472	03/06/17
4.2	Warrant to Purchase Shares of Common Stock of the registrant issued to Silicon Valley Bank on April 28, 2017	X			
4.3	Warrant to Purchase Shares of Common Stock of the registrant issued to Life Science Loans II, LLC on April 28, 2017	X			
10.1	Fifth Amendment to Loan and Security Agreement, dated as of March 3, 2017, among Mast Therapeutics, Inc., Hercules Capital, Inc. and Hercules Technology III, L.P.		Form 10-K	001-32157-17668472	03/06/17
10.2	Sixth Amendment to Loan and Security Agreement, dated as of April 27, 2017, among Mast Therapeutics, Inc., Hercules Capital, Inc. and Hercules Technology III, L.P.		Form 8-K	001-32157-17797267	04/28/17
10.3	Loan and Security Agreement, dated April 28, 2017, among Savara Inc., Aravas Inc. and Silicon Valley Bank	X			
10.4	Common Stock Sales Agreement, dated April 28, 2017, by and between the registrant and H.C. Wainwright & Co., LLC		Form 8-K	001-32157-17797267	04/28/17
10.5	Sub-Sublease Agreement, dated March 23, 2017, by and between Mast Therapeutics, Inc. and MEI Pharma, Inc.		Form 8-K	001-32157-17719751	03/28/17
10.6	Form of Lock-Up Agreement		Form 8-K	001-32157-17515840	01/09/17
10.7	Form of Amendment No. 1 to Lock-Up Agreement, dated January 21, 2017		Form 8-K	001-32157-17541585	01/23/17

Exhibit No.	Description	Filed Herewith	Incorporated by Reference Form	File/Film No.	Date Filed
10.8#	Executive Employment Agreement, dated March 9, 2017, between Savara Inc. and Robert Neville		Form S-4	333-216012-7683380	03/13/17
10.9#	Executive Employment Agreement, dated March 9, 2017, between Savara Inc. and Taneli Jouhikainen		Form S-4	333-216012-7683380	03/13/17
10.10#	Executive Employment Agreement, dated March 9, 2017, between Savara Inc. and David Lowrance		Form S-4	333-216012-7683380	03/13/17
10.11#	Mast Therapeutics, Inc. Form of restricted stock units grant notice and agreement for awards approved on January 17, 2017		Form 10-K	001-32157-17668472	03/06/17
10.12#	Separation Agreement and General Release of Claims between the registrant and Brian M. Culley with corresponding Affirmation	X			
10.13#	Separation Agreement and General Release of Claims between the registrant and Brandi L. Roberts with corresponding Affirmation	X			
10.14#	Consulting Services Agreement between the registrant and Brandi L. Roberts	X			
10.15#	Separation Agreement and General Release of Claims between the registrant and Edwin L. Parsley with corresponding Affirmation	X			
10.16#	Consulting Services Agreement between the registrant and Edwin L. Parsley	X			
10.17#	Separation Agreement and General Release of Claims between the registrant and Shana Hood with corresponding Affirmation	X			
10.18#	Separation Agreement and General Release of Claims between the registrant and Gregory D. Gorgas, executed on January 5, 2017		Form 10-K	001-32157-17668472	03/06/17
31.1	Certification of principal executive officer pursuant to Rule 13a-14(a)/15d-14(a)	X			
31.2	Certification of principal financial officer pursuant to Rule 13a-14(a)/15d-14(a)	X			
32.1±	Certification of principal executive officer and principal financial officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X			
101.INS	XBRL Instance Document	X			
101.SCH	XBRL Taxonomy Extension Schema Document	X			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X			
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	X			

Exhibit No.	Description	Filed Herewith	Incorporated by Reference Form	File/Film No.	Date Filed
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	X			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X			

# Indicates management contract or compensatory plan

± These certifications are being furnished solely to accompany this report pursuant to 18 U.S.C. 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation by reference language in such filing.

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AS SET FORTH IN SECTIONS 5.3 AND 5.4 BELOW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

WARRANT TO PURCHASE COMMON STOCK

Company: SAVARA INC.
Number of Shares of Common Stock: 24,725
Warrant Price: $9.10
Issue Date: April 28, 2017
Expiration Date: April 28, 2027 **See also Section 5.1(b).**
Credit Facility: This Warrant to Purchase Common Stock ("**Warrant**") is issued in connection with that certain Loan and Security Agreement of even date herewith between Silicon Valley Bank and the Company (the "**Loan Agreement**").

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, SILICON VALLEY BANK (together with any successor or permitted assignee or transferee of this Warrant or of any shares issued upon exercise hereof, "**Holder**") is entitled to purchase the number of fully paid and non-assessable shares (the "**Shares**") of the above-stated common stock (the "**Common Stock**") of the above-named company (the "**Company**") at the above-stated Warrant Price, all as set forth above and as adjusted pursuant to Section 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant. Reference is made to Section 5.4 of this Warrant whereby Silicon Valley Bank shall transfer this Warrant to its parent company, SVB Financial Group.

SECTION 1. EXERCISE.

1.1 Method of Exercise. Holder may at any time and from time to time exercise this Warrant, in whole or in part, by delivering to the Company the original of this Warrant together with a duly executed Notice of Exercise in substantially the form attached hereto as Appendix 1 and, unless Holder is exercising this Warrant pursuant to a cashless exercise set forth in Section 1.2, a check, wire transfer of same-day funds (to an account designated by the Company), or other form of payment acceptable to the Company for the aggregate Warrant Price for the Shares being purchased.

1.2 Cashless Exercise. On any exercise of this Warrant, in lieu of payment of the aggregate Warrant Price in the manner as specified in Section 1.1 above, but otherwise in accordance with the requirements of Section 1.1, Holder may elect to receive Shares equal to the value of this Warrant, or portion hereof as to which this Warrant is being exercised. Thereupon, the Company shall issue to the Holder such number of fully paid and non-assessable Shares as are computed using the following formula:

$$X = Y(A-B)/A$$

where:

X = the number of Shares to be issued to the Holder;

Y = the number of Shares with respect to which this Warrant is being exercised (inclusive of the Shares surrendered to the Company in payment of the aggregate Warrant Price);

A = the Fair Market Value (as determined pursuant to Section 1.3 below) of one Share; and

B = the Warrant Price.

1.3 Fair Market Value. If the Company's Common Stock is then traded or quoted on a nationally recognized securities exchange, inter-dealer quotation system or over-the-counter market (a "**Trading Market**"), the fair market value of a Share shall be the closing price or last sale price of a share of Common Stock reported for the Business Day immediately before the date on which Holder delivers this Warrant together with its Notice of Exercise to the Company. If the Company's Common Stock is not traded in a Trading Market, the Board of Directors of the Company shall determine the fair market value of a Share in its reasonable good faith judgment.

1.4 Delivery of Certificate and New Warrant. Within a reasonable time after Holder exercises this Warrant in the manner set forth in Section 1.1 or 1.2 above, the Company shall deliver to Holder a certificate representing the Shares issued to Holder upon such exercise and, if this Warrant has not been fully exercised and has not expired, a new warrant of like tenor representing the Shares not so acquired.

1.5 Replacement of Warrant. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form, substance and amount to the Company or, in the case of mutilation, on surrender of this Warrant to the Company for cancellation, the Company shall, within a reasonable time, execute and deliver to Holder, in lieu of this Warrant, a new warrant of like tenor and amount.

1.6 Treatment of Warrant Upon Acquisition of Company.

(a) Acquisition. For the purpose of this Warrant, "**Acquisition**" means any transaction or series of related transactions involving: (i) the sale, lease, exclusive license, or other disposition of all or substantially all of the assets of the Company (ii) any merger or consolidation of the Company into or with another person or entity (other than a merger or consolidation effected exclusively to change the Company's domicile), or any other corporate reorganization, in which the stockholders of the Company in their capacity as such immediately prior to such merger, consolidation or reorganization, own less than a majority of the Company's (or the surviving or successor entity's) outstanding voting power immediately after such merger, consolidation or reorganization; or (iii) any sale or other transfer by the stockholders of the Company of shares representing at least a majority of the Company's then-total outstanding combined voting power.

(b) Treatment of Warrant at Acquisition. In the event of an Acquisition in which the consideration to be received by the Company's stockholders consists solely of cash, solely of Marketable Securities or a combination of cash and Marketable Securities (a "**Cash/Public Acquisition**"), and the fair market value of one Share as determined in accordance with Section 1.3 above would be greater than the Warrant Price in effect on such date immediately prior to such Cash/Public Acquisition, and Holder has not exercised this Warrant pursuant to Section 1.1 above as to all Shares, then this Warrant shall automatically be deemed to be Cashless Exercised pursuant to Section 1.2 above as to all Shares effective immediately prior to and contingent upon the consummation of a Cash/Public Acquisition. In connection with such Cashless Exercise, Holder shall be deemed to have restated each of the representations and warranties in Section 4 of the Warrant as the date thereof and the Company shall promptly notify the Holder of the number of Shares (or such other securities) issued upon exercise. In the event of a Cash/Public Acquisition where the fair market value of one Share as determined in accordance with Section 1.3 above would be less than the Warrant Price in effect immediately prior to such Cash/Public Acquisition, then this Warrant will expire immediately prior to the consummation of such Cash/Public Acquisition.

(c) Upon the closing of any Acquisition other than a Cash/Public Acquisition defined above, the acquiring, surviving or successor entity shall assume the obligations of this Warrant, and this Warrant shall thereafter be exercisable for the same securities and/or other property as would have been paid for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on and as of the closing of such Acquisition, subject to further adjustment from time to time in accordance with the provisions of this Warrant.

(d) As used in this Warrant, "**Marketable Securities**" means securities meeting all of the following requirements: (i) the issuer thereof is then subject to the reporting requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and is then current in its filing of all required reports and other information under the Act and the Exchange Act; (ii) the class and series of shares or other security of the issuer that would be received by Holder in connection with the Acquisition were Holder to exercise this Warrant on or prior to the closing thereof is then traded in Trading Market, and (iii) following the closing of such Acquisition, Holder would not be restricted from

publicly re-selling all of the issuer's shares and/or other securities that would be received by Holder in such Acquisition were Holder to exercise or convert this Warrant in full on or prior to the closing of such Acquisition, except to the extent that any such restriction (x) arises solely under federal or state securities laws, rules or regulations, and (y) does not extend beyond six (6) months from the closing of such Acquisition.

SECTION 2. ADJUSTMENTS TO THE SHARES AND WARRANT PRICE.

2.1 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend or distribution on the outstanding shares of the Common Stock payable in securities or property (other than cash), then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without additional cost to Holder, the total number and kind of securities and property which Holder would have received had Holder owned the Shares of record as of the date the dividend or distribution occurred. If the Company subdivides the outstanding shares of the Common Stock by reclassification or otherwise into a greater number of shares, the number of Shares purchasable hereunder shall be proportionately increased and the Warrant Price shall be proportionately decreased. If the outstanding shares of the Common Stock are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Warrant Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

2.2 Reclassification, Exchange, Combinations or Substitution. Upon any event whereby all of the outstanding shares of the Common Stock are reclassified, exchanged, combined, substituted, or replaced for, into, with or by Company securities of a different class and/or series, then from and after the consummation of such event, this Warrant will be exercisable for the number, class and series of Company securities that Holder would have received had the Shares been outstanding on and as of the consummation of such event, and subject to further adjustment thereafter from time to time in accordance with the provisions of this Warrant. The provisions of this Section 2.2 shall similarly apply to successive reclassifications, exchanges, combinations substitutions, replacements or other similar events.

2.3 Intentionally Omitted.

2.4 Intentionally Omitted.

2.5 No Fractional Share. No fractional Share shall be issuable upon exercise of this Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional Share interest arises upon any exercise of the Warrant, the Company shall eliminate such fractional Share interest by paying Holder in cash the amount computed by multiplying the fractional interest by (i) the fair market value (as determined in accordance with Section 1.3 above) of a full Share, less (ii) the then-effective Warrant Price.

2.6 Notice/Certificate as to Adjustments. Upon each adjustment of the Warrant Price, Common Stock and/or number of Shares, the Company, at the Company's expense, shall notify Holder in writing within a reasonable time setting forth the adjustments to the Warrant Price, class and/or number of Shares and facts upon which such adjustment is based. The Company shall, upon written request from Holder, furnish Holder with a certificate of its Chief Financial Officer, including computations of such adjustment and the Warrant Price, class and number of Shares in effect upon the date of such adjustment.

SECTION 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company represents and warrants to, and agrees with, the Holder as follows: All Shares which may be issued upon the exercise of this Warrant, shall, upon issuance, be duly authorized, validly issued, fully paid and non-assessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws. The Company covenants that it shall at all times cause to be reserved and kept available out of its authorized and unissued capital stock such number of securities as will be sufficient to permit the exercise in full of this Warrant.

3.2 Notice of Certain Events. If the Company proposes at any time to:

(a) declare any dividend or distribution upon the outstanding shares of the Company's stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend;

(b) offer for subscription or sale pro rata to the holders of the outstanding shares any additional shares of any class or series of the Company's stock (other than pursuant to contractual pre-emptive rights);

(c) effect any reclassification, exchange, combination, substitution, reorganization or recapitalization of the outstanding shares of the Common Stock; or

(d) effect an Acquisition or to liquidate, dissolve or wind up;

then, in connection with each such event, the Company shall give Holder:

(1) in the case of the matters referred to in (a) and (b) above, at least seven (7) Business Days prior written notice of the earlier to occur of the effective date thereof or the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of outstanding shares of the Common Stock will be entitled thereto) or for determining rights to vote, if any; and

(2) in the case of the matters referred to in (c) and (d) above at least seven (7) Business Days prior written notice of the date when the same will take place (and specifying the date on which the holders of outstanding shares of the Class will be entitled to exchange their shares for the securities or other property deliverable upon the occurrence of such event and such reasonable information as Holder may reasonably require regarding the treatment of this Warrant in connection with such event giving rise to the notice).

Company will also provide information requested by Holder that is reasonably necessary to enable Holder to comply with Holder's accounting or reporting requirements.

SECTION 4. REPRESENTATIONS, WARRANTIES OF THE HOLDER.

The Holder represents and warrants to the Company as follows:

4.1 Purchase for Own Account. This Warrant and the Shares to be acquired upon exercise of this Warrant by Holder are being acquired for investment for Holder's account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the Act. Holder also represents that it has not been formed for the specific purpose of acquiring this Warrant or the Shares.

4.2 Disclosure of Information. Holder is aware of the Company's business affairs and financial condition and has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to Holder or to which Holder has access.

4.3 Investment Experience. Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. Holder has experience as an investor in securities of companies in the development stage and acknowledges that Holder can bear the economic risk of such Holder's investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables Holder to be aware of the character, business acumen and financial circumstances of such persons.

4.4 Accredited Investor Status. Holder is an "accredited investor" within the meaning of Regulation D promulgated under the Act.

4.5 The Act. Holder understands that this Warrant and the Shares issuable upon exercise hereof have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Holder's investment intent as expressed herein. Holder understands that this Warrant and the Shares issued upon any exercise hereof must be held indefinitely unless subsequently registered under the Act and qualified under applicable state securities laws, or unless exemption from such registration and qualification are otherwise available. Holder is aware of the provisions of Rule 144 promulgated under the Act.

4.6 No Voting Rights. Holder, as a Holder of this Warrant, will not have any voting rights until the exercise of this Warrant.

SECTION 5. MISCELLANEOUS.

5.1 Term and Automatic Conversion Upon Expiration.

(a) Term. Subject to the provisions of Section 1.6 above, this Warrant is exercisable in whole or in part at any time and from time to time on or before 6:00 PM, Pacific time, on the Expiration Date and shall be void thereafter.

(b) Automatic Cashless Exercise upon Expiration. In the event that, upon the Expiration Date, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be exercised pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised, and the Company shall, within a reasonable time, deliver a certificate representing the Shares (or such other securities) issued upon such exercise to Holder.

5.2 Legends. The Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

> THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AS SET FORTH IN THAT CERTAIN WARRANT TO PURCHASE COMMON STOCK ISSUED BY THE ISSUER TO SILICON VALLEY BANK DATED APRIL 28, 2017, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part except in compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require Holder to provide an opinion of counsel if the transfer is to SVB Financial Group (Silicon Valley Bank's parent company) or any other affiliate of Holder, provided that any such transferee is an "accredited investor" as defined in Regulation D promulgated under the Act. Additionally, the Company shall also not require an opinion of counsel if there is no material question as to the availability of Rule 144 promulgated under the Act.

5.4 Transfer Procedure. After receipt by Silicon Valley Bank of the executed Warrant, Silicon Valley Bank will transfer all of this Warrant to its parent company, SVB Financial Group. By its acceptance of this Warrant, SVB Financial Group hereby makes to the Company each of the representations and warranties set forth in Section 4 hereof and agrees to be bound by all of the terms and conditions of this Warrant as if the original Holder hereof. Subject to the provisions of Section 5.3 and upon providing the Company with written notice, SVB Financial Group and any subsequent Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the securities issuable directly or indirectly, upon conversion of the Shares, if any) to any transferee, provided, however, in connection with any such transfer, SVB Financial Group or any subsequent Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable); and provided further, that any subsequent transferee other than SVB Financial Group shall agree in writing with the Company to be bound by all of the terms and conditions of this Warrant.

5.5 Notices. All notices and other communications hereunder from the Company to the Holder, or vice versa, shall be deemed delivered and effective (i) when given personally, (ii) on the third (3rd) Business Day after being mailed by first-class registered or certified mail, postage prepaid, (iii) upon actual receipt if given by facsimile or electronic mail and such receipt is confirmed in writing by the recipient, or (iv) on the first Business Day following delivery to a reliable overnight courier service, courier fee prepaid, in any case at such address as may have been furnished to the Company or Holder, as the case may be, in writing by the Company or such Holder from time to time in accordance with the provisions of this Section 5.5. All notices to Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

SVB Financial Group
Attn: Treasury Department
3003 Tasman Drive, HC 215
Santa Clara, CA 95054
Telephone: (408) 654-7400
Facsimile: (408) 988-8317
Email address: derivatives@svb.com

Notice to the Company shall be addressed as follows until Holder receives notice of a change in address:

SAVARA INC.
900 S. Capital of Texas Hwy; Suite 150
Austin, TX 78746
Attn: David Lowrance, CFO
Fax: _____
Email: dave.lowrance@savarapharma.com

With a copy (which shall not constitute notice) to:

WILSON SONSINI GOODRICH & ROSATI, P.C.
Attn: J. Robert Suffoletta
900 S. Capital of Texas Highway
Las Cimas IV, Fifth Floor
Austin, TX 78746
Telephone: (512) 338-5400
Facsimile: (512) 338-5499
Email: rsuffoletta@wsgr.com

5.6 Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated (either generally or in a particular instance and either retroactively or prospectively) only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.7 Attorney's Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.

5.8 Counterparts; Facsimile/Electronic Signatures. This Warrant may be executed in counterparts, all of which together shall constitute one and the same agreement. Any signature page delivered electronically or by facsimile shall be binding to the same extent as an original signature page with regards to any agreement subject to the terms hereof or any amendment thereto.

5.9 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its principles regarding conflicts of law.

5.10 Headings. The headings in this Warrant are for purposes of reference only and shall not limit or otherwise affect the meaning of any provision of this Warrant.

5.11 Business Days. "**Business Day**" is any day that is not a Saturday, Sunday or a day on which Silicon Valley Bank is closed.

[Remainder of page left blank intentionally]
[Signature page follows]

IN WITNESS WHEREOF, the parties have caused this Warrant to Purchase Common Stock to be executed by their duly authorized representatives effective as of the Issue Date written above.

"COMPANY"

SAVARA INC.

By: /s/ Dave Lowrance

Name: Dave Lowrance
(Print)
Title: Chief Financial Officer

"HOLDER"

SILICON VALLEY BANK

By: /s/ Igor DaCruz

Name: Igor DaCruz
(Print)
Title: Vice President

APPENDIX 1

NOTICE OF EXERCISE

1. The undersigned Holder hereby exercises its right purchase _____ shares of the Common Stock of SAVARA INC. (the "**Company**") in accordance with the attached Warrant To Purchase Common Stock, and tenders payment of the aggregate Warrant Price for such shares as follows:

[ ] check in the amount of $_____ payable to order of the Company enclosed herewith

[ ] Wire transfer of immediately available funds to the Company's account

[ ] Cashless Exercise pursuant to Section 1.2 of the Warrant

[ ] Other [Describe] _____

2. Please issue a certificate or certificates representing the Shares in the name specified below:

_____
Holder's Name

_____

_____
(Address)

3. By its execution below and for the benefit of the Company, Holder hereby restates each of the representations and warranties in Section 4 of the Warrant to Purchase Common Stock as of the date hereof.

HOLDER:

_____

By: _____

Name: _____

Title: _____

(Date): _____

Exhibit 4.3

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AS SET FORTH IN SECTIONS 5.3 AND 5.4 BELOW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

WARRANT TO PURCHASE COMMON STOCK

Company: SAVARA INC.
Number of Shares of Common Stock: 24,725
Warrant Price: $9.10
Issue Date: April 28, 2017
Expiration Date: April 28, 2027 **See also Section 5.1(b).**
Credit Facility: This Warrant to Purchase Common Stock ("**Warrant**") is issued in connection with that certain Loan and Security Agreement of even date herewith between Silicon Valley Bank and the Company (the "**Loan Agreement**").

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, LIFE SCIENCE LOANS II, LLC (together with any successor or permitted assignee or transferee of this Warrant or of any shares issued upon exercise hereof, "**Holder**") is entitled to purchase the number of fully paid and non-assessable shares (the "**Shares**") of the above-stated common stock (the "**Common Stock**") of the above-named company (the "**Company**") at the above-stated Warrant Price, all as set forth above and as adjusted pursuant to Section 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

SECTION 1. EXERCISE.

1.1 Method of Exercise. Holder may at any time and from time to time exercise this Warrant, in whole or in part, by delivering to the Company the original of this Warrant together with a duly executed Notice of Exercise in substantially the form attached hereto as Appendix 1 and, unless Holder is exercising this Warrant pursuant to a cashless exercise set forth in Section 1.2, a check, wire transfer of same-day funds (to an account designated by the Company), or other form of payment acceptable to the Company for the aggregate Warrant Price for the Shares being purchased.

1.2 Cashless Exercise. On any exercise of this Warrant, in lieu of payment of the aggregate Warrant Price in the manner as specified in Section 1.1 above, but otherwise in accordance with the requirements of Section 1.1, Holder may elect to receive Shares equal to the value of this Warrant, or portion hereof as to which this Warrant is being exercised. Thereupon, the Company shall issue to the Holder such number of fully paid and non-assessable Shares as are computed using the following formula:

$$X = Y(A-B)/A$$

where:

X= the number of Shares to be issued to the Holder;

Y= the number of Shares with respect to which this Warrant is being exercised (inclusive of the Shares surrendered to the Company in payment of the aggregate Warrant Price);

A= the Fair Market Value (as determined pursuant to Section 1.3 below) of one Share; and

B= the Warrant Price.

1.3 Fair Market Value. If the Company's Common Stock is then traded or quoted on a nationally recognized securities exchange, inter-dealer quotation system or over-the-counter market (a "**Trading Market**"), the fair market value of a Share shall be the closing price or last sale price of a share of Common Stock reported for the Business Day immediately before the date on which Holder delivers this Warrant together with its Notice of Exercise to the Company. If the Company's Common Stock is not traded in a Trading Market, the Board of Directors of the Company shall determine the fair market value of a Share in its reasonable good faith judgment.

1.4 Delivery of Certificate and New Warrant. Within a reasonable time after Holder exercises this Warrant in the manner set forth in Section 1.1 or 1.2 above, the Company shall deliver to Holder a certificate representing the Shares issued to Holder upon such exercise and, if this Warrant has not been fully exercised and has not expired, a new warrant of like tenor representing the Shares not so acquired.

1.5 Replacement of Warrant. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form, substance and amount to the Company or, in the case of mutilation, on surrender of this Warrant to the Company for cancellation, the Company shall, within a reasonable time, execute and deliver to Holder, in lieu of this Warrant, a new warrant of like tenor and amount.

1.6 Treatment of Warrant Upon Acquisition of Company.

(a) Acquisition. For the purpose of this Warrant, "**Acquisition**" means any transaction or series of related transactions involving: (i) the sale, lease, exclusive license, or other disposition of all or substantially all of the assets of the Company (ii) any merger or consolidation of the Company into or with another person or entity (other than a merger or consolidation effected exclusively to change the Company's domicile), or any other corporate reorganization, in which the stockholders of the Company in their capacity as such immediately prior to such merger, consolidation or reorganization, own less than a majority of the Company's (or the surviving or successor entity's) outstanding voting power immediately after such merger, consolidation or reorganization; or (iii) any sale or other transfer by the stockholders of the Company of shares representing at least a majority of the Company's then-total outstanding combined voting power.

(b) Treatment of Warrant at Acquisition. In the event of an Acquisition in which the consideration to be received by the Company's stockholders consists solely of cash, solely of Marketable Securities or a combination of cash and Marketable Securities (a "**Cash/Public Acquisition**"), and the fair market value of one Share as determined in accordance with Section 1.3 above would be greater than the Warrant Price in effect on such date immediately prior to such Cash/Public Acquisition, and Holder has not exercised this Warrant pursuant to Section 1.1 above as to all Shares, then this Warrant shall automatically be deemed to be Cashless Exercised pursuant to Section 1.2 above as to all Shares effective immediately prior to and contingent upon the consummation of a Cash/Public Acquisition. In connection with such Cashless Exercise, Holder shall be deemed to have restated each of the representations and warranties in Section 4 of the Warrant as the date thereof and the Company shall promptly notify the Holder of the number of Shares (or such other securities) issued upon exercise. In the event of a Cash/Public Acquisition where the fair market value of one Share as determined in accordance with Section 1.3 above would be less than the Warrant Price in effect immediately prior to such Cash/Public Acquisition, then this Warrant will expire immediately prior to the consummation of such Cash/Public Acquisition.

(c) Upon the closing of any Acquisition other than a Cash/Public Acquisition defined above, the acquiring, surviving or successor entity shall assume the obligations of this Warrant, and this Warrant shall thereafter be exercisable for the same securities and/or other property as would have been paid for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on and as of the closing of such Acquisition, subject to further adjustment from time to time in accordance with the provisions of this Warrant.

(d) As used in this Warrant, "**Marketable Securities**" means securities meeting all of the following requirements: (i) the issuer thereof is then subject to the reporting requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and is then current in its filing of all required reports and other information under the Act and the Exchange Act; (ii) the class and series of shares or other security of the issuer that would be received by Holder in connection with the Acquisition were Holder to exercise this Warrant on or prior to the closing thereof is then traded in Trading Market, and (iii) following the closing of such Acquisition, Holder would not be restricted from

publicly re-selling all of the issuer's shares and/or other securities that would be received by Holder in such Acquisition were Holder to exercise or convert this Warrant in full on or prior to the closing of such Acquisition, except to the extent that any such restriction (x) arises solely under federal or state securities laws, rules or regulations, and (y) does not extend beyond six (6) months from the closing of such Acquisition.

SECTION 2. ADJUSTMENTS TO THE SHARES AND WARRANT PRICE.

2.1 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend or distribution on the outstanding shares of the Common Stock payable in securities or property (other than cash), then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without additional cost to Holder, the total number and kind of securities and property which Holder would have received had Holder owned the Shares of record as of the date the dividend or distribution occurred. If the Company subdivides the outstanding shares of the Common Stock by reclassification or otherwise into a greater number of shares, the number of Shares purchasable hereunder shall be proportionately increased and the Warrant Price shall be proportionately decreased. If the outstanding shares of the Common Stock are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Warrant Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

2.2 Reclassification, Exchange, Combinations or Substitution. Upon any event whereby all of the outstanding shares of the Common Stock are reclassified, exchanged, combined, substituted, or replaced for, into, with or by Company securities of a different class and/or series, then from and after the consummation of such event, this Warrant will be exercisable for the number, class and series of Company securities that Holder would have received had the Shares been outstanding on and as of the consummation of such event, and subject to further adjustment thereafter from time to time in accordance with the provisions of this Warrant. The provisions of this Section 2.2 shall similarly apply to successive reclassifications, exchanges, combinations substitutions, replacements or other similar events.

2.3 Intentionally Omitted.

2.4 Intentionally Omitted.

2.5 No Fractional Share. No fractional Share shall be issuable upon exercise of this Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional Share interest arises upon any exercise of the Warrant, the Company shall eliminate such fractional Share interest by paying Holder in cash the amount computed by multiplying the fractional interest by (i) the fair market value (as determined in accordance with Section 1.3 above) of a full Share, less (ii) the then-effective Warrant Price.

2.6 Notice/Certificate as to Adjustments. Upon each adjustment of the Warrant Price, Common Stock and/or number of Shares, the Company, at the Company's expense, shall notify Holder in writing within a reasonable time setting forth the adjustments to the Warrant Price, class and/or number of Shares and facts upon which such adjustment is based. The Company shall, upon written request from Holder, furnish Holder with a certificate of its Chief Financial Officer, including computations of such adjustment and the Warrant Price, class and number of Shares in effect upon the date of such adjustment.

SECTION 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company represents and warrants to, and agrees with, the Holder as follows: All Shares which may be issued upon the exercise of this Warrant, shall, upon issuance, be duly authorized, validly issued, fully paid and non-assessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws. The Company covenants that it shall at all times cause to be reserved and kept available out of its authorized and unissued capital stock such number of securities as will be sufficient to permit the exercise in full of this Warrant.

3.2 Notice of Certain Events. If the Company proposes at any time to:

(a) declare any dividend or distribution upon the outstanding shares of the Company's stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend;

(b) offer for subscription or sale pro rata to the holders of the outstanding shares any additional shares of any class or series of the Company's stock (other than pursuant to contractual pre-emptive rights);

(c) effect any reclassification, exchange, combination, substitution, reorganization or recapitalization of the outstanding shares of the Common Stock; or

(d) effect an Acquisition or to liquidate, dissolve or wind up;

then, in connection with each such event, the Company shall give Holder:

(1) in the case of the matters referred to in (a) and (b) above, at least seven (7) Business Days prior written notice of the earlier to occur of the effective date thereof or the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of outstanding shares of the Common Stock will be entitled thereto) or for determining rights to vote, if any; and

(2) in the case of the matters referred to in (c) and (d) above at least seven (7) Business Days prior written notice of the date when the same will take place (and specifying the date on which the holders of outstanding shares of the Class will be entitled to exchange their shares for the securities or other property deliverable upon the occurrence of such event and such reasonable information as Holder may reasonably require regarding the treatment of this Warrant in connection with such event giving rise to the notice).

Company will also provide information requested by Holder that is reasonably necessary to enable Holder to comply with Holder's accounting or reporting requirements.

SECTION 4. REPRESENTATIONS, WARRANTIES OF THE HOLDER.

The Holder represents and warrants to the Company as follows:

4.1 Purchase for Own Account. This Warrant and the Shares to be acquired upon exercise of this Warrant by Holder are being acquired for investment for Holder's account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the Act. Holder also represents that it has not been formed for the specific purpose of acquiring this Warrant or the Shares.

4.2 Disclosure of Information. Holder is aware of the Company's business affairs and financial condition and has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to Holder or to which Holder has access.

4.3 Investment Experience. Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. Holder has experience as an investor in securities of companies in the development stage and acknowledges that Holder can bear the economic risk of such Holder's investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables Holder to be aware of the character, business acumen and financial circumstances of such persons.

4.4 Accredited Investor Status. Holder is an "accredited investor" within the meaning of Regulation D promulgated under the Act.

4.5 The Act. Holder understands that this Warrant and the Shares issuable upon exercise hereof have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Holder's investment intent as expressed herein. Holder understands that this Warrant and

the Shares issued upon any exercise hereof must be held indefinitely unless subsequently registered under the Act and qualified under applicable state securities laws, or unless exemption from such registration and qualification are otherwise available. Holder is aware of the provisions of Rule 144 promulgated under the Act.

4.6 No Voting Rights. Holder, as a Holder of this Warrant, will not have any voting rights until the exercise of this Warrant.

SECTION 5. MISCELLANEOUS.

5.1 Term and Automatic Conversion Upon Expiration.

(a) Term. Subject to the provisions of Section 1.6 above, this Warrant is exercisable in whole or in part at any time and from time to time on or before 6:00 PM, Pacific time, on the Expiration Date and shall be void thereafter.

(b) Automatic Cashless Exercise upon Expiration. In the event that, upon the Expiration Date, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be exercised pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised, and the Company shall, within a reasonable time, deliver a certificate representing the Shares (or such other securities) issued upon such exercise to Holder.

5.2 Legends. The Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

> THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AS SET FORTH IN THAT CERTAIN WARRANT TO PURCHASE COMMON STOCK ISSUED BY THE ISSUER TO LIFE SCIENCE LOANS II, LLC DATED APRIL 28, 2017, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part except in compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require Holder to provide an opinion of counsel if the

transfer is to SVB Financial Group (Silicon Valley Bank's parent company) or any other affiliate of Holder, provided that any such transferee is an "accredited investor" as defined in Regulation D promulgated under the Act. Additionally, the Company shall also not require an opinion of counsel if there is no material question as to the availability of Rule 144 promulgated under the Act.

5.4 Notices. All notices and other communications hereunder from the Company to the Holder, or vice versa, shall be deemed delivered and effective (i) when given personally, (ii) on the third (3rd) Business Day after being mailed by first-class registered or certified mail, postage prepaid, (iii) upon actual receipt if given by facsimile or electronic mail and such receipt is confirmed in writing by the recipient, or (iv) on the first Business Day following delivery to a reliable overnight courier service, courier fee prepaid, in any case at such address as may have been furnished to the Company or Holder, as the case may be, in writing by the Company or such Holder from time to time in accordance with the provisions of this Section 5.5. All notices to Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

Life Science Loans II, LLC
c/o Chief Financial Officer
3720 Carillon Point
Kirkland, Washington 98033-7455
Attention: Trent Dawson
Telephone: (425) 952-3951
Email: tdawson@westrivermgmt.com]

Notice to the Company shall be addressed as follows until Holder receives notice of a change in address:

SAVARA INC.
900 S. Capital of Texas Hwy; Suite 150
Austin, TX 78746
Attn: David Lowrance, CFO
Fax: _____
Email: dave.lowrance@savarapharma.com

With a copy (which shall not constitute notice) to:

WILSON SONSINI GOODRICH & ROSATI, P.C.
Attn: J. Robert Suffoletta
900 S. Capital of Texas Highway
Las Cimas IV, Fifth Floor
Austin, TX 78746
Telephone: (512) 338-5400
Facsimile: (512) 338-5499
Email: rsuffoletta@wsgr.com

5.5 Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated (either generally or in a particular instance and either retroactively or prospectively) only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.6 Attorney's Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.

5.7 Counterparts; Facsimile/Electronic Signatures. This Warrant may be executed in counterparts, all of which together shall constitute one and the same agreement. Any signature page delivered electronically or by facsimile shall be binding to the same extent as an original signature page with regards to any agreement subject to the terms hereof or any amendment thereto.

5.8 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its principles regarding conflicts of law.

5.9 Headings. The headings in this Warrant are for purposes of reference only and shall not limit or otherwise affect the meaning of any provision of this Warrant.

5.10 Business Days. "**Business Day**" is any day that is not a Saturday, Sunday or a day on which Silicon Valley Bank is closed.

[Remainder of page left blank intentionally]
[Signature page follows]

IN WITNESS WHEREOF, the parties have caused this Warrant to Purchase Common Stock to be executed by their duly authorized representatives effective as of the Issue Date written above.

"COMPANY"

SAVARA INC.

By: /s/ Dave Lowrance

Name: Dave Lowrance
(Print)

Title: Chief Financial Officer

"HOLDER"

LIFE SCIENCE LOANS II, LLC

By: /s/ Trent Dawson

Name: Trent Dawson

Title: Chief Financial Officer

APPENDIX 1

NOTICE OF EXERCISE

1. The undersigned Holder hereby exercises its right purchase _____ shares of the Common Stock of SAVARA INC. (the "**Company**") in accordance with the attached Warrant To Purchase Common Stock, and tenders payment of the aggregate Warrant Price for such shares as follows:

[ ] check in the amount of $_____ payable to order of the Company enclosed herewith

[ ] Wire transfer of immediately available funds to the Company's account

[ ] Cashless Exercise pursuant to Section 1.2 of the Warrant

[ ] Other [Describe] _____

2. Please issue a certificate or certificates representing the Shares in the name specified below:

_____
Holder's Name

_____

_____
(Address)

3. By its execution below and for the benefit of the Company, Holder hereby restates each of the representations and warranties in Section 4 of the Warrant to Purchase Common Stock as of the date hereof.

HOLDER:

By: _____

Name: _____

Title: _____

(Date): _____

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (as amended, restated, modified or otherwise supplemented from time to time, this "**Agreement**") dated as of April 28, 2017 between **SILICON VALLEY BANK**, a California corporation ("**Bank**"), and, **SAVARA INC. f/k/a MAST THERAPEUTICS, INC.**, a Delaware corporation ("**Parent**") and **ARAVAS INC. f/k/a SAVARA INC.** a Delaware corporation (each a "**Co-Borrower**" and collectively "**Co-Borrowers**"), provides the terms on which Bank shall lend to Co-Borrowers and Co-Borrowers shall repay Bank. The parties agree as follows:

1 ACCOUNTING AND OTHER TERMS

Accounting terms not defined in this Agreement shall be construed following GAAP. Calculations and determinations must be made following GAAP; provided, however, that any obligations of a Person under a lease (whether existing now or entered into in the future) that is not (or would not be) a capital lease obligation under GAAP as in effect on the Closing Date shall not be treated as a capital lease obligation solely as a result of the adoption of changes in GAAP. Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in Section 13. All other terms contained in this Agreement, unless otherwise indicated, shall have the meaning provided by the Code to the extent such terms are defined therein.

2 LOAN AND TERMS OF PAYMENT

2.1 Promise to Pay. Co-Borrowers hereby unconditionally promise to pay Bank the outstanding principal amount of all Credit Extensions and accrued and unpaid interest thereon as and when due in accordance with this Agreement.

2.1.1 Term Loans.

(a) Availability. On the Effective Date, subject to the terms and conditions of this Agreement, Bank shall make one (1) term loan available to Co-Borrowers in the amount of Seven Million Five Hundred Thousand Dollars ($7,500,000.00) (the "**Term A Loan**"). Thereafter, subject to the terms and conditions of this Agreement, during the Draw Period, Co-Borrowers may request and Bank shall make one (1) term loan available to Co-Borrowers in the amount of Seven Million Five Hundred Thousand Dollars ($7,500,000.00) (the "**Term B Loan**" and, together with the Term A Loan, the "**Term Loans**").

(b) Repayment. The Term Loans shall be "interest only" during the Interest-Only Period, with interest due and payable on the first day of each month. Beginning on the Amortization Start Date, and continuing on the first day of each month thereafter, Co-Borrowers shall repay the Term Loans in equal monthly installments of principal plus interest (each, a "**Term Loan Payment**") with a repayment schedule equal to (i) thirty (30) months if the Amortization Start Date is October 1, 2018 or (ii) twenty-four (24) months if the Amortization Start Date is April 1, 2019. Co-Borrowers's final Term Loan Payment, due on the Term Loan Maturity Date, shall include all outstanding principal and accrued and unpaid interest under the Term Loans and the Final Payment. Once repaid, the Term Loans may not be reborrowed.

(c) Prepayment.

(i) Voluntary. Co-Borrowers shall have the option to prepay in whole or in part, the Term Loans advanced by Bank under this Agreement, provided Co-Borrowers (a) delivers written notice to Bank of its election to prepay the Term Loans at least five (5) Business Days prior to such prepayment (which notice may be conditioned upon the consummation of another financing or other events) and (b) pays, on the date of such prepayment, (i) all outstanding principal of the Term Loans to be prepaid, plus accrued and unpaid interest thereon, (ii) the Final Payment in respect of the principal amount of the Term Loans being prepaid, (iii) the Prepayment Fee in respect of the principal amount of the Term Loans being prepaid and (iv) all other sums, if any, that shall have become due and payable hereunder in connection with the Term Loans.

(ii) Involuntary. If the Term Loans are accelerated during the continuance of an Event of Default, Co-Borrowers shall immediately pay to Bank an amount equal to the sum of (a) all outstanding principal, plus accrued and unpaid interest with respect to the Term Loans, (b) the Final Payment, (c) the Prepayment Fee and (d) all other sums, if any, that shall have become due and payable hereunder in connection with the Term Loans.

2.2 Intentionally Omitted.

2.3 Payment of Interest on the Credit Extensions.

(a) Interest Rate. Subject to Section 2.3(b), the principal amount outstanding under the Term Loans shall accrue interest at a floating per annum rate equal to four and one quarter percentage points (4.25%) above the Prime Rate, which interest shall be payable monthly.

(b) Default Rate. Upon the occurrence and during the continuance of an Event of Default, at Bank's election, Obligations shall bear interest at a rate per annum which is five percentage points (5.0%) above the rate that is otherwise applicable thereto (the "**Default Rate**"). Fees and expenses which are required to be paid by Co-Borrowers pursuant to the Loan Documents (including, without limitation, Bank Expenses) but are not paid when due shall bear interest until paid at a rate equal to the highest rate applicable to the Obligations. Payment or acceptance of the increased interest rate provided in this Section 2.3(b) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Bank.

(c) Adjustment to Interest Rate. Changes to the interest rate of any Credit Extension based on changes to the Prime Rate shall be effective on the effective date of any change to the Prime Rate and to the extent of any such change.

(d) Payment; Interest Computation. Interest is payable monthly on the first calendar day of each month and shall be computed on the basis of a 360-day year for the actual number of days elapsed. In computing interest, (i) all payments received after 12:00 p.m. Pacific time on any day shall be deemed received at the opening of business on the next Business Day, and (ii) the date of the making of any Credit Extension shall be included and the date of payment shall be excluded; provided, however, that if any Credit Extension is repaid on the same day on which it is made, such day shall be included in computing interest on such Credit Extension.

2.4 Fees. Co-Borrowers shall pay to Bank:

(a) Prepayment Fee. The Prepayment Fee, when due hereunder pursuant to the terms of Section 2.1.1(c);

(b) Final Payment. The Final Payment, when due hereunder; and

(c) Bank Expenses. All Bank Expenses (including reasonable attorneys' fees and expenses for documentation and negotiation of this Agreement) incurred through and after the Effective Date, when due (or, if no stated due date, upon demand by Bank).

(d) Fees Fully Earned. Unless otherwise provided in this Agreement or in a separate writing by Bank, Co-Borrowers shall not be entitled to any credit, rebate, or repayment of any fees earned by Bank pursuant to this Agreement notwithstanding any termination of this Agreement or the suspension or termination of Bank's obligation to make loans and advances hereunder. Bank may deduct amounts owing by Co-Borrowers under the clauses of this Section 2.4 pursuant to the terms of Section 2.5(c). Bank shall provide Co-Borrowers written notice of deductions made from the Designated Deposit Account pursuant to the terms of the clauses of this Section 2.4.

2.5 Payments; Application of Payments; Debit of Accounts.

(a) All payments (including prepayments) to be made by Co-Borrowers under any Loan Document shall be made in immediately available funds in Dollars, without setoff or counterclaim, before 12:00 p.m. Pacific time on the date when due. Payments of principal and/or interest received after 12:00 p.m. Pacific time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment shall be due the next Business Day, and additional fees or interest, as applicable, shall continue to accrue until paid.

(b) Bank has the exclusive right to determine the order and manner in which all payments with respect to the Obligations may be applied while an Event of Default exists. If no Event of Default exists, Co-Borrowers shall have the right to specify the order or the accounts to which Bank shall allocate or apply any payments required to be made by Co-Borrowers to Bank or otherwise received by Bank under this Agreement when any such allocation or application is not specified elsewhere in this Agreement.

(c) Bank may debit any of Co-Borrowers' deposit accounts, including the Designated Deposit Account, for principal and interest payments or any other amounts Co-Borrowers owe Bank when due. These debits shall not constitute a set-off.

2.6 Withholding. Payments received by Bank from Co-Borrowers under this Agreement will be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority (including any interest, additions to tax or penalties applicable thereto) other than branch profits taxes or any taxes imposed on or measured by Lender's net income or franchise taxes (in lieu of net income taxes). Specifically, however, if at any time any Governmental Authority, applicable law, regulation or international agreement requires Co-Borrowers to make any withholding or deduction from any such payment or other sum payable hereunder to Bank, Co-Borrowers hereby covenant and agree that the amount due from Co-Borrowers with respect to such payment or other sum payable hereunder will be increased to the extent necessary to ensure that, after the making of such required withholding or deduction, Bank receives a net sum equal to the sum which it would have received had no withholding or deduction been required, and Co-Borrowers shall pay the full amount withheld or deducted to the relevant Governmental Authority. Co-Borrowers will, upon request, furnish Bank with proof reasonably satisfactory to Bank indicating that Co-Borrowers have made such withholding payment; provided, however, that Co-Borrowers need not make any withholding payment if the amount or validity of such withholding payment is contested in good faith by appropriate and timely proceedings and as to which payment in full is bonded or reserved against by Co-Borrowers. The agreements and obligations of Co-Borrowers contained in this Section 2.6 shall survive the termination of this Agreement.

3 CONDITIONS OF LOANS

3.1 Conditions Precedent to the Effectiveness of This Agreement and the Initial Credit Extension. The effectiveness of this Agreement as well as the Bank's obligation to make the initial Credit Extension are subject to the condition precedent that Bank shall have received, in form and substance satisfactory to Bank, such documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate, including, without limitation:

(a) duly executed signatures to the Loan Documents;

(b) duly executed signatures to the Warrants;

(c) each Co-Borrower's Operating Documents and long-form good standing certificates of each Co-Borrower certified by the Secretary of State (or equivalent agency) of such Co-Borrower's jurisdiction of organization or formation and each jurisdiction in which such Co-Borrower and each Subsidiary is qualified to conduct business, each as of a date no earlier than thirty (30) days prior to the Effective Date;

(d) duly executed signatures to the completed Borrowing Resolutions for each Co-Borrower;

(e) the Denmark Share Pledge Documents;

(f) duly executed signature to a payoff letter from Hercules Capital, Inc. in respect of the Existing Indebtedness, together with all documents and agreements executed in connection therewith, shall have been terminated and all amounts thereunder shall have been paid in full;

(g) evidence that (i) the Liens securing the Existing Indebtedness will be terminated and (ii) the documents and/or filings evidencing the perfection of such Liens, including without limitation any financing statements and/or control agreements, have or will in connection with the initial Credit Extension, be terminated;

(h) certified copies, dated as of a recent date, of financing statement searches, as Bank may request, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements either constitute Permitted Liens or have been or, in connection with the initial Credit Extension, will be terminated or released;

(i) the Perfection Certificates of Co-Borrowers, together with the duly executed signatures thereto;

(j) evidence satisfactory to Bank that the insurance policies and endorsements required by Section 6.5 hereof are in full force and effect, together with appropriate evidence showing lender loss payable and/or additional insured clauses or endorsements in favor of Bank; and

(k) payment of the fees and Bank Expenses then due as specified in Section 2.4 hereof.

3.2 Post-Closing Items. The Co-Borrowers agree to the deliver the following items to Bank, on a best efforts basis, within forty-five (45) days after the date hereof:

(a) a landlord's consent in favor of Bank for 900 S. Capital of Texas Hwy, Suite 150, Austin, TX 78746 by the respective landlord thereof, together with the duly executed original signatures thereto.

3.3 Conditions Precedent to all Credit Extensions. Bank's obligations to make each Credit Extension, including the initial Credit Extension, is subject to the following conditions precedent:

(a) timely receipt of an executed Payment/Advance Form;

(b) duly executed original signatures to a Warrant to Purchase Stock (in form and substance substantially consistent with the Warrants delivered from Parent to Bank and Life Science Loans, LLC on the Effective Date) issued by Parent to each of Bank and Life Science Loans, LLC;

(c) the representations and warranties of Co-Borrowers in this Agreement shall be true and correct in all material respects on the date of the Payment/Advance Form and on the Funding Date of each Credit Extension; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true and correct in all material respects as of such date, and no Event of Default shall have occurred and be continuing or result from the Credit Extension. Each Credit Extension is Co-Borrowers' representation and warranty on that date that the representations and warranties in this Agreement remain true and correct in all material respects; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true and correct in all material respects as of such date; and

(d) Bank determines to its satisfaction that there has not been a Material Adverse Change.

3.4 **Covenant to Deliver**. Co-Borrowers agree to deliver to Bank each item required to be delivered to Bank under this Agreement as a condition precedent to any Credit Extension. Co-Borrowers expressly agree that a Credit Extension made prior to the receipt by Bank of any such item shall not constitute a waiver by Bank of Co-Borrowers' obligation to deliver such item, and the making of any Credit Extension in the absence of a required item shall be in Bank's sole discretion.

4 CREATION OF SECURITY INTEREST

4.1 **Grant of Security Interest**. Co-Borrowers hereby grant Bank, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges to Bank, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof.

Each Co-Borrower acknowledges that it previously has entered, and/or may in the future enter, into Bank Services Agreements with Bank. Regardless of the terms of any Bank Services Agreement, Co-Borrowers agree that any amounts Co-Borrowers owe Bank thereunder shall be deemed to be Obligations hereunder and that it is the intent of Co-Borrowers and Bank to have all such Obligations secured by the first priority perfected security interest in the Collateral granted herein (subject only to Permitted Liens that are permitted pursuant to the terms of this Agreement to have superior priority to Bank's Lien in this Agreement).

If this Agreement is terminated, Bank's Lien in the Collateral shall continue until the Obligations (other than inchoate indemnity and reimbursement obligations) are repaid in full in cash. Upon payment in full in cash of the Obligations (other than inchoate indemnity or reimbursement obligations) and at such time as Bank's obligation to make Credit Extensions has terminated, Bank shall, at the sole cost and expense of Co-Borrowers, release its Liens in the Collateral and all rights therein shall revert to Co-Borrowers. In the event (x) all Obligations (other than inchoate indemnity and reimbursement obligations), except for Bank Services, are satisfied in full, and (y) this Agreement is terminated, Bank shall terminate the security interest granted herein upon Co-Borrowers providing cash collateral reasonably acceptable to Bank in its good faith business judgment for Bank Services, if any. In the event such Bank Services consist of outstanding Letters of Credit, Co-Borrowers shall provide to Bank cash collateral in an amount equal to (x) if such Letters of Credit are denominated in Dollars, then at least one hundred five percent (105.0%); and (y) if such Letters of Credit are denominated in a Foreign Currency, then at least one hundred ten percent (110.0%), of the Dollar Equivalent of the face amount of all such Letters of Credit plus all interest, fees, and costs due or to become due in connection therewith (as estimated by Bank in its business judgment), to secure all of the Obligations relating to such Letters of Credit.

4.2 **Priority of Security Interest**. Subject in each case below to Permitted Liens that may have seniority over Bank's Lien, Co-Borrowers represent, warrant, and covenant that the security interest granted herein is and shall at all times (subject to any periods for perfection expressly provided for in this Agreement) continue to be a first priority perfected security interest in the Collateral to the extent such security interest may be perfected by the filing of financing statements under the Uniform Commercial Code or control over deposit accounts. If any Co-Borrower acquires a commercial tort claim, such Co-Borrower shall promptly notify Bank in a writing signed by Co-Borrower of the general details thereof and grant to Bank in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Bank.

4.3 **Authorization to File Financing Statements**. Co-Borrowers hereby authorize Bank to file financing statements, without notice to Co-Borrowers, with all appropriate jurisdictions to perfect or protect Bank's interest or rights hereunder. Such financing statements may indicate the Collateral as "all assets of the Debtor" or words of similar effect, or as being of an equal or lesser scope, or with greater detail, all in Bank's discretion.

5 REPRESENTATIONS AND WARRANTIES

Each Co-Borrower represents and warrants as follows:

5.1 Due Organization, Authorization; Power and Authority. Co-Borrowers is duly existing and in good standing as a Registered Organization in its jurisdiction of formation and is qualified and licensed to do business and is in good standing in any jurisdiction in which the conduct of its business or its ownership of property requires that it be qualified except where the failure to be in good standing or qualified and licensed to do business could not reasonably be expected to have a material adverse effect on Co-Borrower's business. In connection with this Agreement, Co-Borrower has delivered to Bank completed certificate signed by Co-Borrower entitled "Perfection Certificate". Co-Borrower represents and warrants to Bank that (a) Co-Borrower's exact legal name is that indicated on the Perfection Certificate and on the signature page hereof; (b) Co-Borrower is an organization of the type and is organized in the jurisdiction set forth in the Perfection Certificate; (c) the Perfection Certificate accurately sets forth Co-Borrower's organizational identification number or accurately states that Co-Borrower has none; (d) the Perfection Certificate accurately sets forth Co-Borrower's place of business, or, if more than one, its chief executive office as well as Co-Borrower's mailing addresses (if different than its chief executive office); (e) except as disclosed in the Perfection Certificate, Co-Borrower (and each of its predecessors) has not, in the past five (5) years, changed its jurisdiction of formation, organizational structure or type, or any organizational number assigned by its jurisdiction; and (f) all other information set forth on the Perfection Certificate pertaining to Co-Borrower and each of its Subsidiaries is accurate and complete in all material respects (it being understood and agreed that Co-Borrower may from time to time update certain information in the Perfection Certificate after the Effective Date to the extent permitted by one or more specific provisions in this Agreement).

The execution, delivery and performance by Co-Borrower of the Loan Documents to which it is a party have been duly authorized by Co-Borrower, and do not (i) conflict with any of Co-Borrower's organizational documents, (ii) contravene, conflict with, constitute a default under or violate any material Requirement of Law applicable to Co-Borrower, (iii) contravene, conflict or violate any applicable order, writ, judgment, injunction, decree, determination or award of any Governmental Authority by which Co-Borrower or any of its Subsidiaries or any of their property or assets is bound, (iv) require on the part of Co-Borrower any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except such Governmental Approvals which have already been obtained and are in full force and effect, filings in connection with perfecting the security interest in the Collateral and filings under applicable securities laws in connection with the Warrants) or (v) conflict with, contravene, constitute a default or breach under, or result in or permit the termination or acceleration of, any material agreement by which Co-Borrower is bound. Co-Borrower is not in default under any agreement to which it is a party or by which it is bound in which the default could reasonably be expected to have a material adverse effect on Co-Borrower's business.

5.2 Collateral. Co-Borrower has good title to, rights in, and the power to transfer each item of the Collateral upon which it purports to grant a Lien hereunder, free and clear of any and all Liens except Permitted Liens. Co-Borrower has no Collateral Accounts at or with any bank or financial institution other than Bank or Bank's Affiliates except for the Collateral Accounts described in the Perfection Certificate delivered to Bank in connection herewith and which Co-Borrower has taken such actions as are necessary to give Bank a perfected security interest therein, pursuant to the terms of Section 6.6(b). The Accounts are bona fide, existing obligations of the Account Debtors.

The Collateral is not in the possession of any third party bailee (such as a warehouse) except as otherwise provided in the Perfection Certificate or as updated in the Quarterly Compliance Certificate delivered pursuant to Section 6.2(b). None of the components of the Collateral shall be maintained at locations other than as provided in the Perfection Certificate or as permitted pursuant to Section 7.2.

Co-Borrower is the sole owner of the Intellectual Property which it owns or purports to own except for (a) non-exclusive licenses granted to its customers in the ordinary course of business, (b) over-the-counter software that is commercially available to the public and other non-material Intellectual Property licensed to Co-Borrower, and (c) material Intellectual Property licensed to Co-Borrower and noted on the Perfection Certificate. Each Patent which it owns or purports to own and which is material to Co-Borrower's business is valid and enforceable, and no part of the Intellectual Property which Co-Borrowers own or purport to own and which is material to Co-Borrower's

business has been judged invalid or unenforceable, in whole or in part. To the best of Co-Borrower's knowledge, no claim has been in made in writing that any part of the Intellectual Property violates the rights of any third party except to the extent such claim would not reasonably be expected to have a material adverse effect on Co-Borrower's business.

5.3 Intentionally Omitted.

5.4 Litigation. There are no actions or proceedings pending or, to the knowledge of any Responsible Officer, threatened in writing by or against Co-Borrower or any of its Subsidiaries that could reasonably be expected to result in a Material Adverse Change.

5.5 Financial Statements; Financial Condition. All consolidated financial statements for Co-Borrower and any of its Subsidiaries delivered to Bank fairly present in all material respects Co-Borrower's consolidated financial condition and Co-Borrower's consolidated results of operations as at their date or for the periods covered thereby. There has not been any material deterioration in Co-Borrower's consolidated financial condition since the date of the most recent financial statements submitted to Bank.

5.6 Solvency. The fair salable value of Co-Borrower's consolidated assets (including goodwill minus disposition costs) exceeds the fair value of Co-Borrower's liabilities; Co-Borrower is not left with unreasonably small capital after the transactions in this Agreement; and Co-Borrower is able to pay its debts (including trade debts) as they mature.

5.7 Regulatory Compliance. Co-Borrower is not an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act of 1940, as amended. Co-Borrower is not engaged as one of its important activities in extending credit for margin stock (under Regulations X, T and U of the Federal Reserve Board of Governors). Co-Borrower (a) has complied in all material respects with all Requirements of Law, and (b) has not violated any Requirements of Law the violation of which could reasonably be expected to have a material adverse effect on its business. None of Co-Borrower's or any of its Subsidiaries' properties or assets has been used by Co-Borrower or any Subsidiary or, to the best of Co-Borrower's knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than legally. Co-Borrower and each of its Subsidiaries have obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all Government Authorities that are necessary to continue their respective businesses as currently conducted.

5.8 Subsidiaries; Investments. Co-Borrower does not own any stock, partnership, or other ownership interest or other equity securities except for Permitted Investments.

5.9 Tax Returns and Payments; Pension Contributions. Co-Borrower has timely filed all required tax returns and reports, and Co-Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Co-Borrower except to the extent (i) the aggregate amount of such taxes, assessments, deposits and contributions does not exceed One Hundred Thousand Dollars ($100,000) or (ii) such taxes are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted, so long as such reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made therefor.

To the extent Co-Borrower defers payment of any contested taxes, Co-Borrower shall (i) notify Bank in writing of the commencement of, and any material development in, the proceedings, and (ii) post bonds or take any other steps required to prevent the governmental authority levying such contested taxes from obtaining a Lien upon any of the Collateral that is other than a "Permitted Lien." Co-Borrower is unaware of any claims or adjustments proposed for any of Co-Borrower's prior tax years which could result in additional taxes becoming due and payable by Co-Borrower. Co-Borrower has paid all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms, and Co-Borrower has not withdrawn from participation in, and has not permitted partial or complete termination of, or permitted the occurrence of any other event with respect to, any such plan which could reasonably be expected to result in any liability of Co-Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other Governmental Authority.

5.10 Use of Proceeds. Co-Borrower shall use the proceeds of the Credit Extensions solely as working capital, to pay off the Existing Indebtedness and to fund its general business requirements and not for personal, family, household or agricultural purposes.

5.11 Full Disclosure. No written representation, warranty or other statement of Co-Borrower in any certificate or written statement given to Bank, as of the date such representation, warranty, or other statement was made, taken together with all such written certificates and written statements given to Bank and Co-Borrower's filings with the SEC, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading (it being recognized by Bank that the projections and forecasts provided by Co-Borrower in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

5.12 Definition of "Knowledge." For purposes of the Loan Documents, whenever a representation or warranty is made to Co-Borrower's knowledge or awareness, to the "best of" Co-Borrower's knowledge, or with a similar qualification, knowledge or awareness means the actual knowledge, after reasonable investigation, of any Responsible Officer.

6 AFFIRMATIVE COVENANTS

Co-Borrowers shall do all of the following:

6.1 Government Compliance.

(a) Except as permitted by Section 7.1 or Section 7.3, maintain their and all their Subsidiaries' legal existence and good standing (to the extent such concept is applicable) in their respective jurisdictions of formation and maintain their respective qualification in each jurisdiction (to the extent such concept is applicable) in which the failure to so qualify would reasonably be expected to have a material adverse effect on a Co-Borrower's business or operations. Each Co-Borrower shall comply, and have each Subsidiary comply, in all material respects, with all laws, ordinances and regulations to which it is subject.

(b) Obtain all of the Governmental Approvals necessary for the performance by a Co-Borrower of its obligations under the Loan Documents to which it is a party and the grant of a security interest to Bank in all of its property. Upon Bank's request, Co-Borrowers shall promptly provide copies of any such obtained Governmental Approvals to Bank.

6.2 Financial Statements, Reports, Certificates. Provide Bank with the following:

(a) Quarterly Financial Statements. As soon as available, but no later than forty-five (45) days after the last day of each of the first three (3) quarters of Parent's fiscal year, a company prepared consolidated balance sheet and income statement covering Parent's consolidated operations for such quarter certified by a Responsible Officer and in a form reasonably acceptable to Bank (it being agreed that the form of such financial statements included in Parent's Quarterly Report on Form 10-Q filed with the SEC is acceptable to Bank) (the "**Quarterly Financial Statements**");

(b) Quarterly Compliance Certificate. Within forty-five (45) days after the last day of each fiscal quarter, a duly completed Compliance Certificate signed by a Responsible Officer, certifying that as of the end of such quarter or year, as applicable, Co-Borrowers were in full compliance with all of the terms and conditions of this Agreement;

(c) Annual Operating Budget and Financial Projections. Within thirty (30) of being approved by Parent's board of directors, (i) annual operating budgets (including income statements, balance sheets and cash flow statements, by month) for the upcoming fiscal year of Parent, and (ii) annual financial projections for the following fiscal year (on a quarterly basis) as approved by Parent's board of directors, together with any related business forecasts used in the preparation of such annual financial projections;

(d) Annual Audited Financial Statements. As soon as available, but no later than one hundred eighty (180) days after the last day of Parent's fiscal year, audited consolidated financial statements prepared under GAAP, consistently applied, together with an unqualified opinion on the financial statements from an independent certified public accounting firm reasonably acceptable to Bank (the "**Annual Financial Statements**");

(e) Other Statements. Within five (5) days of delivery, copies of all statements, reports and notices made available to all of each Co-Borrower's security holders or to any holders of Subordinated Debt, in each case in their capacities as such;

(f) SEC Filings. Within five (5) days of filing, copies of all periodic and other reports, proxy statements and other materials filed by such Co-Borrower with the SEC, any Governmental Authority succeeding to any or all of the functions of the SEC. Documents required to be delivered pursuant to the terms of this Section 6.2 (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which such Co-Borrower posts such documents, or provides a link thereto, on such Co-Borrower's website on the Internet at such Co-Borrower's website address; provided, however, Co-Borrower shall promptly notify Bank in writing (which may be by electronic mail) of the posting of any such documents;

(g) Legal Action Notice. A prompt report of any legal actions pending or threatened in writing against a Co-Borrower or any of its Subsidiaries that could reasonably be expected to result in damages to a Co-Borrower or any of its Subsidiaries of, individually or in the aggregate, One Hundred Thousand Dollars ($100,000) or more; and

(h) Other Financial Information. Other financial information reasonably requested by Bank.

6.3 Inventory; Returns. Keep all Inventory in good and marketable condition, free from material defects. Returns and allowances between a Co-Borrower and its Account Debtors shall follow such Co-Borrower's customary practices as they exist at the Effective Date or as they may be changed in such Co-Borrower's business judgment.

6.4 Taxes; Pensions. Timely file and require each of their Subsidiaries to timely file, all required tax returns and reports and timely pay, and require each of their Subsidiaries to timely pay, all foreign, federal, state and local taxes, assessments, deposits and contributions owed by a Co-Borrower and each of its Subsidiaries, except for deferred payment of any taxes contested pursuant to the terms of Section 5.9 hereof and taxes with respect to which the amount does not exceed the amount set forth in Section 5.9 hereof, and shall deliver to Bank, on demand, appropriate certificates attesting to such tax payments. Pay all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms.

6.5 Insurance.

(a) Keep their business and the Collateral insured for risks and in amounts standard for companies in Co-Borrowers' industry and location and as Bank may reasonably request. Insurance policies shall be in a form, with financially sound and reputable insurance companies that are not Affiliates of Co-Borrowers, and in amounts that are customary for companies in Co-Borrowers' industry and location. All property policies shall have a lender's loss payable endorsement showing Bank as lender loss payee. All liability policies shall show, or have endorsements showing, Bank as an additional insured. Bank shall be named as lender loss payee and/or additional insured with respect to any such insurance providing coverage in respect of any Collateral.

(b) Ensure that proceeds payable under any property policy are, at Bank's option, payable to Bank on account of the Obligations. Notwithstanding the foregoing, (a) so long as no Event of Default has occurred and is continuing, Borrower shall have the option of applying the proceeds of any casualty policy up to One Hundred Thousand Dollars ($100,000.00) with respect to any loss, but not exceeding Two Hundred Fifty Thousand Dollars ($250,000.00) in the aggregate for all losses under all casualty policies in any one (1) year, toward the replacement or repair of destroyed or damaged property; provided that any such replaced or repaired property (i)

shall be of equal or like value as the replaced or repaired Collateral and (ii) shall be deemed Collateral in which Bank has been granted a first priority security interest, and (b) after the occurrence and during the continuance of an Event of Default, all proceeds payable under such casualty policy shall, at the option of Bank, be payable to Bank on account of the Obligations.

6.6 Operating Accounts.

(a) Maintain their primary and their Domestic Subsidiaries' primary operating and other deposit accounts and securities accounts with Bank and Bank's Affiliates which accounts shall represent at least eighty percent (80%) of the dollar value of Co-Borrowers' and such Domestic Subsidiaries accounts at all financial institutions. Savara Denmark may maintain accounts in Denmark outside of Bank and Bank's affiliates so long as the aggregate balances in such accounts does not exceed One Million Dollars ($1,000,000) other than for any three (3) day period where the balances in such accounts may be in an amount not to exceed Five Million Dollars ($5,000,000), provided further that such amounts are within three (3) days used to fund clinical development.

(b) Provide Bank five (5) days prior written notice before Co-Borrowers establish any Collateral Account at or with any bank or financial institution other than Bank or Bank's Affiliates. For each Collateral Account that a Co-Borrower at any time maintains, such Co-Borrower shall cause the applicable bank or financial institution (other than Bank) at or with which any Collateral Account is maintained to execute and deliver a Control Agreement or other appropriate instrument with respect to such Collateral Account to perfect Bank's Lien in such Collateral Account in accordance with the terms hereunder which Control Agreement may not be terminated without the prior written consent of Bank. The provisions of the previous sentence shall not apply to deposit accounts exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of a Co-Borrower's employees and identified to Bank by such Co-Borrower as such.

6.7 Intentionally Omitted.

6.8 Protection of Intellectual Property Rights.

(a) (i) Protect, defend and maintain the validity and enforceability of its Intellectual Property that has any material value; (ii) promptly advise Bank in writing of material infringements or any other event that could reasonably be expected to materially and adversely affect the value of its Intellectual Property that has any material value; and (iii) not allow any Intellectual Property material to a Co-Borrower's business to be abandoned, forfeited or dedicated to the public without Bank's written consent.

(b) Provide written notice to Bank concurrently with the required delivery of a Compliance Certificate pursuant to Section 6.2, of entering or becoming bound by any Restricted License (other than commercial off-the-shelf technology license agreements or other similar agreements that are commercially available to the public). Co-Borrowers shall take such commercially reasonable steps as Bank reasonably requests to obtain the consent of, or waiver by, any person whose consent or waiver is necessary for (i) any Restricted License to be deemed "Collateral" and for Bank to have a security interest in it that might otherwise be restricted or prohibited by law or by the terms of any such Restricted License, whether now existing or entered into in the future, and (ii) Bank to have the ability in the event of a liquidation of any Collateral to dispose of such Collateral in accordance with Bank's rights and remedies under this Agreement and the other Loan Documents.

6.9 Litigation Cooperation. From the date hereof and continuing through the termination of this Agreement, make available to Bank, without expense to Bank, Co-Borrowers and their officers, employees and agents and Co-Borrowers' books and records, to the extent that Bank may deem them reasonably necessary to prosecute or defend any third-party suit or proceeding instituted by or against Bank with respect to any Collateral or relating to a Co-Borrower.

6.10 Access to Collateral; Books and Records. Allow Bank, or its agents, to inspect the Collateral and audit and copy any Co-Borrower's Books. Such inspections or audits shall be conducted no more often than once every twelve (12) months unless an Event of Default has occurred and is continuing in which case such inspections and audits shall occur as often as Bank shall determine is necessary. The foregoing inspections and

audits shall be at Co-Borrowers' expense, and the charge therefor shall be One Thousand Dollars ($1,000) per person per day (or such higher amount as shall represent Bank's then-current standard charge for the same), plus reasonable out-of-pocket expenses. In the event a Co-Borrower and Bank schedule an audit more than ten (10) days in advance, and such Co-Borrower cancels or seeks to reschedule the audit with less than ten (10) days written notice to Bank, then (without limiting any of Bank's rights or remedies), such Co-Borrower shall pay Bank a fee of One Thousand Dollars ($1,000) plus any out-of-pocket expenses incurred by Bank to compensate Bank for the anticipated costs and expenses of the cancellation or rescheduling.

6.11 Formation or Acquisition of Subsidiaries. Notwithstanding and without limiting the negative covenants contained in Sections 7.3 and 7.7 hereof, at the time that a Co-Borrower forms any direct or indirect Subsidiary or acquires any direct or indirect Subsidiary after the Effective Date, such Co-Borrower shall (a) cause such new Domestic Subsidiary to provide to Bank a joinder to the Loan Agreement to cause such Domestic Subsidiary to become a Co-Borrower hereunder, together with such appropriate financing statements and/or Control Agreements, all in form and substance reasonably satisfactory to Bank (including being sufficient to grant Bank a first priority Lien (subject to Permitted Liens) in and to the Collateral of such newly formed or acquired Subsidiary), (b) provide to Bank appropriate certificates and powers and financing statements, pledging all of the direct or beneficial ownership interest in such new Subsidiary (or sixty five percent (65%) thereof for any Subsidiary that is a Foreign Subsidiary or FSHCO), in form and substance reasonably satisfactory to Bank, and (c) provide to Bank all other documentation reasonably requested by Bank in form and substance reasonably satisfactory to Bank, including one or more opinions of counsel satisfactory to Bank, which in its opinion is appropriate with respect to the execution and delivery of the applicable documentation referred to above. Any document, agreement, or instrument executed or issued pursuant to this Section 6.11 shall be a Loan Document. For the avoidance of doubt, the foregoing provisions of this Section shall not apply to any of the Co-Borrowers' existing Subsidiaries in existence as of the date hereof.

6.12 Further Assurances. Execute any further instruments and take further action as Bank reasonably requests to perfect or continue Bank's Lien in the Collateral or to effect the purposes of this Agreement. Upon Bank's request, deliver to Bank, within five (5) days after such request, copies of all correspondence, reports, documents and other filings with any Governmental Authority regarding compliance with or maintenance of Governmental Approvals or Requirements of Law or that could reasonably be expected to have a material effect on the operations of Co-Borrowers or any of their Subsidiaries.

7 NEGATIVE COVENANTS

No Co-Borrower shall not do any of the following without Bank's prior written consent:

7.1 Dispositions. Convey, sell, lease, transfer, assign, or otherwise dispose of (collectively, "**Transfer**"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for Transfers (a) of Inventory in the ordinary course of business; (b) of worn-out, surplus or obsolete Equipment that is, in the reasonable judgment of Co-Borrower, no longer economically practicable to maintain or useful in the ordinary course of business of Co-Borrower; (c) consisting of Permitted Liens and Permitted Investments; (d) Transfers not to exceed One Hundred Thousand ($100,000) in the aggregate in any fiscal year; (e) consisting of Co-Borrower's use or transfer of money or Cash Equivalents in a manner that is not prohibited by the terms of this Agreement or the other Loan Documents; (f) of non-exclusive licenses for the use of the property of Co-Borrower or its Subsidiaries in the ordinary course of business and licenses that could not result in a legal transfer of title of the licensed property but that may be exclusive in respects other than territory and that may be exclusive as to territory only as to discreet geographical areas outside of the United States; (g) the surrender or waiver of contractual rights or the settlement, release or surrender of contractual rights, obligations of customers or suppliers or other litigation claims in the ordinary course of business; (h) the abandonment of Intellectual Property that is, in the reasonable judgment of the Co-Borrower, no longer economically practicable or commercially desirable to maintain or that is not material to the conduct of the business of Co-Borrower and its Subsidiaries; and (i) Transfers permitted by Section 7.3, Section 7.7 or Section 7.11.

7.2 Changes in Business, Control, or Business Locations. (a) Engage in or permit any of its Subsidiaries to engage in any business other than the businesses currently engaged in by each Co-Borrower and such Subsidiary, as applicable, or reasonably related thereto or constituting a reasonable extension thereof; (b) liquidate or dissolve; or (c) permit or suffer any Change in Control.

Co-Borrower shall not, without at least ten (10) days prior written notice to Bank (or such shorter period as may be agreed by Bank): (1) add any new offices or business locations, including warehouses (unless such new offices or business locations contain less than Fifty Thousand Dollars ($50,000) in Co-Borrower's assets or property) or deliver any portion of the Collateral (other than movable items of personal property such as laptop computers) valued, individually or in the aggregate, in excess of Fifty Thousand Dollars ($50,000) to a bailee at a location other than to a bailee and at a location already disclosed in the Perfection Certificate, (2) change its jurisdiction of organization, (3) change its organizational type, (4) change its legal name, or (5) change any organizational number (if any) assigned by its jurisdiction of organization. If Co-Borrower intends to deliver any portion of the Collateral (other than movable items of personal property such as laptop computers) valued, individually or in the aggregate, in excess of Fifty Thousand Dollars ($50,000) to a bailee, and Bank and such bailee are not already parties to a bailee agreement governing both the Collateral and the location to which Co-Borrower intends to deliver the Collateral, then Co-Borrower will first receive the written consent of Bank, and such bailee shall execute and deliver a bailee agreement in form and substance reasonably satisfactory to Bank.

7.3 Mergers or Acquisitions. Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person (including, without limitation, by the formation of any Subsidiary) other than a Permitted Investment. Notwithstanding the foregoing, a Subsidiary may merge or consolidate into another Subsidiary or into Co-Borrower.

7.4 Indebtedness. Create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness.

7.5 Encumbrance. (a) Create, incur, allow, or suffer any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, in each case except for Permitted Liens and Transfers permitted by Section 7.01, (b) permit any Collateral not to be subject to the first priority security interest granted herein (to the extent the perfection of such security interests is required by this Agreement), or (c) enter into any agreement, document, instrument or other arrangement (except with or in favor of Bank) with any Person which directly or indirectly prohibits or has the effect of prohibiting Co-Borrower or any Subsidiary from assigning, mortgaging, pledging, granting a security interest in or upon, or encumbering any of Co-Borrower's or any Subsidiary's Intellectual Property, except (i) as is otherwise permitted in Section 7.1 hereof, (ii) as permitted by the definition of Permitted Liens", (iii) restrictions in merger or acquisition agreements, provided that such covenants do not prohibit Borrower from granting a security interest in such Borrower's property in favor of Bank and provided further that the counter-parties to such covenants are not permitted to receive a security interest in Borrower's property and (iv) customary provisions in contracts and licenses prohibiting the assignment thereof.

7.6 Maintenance of Collateral Accounts. Maintain any Collateral Account except pursuant to the terms of Section 6.6(b) hereof.

7.7 Distributions; Investments. (a) Pay any dividends or make any distribution or payment or redeem, retire or purchase any capital stock of a Co-Borrower other than Permitted Distributions; or (b) directly or indirectly make any Investment (including, without limitation, by the formation of any Subsidiary) other than Permitted Investments, or permit any of its Subsidiaries to do so other than Permitted Investments.

7.8 Transactions with Affiliates. Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Co-Borrower, except for (a) transactions that are in the ordinary course of Co-Borrower's business, upon fair and reasonable terms that are no less favorable to Co-Borrower than would be obtained in an arm's length transaction with a non-affiliated Person, (b) Permitted Distributions and (c) Permitted Investments.

7.9 Subordinated Debt. (a) Make or permit any payment on any Subordinated Debt, except under the terms of the subordination, intercreditor, or other similar agreement to which such Subordinated Debt is subject, or upon the conversion of any such Subordinated Debt into equity securities of any Co-Borrower (and cash in lieu of fractional shares), or (b) amend any provision in any document relating to the Subordinated Debt which would increase the amount thereof, provide for earlier or greater principal, interest, or other payments thereon, or adversely affect the subordination thereof to Obligations owed to Bank.

7.10 Compliance. Become an "investment company" or a company controlled by an "investment company", under the Investment Company Act of 1940, as amended, or undertake as one of its important activities extending credit to purchase or carry margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System), or use the proceeds of any Credit Extension for that purpose; fail to (a) meet the minimum funding requirements of ERISA, (b) prevent a Reportable Event or Prohibited Transaction as defined in ERISA, or (c) comply with the Federal Labor Standards Act, the failure of any of the conditions in clauses (a) through (c) which could reasonably be expected to have a material adverse effect on Co-Borrower's business, or violate any other law or regulation, if the violation could reasonably be expected to have a materials adverse effect on Co-Borrower's business or permit any Subsidiaries to do so; withdraw or permit any Subsidiary to withdraw from participation in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any present pension, profit sharing and deferred compensation plan which could reasonably be expected to result in any liability of Co-Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other Governmental Authority.

7.11 Assets in Foreign Subsidiaries. (i) Transfer to, or permit Savara Denmark to hold or maintain, at any time tangible assets of an aggregate value in excess of Five Million Dollars ($5,000,000). (ii) Transfer to, or permit Foreign Subsidiaries that are not Savara Denmark to hold or maintain, at any time tangible assets of an aggregate value in excess of One Hundred Thousand Dollars ($100,000). (iii) Transfer to, or permit Domestic Subsidiaries, that are not Co-Borrowers, to hold or maintain, at any time tangible assets of an aggregate value in excess of One Hundred Thousand Dollars ($100,000).

8 EVENTS OF DEFAULT

Any one of the following shall constitute an event of default (an "**Event of Default**") under this Agreement:

8.1 Payment Default. Co-Borrowers fail to (a) make any payment of principal or interest on any Credit Extension when due, or (b) pay any other Obligations within three (3) Business Days after such Obligations are due and payable (which three (3) Business Day cure period shall not apply to payments due on the Term Loan Maturity Date). During the cure period, the failure to make or pay any payment specified under clause (b) hereunder is not an Event of Default (but no Credit Extension will be made during the cure period);

8.2 Covenant Default.

(a) Co-Borrowers fail or neglect to perform any obligation in Sections 6.2, 6.4, 6.5, 6.6, 6.8(b), 6.10, 6.11, 6.12 or violate any covenant in Section 7; or

(b) Co-Borrowers fail or neglect to perform, keep, or observe any other term, provision, condition, covenant or agreement contained in this Agreement or any Loan Documents, and as to any default (other than those specified in this Section 8) under such other term, provision, condition, covenant or agreement that can be cured, have failed to cure the default within ten (10) Business Days after the occurrence thereof; provided, however, that if the default cannot by its nature be cured within the ten (10) Business Day period or cannot after diligent attempts by Co-Borrowers be cured within such ten (10) Business Day period, and such default is likely to be cured within a reasonable time, then Co-Borrowers shall have an additional period (which shall not in any case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to cure the default shall not be deemed an Event of Default (but no Credit Extensions shall be made during such cure period). Cure periods provided under this section shall not apply, among other things, any covenants set forth in clause (a) above;

8.3 Material Adverse Change. A Material Adverse Change occurs;

8.4 Attachment; Levy; Restraint on Business.

(a) (i) The service of process seeking to attach, by trustee or similar process, any funds of a Co-Borrower or of any entity under the control of a Co-Borrower (including a Subsidiary), or (ii) a notice of lien or levy is filed against any of a Co-Borrower's assets by any Governmental Authority, and the same under subclauses (i) and (ii) hereof are not, within ten (10) days after the occurrence thereof, discharged or stayed (whether through the posting of a bond or otherwise); provided, however, no Credit Extensions shall be made during any ten (10) day cure period; or

(b) (i) any material portion of a Co-Borrower's assets is attached, seized, levied on, or comes into possession of a trustee or receiver, or (ii) any court order enjoins, restrains, or prevents a Co-Borrower from conducting all or any material part of its business;

8.5 Insolvency. (a) A Co-Borrower or any of its Subsidiaries is unable to pay its debts (including trade debts) as they become due or otherwise becomes insolvent; a Co-Borrower or any of its Subsidiaries fails to be solvent as described under Section 5.6 hereof; (b) a Co-Borrower or any of its Subsidiaries begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against a Co-Borrower or any of its Subsidiaries and is not dismissed or stayed within forty five (45) days (but no Credit Extensions shall be made while any of the conditions described in clause (a) exist and/or until any Insolvency Proceeding is dismissed);

8.6 Other Agreements. There is, under any agreement to which a Co-Borrower or any Guarantor is a party with a third party or parties, (a) any default resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount individually or in the aggregate in excess of One Hundred Thousand Dollars ($100,000); or (b) any breach or default by a Co-Borrower or Guarantor, the result of which could have a material adverse effect on a Co-Borrower's or any Guarantor's business;

8.7 Judgments; Penalties. One or more fines, penalties or final judgments, orders or decrees for the payment of money in an amount, individually or in the aggregate, of at least Two Hundred Fifty Thousand Dollars ($250,000) (not covered by independent third-party insurance as to which liability has been accepted by such insurance carrier) shall be rendered against a Co-Borrower by any Governmental Authority, and the same are not, within fifteen (15) days after the entry, assessment or issuance thereof, discharged, satisfied, or paid, or after execution thereof, stayed or bonded pending appeal, or such judgments are not discharged prior to the expiration of any such stay (provided that no Credit Extensions will be made prior to the satisfaction, payment, discharge, stay, or bonding of such fine, penalty, judgment, order or decree);

8.8 Misrepresentations. A Co-Borrower or any Person acting for a Co-Borrower makes any representation, warranty, or other statement now or later in this Agreement, any Loan Document or in any writing delivered to Bank or to induce Bank to enter this Agreement or any Loan Document, and such representation, warranty, or other statement is incorrect in any material respect when made;

8.9 Subordinated Debt. Any document, instrument, or agreement evidencing any Subordinated Debt shall for any reason be revoked or invalidated or otherwise cease to be in full force and effect (other than pursuant to its terms), any Person shall be in breach thereof or contest in any manner the validity or enforceability thereof or deny that it has any further liability or obligation thereunder, or the Obligations shall for any reason be subordinated or shall not have the priority contemplated by this Agreement;

8.10 Guaranty. (a) Any guaranty of any Obligations terminates or ceases for any reason to be in full force and effect; (b) any Guarantor does not perform any obligation or covenant under any guaranty of the Obligations; (c) any circumstance described in Sections 8.3, 8.4, 8.5, 8.7, or 8.8 occurs with respect to any Guarantor, or (d) the liquidation, winding up, or termination of existence of any Guarantor; or (e) a material adverse change in the general affairs, management, results of operation, condition (financial or otherwise) or the prospect of repayment of the Obligations occurs with respect to any Guarantor.

9 BANK'S RIGHTS AND REMEDIES

9.1 Rights and Remedies. Upon the occurrence and during the continuance of an Event of Default, Bank may, without notice or demand, do any or all of the following:

(a) declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs all Obligations are immediately due and payable without any action by Bank);

(b) stop advancing money or extending credit for Co-Borrowers' benefit under this Agreement or under any other agreement between Co-Borrowers and Bank;

(c) for any letters of credit demand that any Co-Borrower (i) deposit cash with Bank in an amount equal to at least one hundred ten percent (110%) of the Dollar Equivalent of the aggregate face amount of all Letters of Credit remaining undrawn (plus all interest, fees, and costs due or to become due in connection therewith (as estimated by Bank in its good faith business judgment)), to secure all of the Obligations relating to such Letters of Credit, as collateral security for the repayment of any future drawings under such Letters of Credit, and such Co-Borrower shall forthwith deposit and pay such amounts, and (ii) pay in advance all letter of credit fees scheduled to be paid or payable over the remaining term of any Letters of Credit;

(d) terminate any FX Contracts;

(e) verify the amount of, demand payment of and performance under, and collect any Accounts and General Intangibles, settle or adjust disputes and claims directly with Account Debtors for amounts on terms and in any order that Bank considers advisable, and notify any Person owing a Co-Borrower money of Bank's security interest in such funds;

(f) make any payments and do any acts it considers necessary or reasonable to protect the Collateral and/or its security interest in the Collateral. Co-Borrowers shall assemble the Collateral if Bank requests and make it available as Bank designates. Bank may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Each Co-Borrower grants Bank a license to enter and occupy any of its premises, without charge, to exercise any of Bank's rights or remedies;

(g) apply to the Obligations any (i) balances and deposits of a Co-Borrower it holds, or (ii) any amount held by Bank owing to or for the credit or the account of a Co-Borrower;

(h) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral. Bank is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, a Co-Borrower's labels, Patents, Copyrights, mask works, rights of use of any name, trade secrets, trade names, Trademarks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Bank's exercise of its rights under this Section, Co-Borrowers' rights under all licenses and all franchise agreements inure to Bank's benefit;

(i) place a "hold" on any account maintained with Bank and/or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any Control Agreement or similar agreements providing control of any Collateral;

(j) demand and receive possession of a Co-Borrower's Books; and

(k) exercise all rights and remedies available to Bank under the Loan Documents or at law or equity, including all remedies provided under the Code (including disposal of the Collateral pursuant to the terms thereof).

9.2 Power of Attorney. Each Co-Borrower hereby irrevocably appoints Bank as its lawful attorney-in-fact, exercisable only upon the occurrence and during the continuance of an Event of Default, to: (a) endorse Co-Borrower's name on any checks or other forms of payment or security; (b) sign Co-Borrower's name on any invoice or bill of lading for any Account or drafts against Account Debtors; (c) settle and adjust disputes and claims about the Accounts directly with Account Debtors, for amounts and on terms Bank determines reasonable; (d) make, settle, and adjust all claims under Co-Borrower's insurance policies; (e) pay, contest or settle any Lien, charge, encumbrance, security interest, and adverse claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; and (f) transfer the Collateral into the name of Bank or a third party as the Code permits. Each Co-Borrower hereby appoints Bank as its lawful attorney-in-fact to sign Co-Borrower's name on any documents necessary to perfect or continue the perfection of Bank's security interest in the Collateral regardless of whether an Event of Default has occurred until all Obligations (other than contingent indemnity or reimbursement obligations for which no claim has been made) have been satisfied in full and Bank is under no further obligation to make Credit Extensions hereunder. Bank's foregoing appointment as each Co-Borrower's attorney in fact, and all of Bank's rights and powers, coupled with an interest, are irrevocable until all Obligations (other than contingent indemnity or reimbursement obligations for which no claim has been made) have been fully repaid and performed and Bank's obligation to provide Credit Extensions terminates.

9.3 Protective Payments. If a Co-Borrower fails to obtain the insurance called for by Section 6.5 or fails to pay any premium thereon or fails to pay any other amount which such Co-Borrower is obligated to pay under this Agreement or any other Loan Document or which may be required to preserve the Collateral, Bank may obtain such insurance or make such payment, and all amounts so paid by Bank are Bank Expenses and immediately due and payable, bearing interest at the then highest rate applicable to the Obligations, and secured by the Collateral. Bank will make reasonable efforts to provide Co-Borrowers with notice of Bank obtaining such insurance at the time it is obtained or within a reasonable time thereafter. No payments by Bank are deemed an agreement to make similar payments in the future or Bank's waiver of any Event of Default.

9.4 Application of Payments and Proceeds Upon Default. If an Event of Default has occurred and is continuing, Bank shall have the right to apply in any order any funds in its possession, whether from Co-Borrowers account balances, payments, proceeds realized as the result of any collection of Accounts or other disposition of the Collateral, or otherwise, to the Obligations. Bank shall pay any surplus to Co-Borrowers by credit to the Designated Deposit Account or to other Persons legally entitled thereto; Co-Borrowers shall remain liable to Bank for any deficiency. If Bank, directly or indirectly, enters into a deferred payment or other credit transaction with any purchaser at any sale of Collateral, Bank shall have the option, exercisable at any time, of either reducing the Obligations by the principal amount of the purchase price or deferring the reduction of the Obligations until the actual receipt by Bank of cash therefor.

9.5 Bank's Liability for Collateral. So long as Bank complies with reasonable banking practices regarding the safekeeping of the Collateral in the possession or under the control of Bank, Bank shall not be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other Person. Co-Borrowers bear all risk of loss, damage or destruction of the Collateral.

9.6 No Waiver; Remedies Cumulative. Bank's failure, at any time or times, to require strict performance by Co-Borrowers of any provision of this Agreement or any other Loan Document shall not waive, affect, or diminish any right of Bank thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by the party granting the waiver and then is only effective for the specific instance and purpose for which it is given. Bank's rights and remedies under this Agreement and the other Loan Documents are cumulative. Bank has all rights and remedies provided under the Code, by law, or in equity. Bank's exercise of one right or remedy is not an election and shall not preclude Bank from exercising any other remedy under this Agreement or other remedy available at law or in equity, and Bank's waiver of any Event of Default is not a continuing waiver. Bank's delay in exercising any remedy is not a waiver, election, or acquiescence.

9.7 **Demand Waiver**. To the extent permitted by applicable law, each Co-Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Bank on which such Co-Borrower is liable.

9.8 **Co-Borrower Liability**. Either Co Borrower may, acting singly, request Advances hereunder. Each Co Borrower hereby appoints the other as agent for the other for all purposes hereunder, including with respect to requesting Advances hereunder. Each Co Borrower hereunder shall be jointly and severally obligated to repay all Advances made hereunder, regardless of which Co Borrower actually receives said Advance, as if each Co Borrower hereunder directly received all Advances. Each Co Borrower waives, to the extent permitted by applicable law, (a) any suretyship defenses available to it under the Code or any other applicable law, including, without limitation, the benefit of California Civil Code Section 2815 permitting revocation as to future transactions and the benefit of California Civil Code Sections 1432, 2809, 2810, 2819, 2839, 2845, 2847, 2848, 2849, 2850, and 2899 and 3433, and (b) any right to require Bank to: (i) proceed against any Co Borrower or any other person; (ii) proceed against or exhaust any security; or (iii) pursue any other remedy. Bank may exercise or not exercise any right or remedy it has against any Co Borrower or any security it holds (including the right to foreclose by judicial or non-judicial sale) without affecting any Co Borrower's liability. Notwithstanding any other provision of this Agreement or other related document, each Co Borrower irrevocably waives, to the extent permitted by applicable law, all rights that it may have at law or in equity to seek contribution, indemnification or any other form of reimbursement from any other Co Borrower, or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, for any payment made by Co Borrower with respect to the Obligations in connection with this Agreement or otherwise and all rights that it might have to benefit from, or to participate in, any security for the Obligations as a result of any payment made by Co Borrower with respect to the Obligations in connection with this Agreement or otherwise. Any agreement providing for indemnification, reimbursement or any other arrangement prohibited under this Section shall be null and void. If any payment is made to a Co Borrower in contravention of this Section, such Co Borrower shall hold such payment in trust for Bank and such payment shall be promptly delivered to Bank for application to the Obligations, whether matured or unmatured.

10 NOTICES

All notices, consents, requests, approvals, demands, or other communication by any party to this Agreement or any other Loan Document must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address, facsimile number, or email address indicated below. Bank or Co-Borrowers may change their mailing or electronic mail address or facsimile number by giving the other party written notice thereof in accordance with the terms of this Section 10.

If to Co-Borrowers:	SAVARA INC., on behalf of all Co-Borrowers 900 S. Capital of Texas Hwy; Suite 150 Austin, TX 78746 Attn: David Lowrance, CFO Email: dave.lowrance@savarapharma.com
If to Bank:	Silicon Valley Bank 4370 La Jolla Village Drive, Suite 1050 San Diego, CA 92122 Attn: Igor DaCruz, Vice President Email: IDaCruz@svb.com

11 CHOICE OF LAW, VENUE, JURY TRIAL WAIVER, AND JUDICIAL REFERENCE

Except as otherwise expressly provided in any of the Loan Documents, California law governs the Loan Documents without regard to principles of conflicts of law. Co-Borrowers and Bank each submit to the exclusive jurisdiction of the State and Federal courts in Santa Clara County, California; provided, however, that nothing in this Agreement shall be deemed to operate to preclude Bank from bringing suit or taking other legal action in any other jurisdiction to realize on the Collateral or any other security for the Obligations, or to enforce a judgment or other court order in favor of Bank. Each Co-Borrower expressly submits and consents in advance to such jurisdiction in any action or suit commenced in any such court, and each Co-Borrower hereby waives any objection that it may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens and hereby consents to the granting of such legal or equitable relief as is deemed appropriate by such court. Each Co-Borrower hereby waives personal service of the summons, complaints, and other process issued in such action or suit and agrees that service of such summons, complaints, and other process may be made by registered or certified mail addressed to such Co-Borrower at the address set forth in, or subsequently provided by such Co-Borrower in accordance with, Section 10 of this Agreement and that service so made shall be deemed completed upon the earlier to occur of such Co-Borrower's actual receipt thereof or three (3) days after deposit in the U.S. mails, proper postage prepaid.

TO THE EXTENT PERMITTED BY LAW, EACH CO-BORROWER AND BANK WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BOTH PARTIES TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

WITHOUT INTENDING IN ANY WAY TO LIMIT THE PARTIES' AGREEMENT TO WAIVE THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY, if the above waiver of the right to a trial by jury is not enforceable, the parties hereto agree that any and all disputes or controversies of any nature between them arising at any time shall be decided by a reference to a private judge, mutually selected by the parties (or, if they cannot agree, by the Presiding Judge of the Santa Clara County, California Superior Court) appointed in accordance with California Code of Civil Procedure Section 638 (or pursuant to comparable provisions of federal law if the dispute falls within the exclusive jurisdiction of the federal courts), sitting without a jury, in Santa Clara County, California; and the parties hereby submit to the jurisdiction of such court. The reference proceedings shall be conducted pursuant to and in accordance with the provisions of California Code of Civil Procedure §§ 638 through 645.1, inclusive. The private judge shall have the power, among others, to grant provisional relief, including without limitation, entering temporary restraining orders, issuing preliminary and permanent injunctions and appointing receivers. All such proceedings shall be closed to the public and confidential and all records relating thereto shall be permanently sealed. If during the course of any dispute, a party desires to seek provisional relief, but a judge has not been appointed at that point pursuant to the judicial reference procedures, then such party may apply to the Santa Clara County, California Superior Court for such relief. The proceeding before the private judge shall be conducted in the same manner as it would be before a court under the rules of evidence applicable to judicial proceedings. The parties shall be entitled to discovery which shall be conducted in the same manner as it would be before a court under the rules of discovery applicable to judicial proceedings. The private judge shall oversee discovery and may enforce all discovery rules and orders applicable to judicial proceedings in the same manner as a trial court judge. The parties agree that the selected or appointed private judge shall have the power to decide all issues in the action or proceeding, whether of fact or of law, and shall report a statement of decision thereon pursuant to California Code of Civil Procedure § 644(a). Nothing in this paragraph shall limit the right of any party at any time to exercise self-help remedies, foreclose against collateral, or obtain provisional remedies. The private judge shall also determine all issues relating to the applicability, interpretation, and enforceability of this paragraph.

This Section 11 shall survive the termination of this Agreement.

12 GENERAL PROVISIONS

12.1 Termination Prior to Term Loan Maturity Date; Survival. All covenants, representations and warranties made in this Agreement continue in full force until this Agreement has terminated pursuant to its terms and all Obligations (other than contingent indemnity or reimbursement obligations for which no claim has been made) have been satisfied. So long as Co-Borrowers have satisfied their Obligations (other than inchoate indemnity and reimbursement obligations, and any other obligations which, by their terms, are to survive the termination of this Agreement, and any Obligations under Bank Services Agreements that are cash collateralized in accordance with Section 4.1 of this Agreement), this Agreement may be terminated prior to the Term Loan Maturity Date by Co-Borrowers, effective three (3) Business Days after written notice of termination is given to Bank. Those obligations that are expressly specified in this Agreement as surviving this Agreement's termination shall continue to survive notwithstanding this Agreement's termination.

12.2 Successors and Assigns. This Agreement binds and is for the benefit of the successors and permitted assigns of each party. No Co-Borrower may assign this Agreement or any rights or obligations under it without Bank's prior written consent (which may be granted or withheld in Bank's discretion). Bank has the right, without the consent of or notice to Co-Borrowers, to sell, transfer, assign, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations, rights, and benefits under this Agreement and the other Loan Documents (other than the Warrants, as to which assignment, transfer and other such actions are governed by the terms thereof).

12.3 Indemnification. Co-Borrowers agree to indemnify, defend and hold Bank and its directors, officers, employees, agents, attorneys, or any other Person affiliated with or representing Bank (each, an "**Indemnified Person**") harmless against: (i) all obligations, demands, claims, and liabilities (collectively, "**Claims**") claimed or asserted by any other party in connection with the transactions contemplated by the Loan Documents; and (ii) all losses or expenses (including Bank Expenses) in any way suffered, incurred, or paid by such Indemnified Person as a result of, following from, consequential to, or arising from transactions between Bank and Co-Borrowers (including reasonable attorneys' fees and expenses), except for Claims and/or losses directly caused by such Indemnified Person's gross negligence or willful misconduct.

This Section 12.3 shall survive until all statutes of limitation with respect to the Claims, losses, and expenses for which indemnity is given shall have run.

12.4 Time of Essence. Time is of the essence for the performance of all Obligations in this Agreement.

12.5 Severability of Provisions. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

12.6 Correction of Loan Documents. Bank may correct patent errors and fill in any blanks in the Loan Documents consistent with the agreement of the parties.

12.7 Amendments in Writing; Waiver; Integration. No purported amendment or modification of any Loan Document, or waiver, discharge or termination of any obligation under any Loan Document, shall be enforceable or admissible unless, and only to the extent, expressly set forth in a writing signed by the party against which enforcement or admission is sought. Without limiting the generality of the foregoing, no oral promise or statement, nor any action, inaction, delay, failure to require performance or course of conduct shall operate as, or evidence, an amendment, supplement or waiver or have any other effect on any Loan Document. Any waiver granted shall be limited to the specific circumstance expressly described in it, and shall not apply to any subsequent or other circumstance, whether similar or dissimilar, or give rise to, or evidence, any obligation or commitment to grant any further waiver. The Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of the Loan Documents merge into the Loan Documents.

12.8 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, is an original, and all taken together, constitute one Agreement.

12.9 Confidentiality. In handling any confidential information, Bank shall exercise the same degree of care that it exercises for its own proprietary information, but disclosure of information may be made: (a) to Bank's Subsidiaries or Affiliates (such Subsidiaries and Affiliates, together with Bank, collectively, "**Bank Entities**"); (b) to prospective transferees or purchasers of any interest in the Credit Extensions (provided, however, that any prospective transferee or purchaser shall have entered into an agreement containing provisions substantially the same as those in this Section); (c) as required by law, regulation, subpoena, or other order; (d) to Bank's regulators or as otherwise required in connection with Bank's examination or audit; (e) as Bank considers appropriate in exercising remedies under the Loan Documents; and (f) to third-party service providers of Bank so long as such service providers have executed a confidentiality agreement with Bank with terms no less restrictive than those contained herein. Confidential information does not include information that is either: (i) in the public domain or in Bank's possession when disclosed to Bank, or becomes part of the public domain (other than as a result of its disclosure by Bank in violation of this Agreement) after disclosure to Bank; or (ii) disclosed to Bank by a third party, if Bank does not know that the third party is prohibited from disclosing the information.

Bank Entities may use anonymous forms of confidential information for aggregate datasets, for analyses or reporting, and for any other uses not expressly prohibited in writing by Co-Borrowers. The provisions of the immediately preceding sentence shall survive termination of this Agreement.

12.10 Attorneys' Fees, Costs and Expenses. In any action or proceeding between Co-Borrowers and Bank arising out of or relating to the Loan Documents, the prevailing party shall be entitled to recover its reasonable attorneys' fees and other costs and expenses incurred, in addition to any other relief to which it may be entitled.

12.11 Electronic Execution of Documents. The words "execution," "signed," "signature" and words of like import in any Loan Document shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity and enforceability as a manually executed signature or the use of a paper-based recordkeeping systems, as the case may be, to the extent and as provided for in any applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act.

12.12 Captions. The headings used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

12.13 Construction of Agreement. The parties mutually acknowledge that they and their attorneys have participated in the preparation and negotiation of this Agreement. In cases of uncertainty this Agreement shall be construed without regard to which of the parties caused the uncertainty to exist.

12.14 Relationship. The relationship of the parties to this Agreement is determined solely by the provisions of this Agreement. The parties do not intend to create any agency, partnership, joint venture, trust, fiduciary or other relationship with duties or incidents different from those of parties to an arm's-length contract.

12.15 Third Parties. Nothing in this Agreement, whether express or implied, is intended to: (a) confer any benefits, rights or remedies under or by reason of this Agreement on any persons other than the express parties to it and their respective permitted successors and assigns; (b) relieve or discharge the obligation or liability of any person not an express party to this Agreement; or (c) give any person not an express party to this Agreement any right of subrogation or action against any party to this Agreement.

13 DEFINITIONS

13.1 Definitions. As used in the Loan Documents, the word "shall" is mandatory, the word "may" is permissive, the word "or" is not exclusive, the words "includes" and "including" are not limiting, the singular includes the plural, and numbers denoting amounts that are set off in brackets are negative. As used in this Agreement, the following capitalized terms have the following meanings:

"**Account**" is any "account" as defined in the Code with such additions to such term as may hereafter be made, and includes, without limitation, all accounts receivable and other sums owing to Co-Borrowers.

"**Account Debtor**" is any "account debtor" as defined in the Code with such additions to such term as may hereafter be made.

"**Affiliate**" is, with respect to any Person, each other Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person's managers and members.

"**Agreement**" is defined in the preamble hereof.

"**Amortization Start Date**" is the first day of the month immediately following the end of the Interest-Only Period.

"**Authorized Signer**" is any individual listed in a Co-Borrower's Borrowing Resolution who is authorized to execute the Loan Documents, including any Advance request, on behalf of Co-Borrowers.

"**Bank**" is defined in the preamble hereof.

"**Bank Entities**" is defined in Section 12.9.

"**Bank Expenses**" are all audit fees and expenses, costs, and expenses (including reasonable attorneys' fees and expenses) for preparing, amending, negotiating, administering, defending and enforcing the Loan Documents (including, without limitation, those incurred in connection with appeals or Insolvency Proceedings) or otherwise incurred with respect to Co-Borrowers or any Guarantor.

"**Bank Services**" are any products, credit services, and/or financial accommodations previously, now, or hereafter provided to Co-Borrowers or any of their Subsidiaries by Bank or any Bank Affiliate, including, without limitation, any letters of credit, cash management services (including, without limitation, merchant services, direct deposit of payroll, business credit cards, and check cashing services), interest rate swap arrangements, and foreign exchange services as any such products or services may be identified in Bank's various agreements related thereto (each, a "**Bank Services Agreement**").

"**Co-Borrower(s)**" is defined in the preamble hereof.

"**Co-Borrower's Books**" are all of a Co-Borrower's books and records including ledgers, federal and state tax returns, records regarding such Co-Borrower's assets or liabilities, the Collateral, business operations or financial condition, and all computer programs or storage or any equipment containing such information.

"**Borrowing Resolutions**" are, with respect to any Person, those resolutions substantially in the form attached hereto as Exhibit D.

"**Business Day**" is any day that is not a Saturday, Sunday or a day on which Bank is closed.

"**Cash Equivalents**" means (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than one (1) year from the date of acquisition; (b) commercial paper maturing no more than one (1) year after its creation and having the highest rating from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc.; (c) Bank's certificates of deposit issued maturing no more than one (1) year after issue; (d) savings accounts and demand deposit accounts; (e) money market funds at least ninety-five percent (95.0%) of the assets of which constitute Cash Equivalents of the kinds described in clauses (a) through (c) of this definition; and (f) U.S. dollars, British pounds, euros or the national currency of any member state in the European Union, or any other currencies held from time to time in the ordinary course of business

"**Change in Control**" means (a) at any time, any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), shall become, or obtain rights (whether by means or warrants, options or otherwise) to become, the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of thirty-five percent (35%) or more of the ordinary voting power for the election of directors of a Co-Borrower (determined on a fully diluted basis) other than by the sale of a Co-Borrower's equity securities in a public offering or to venture capital or private equity investors so long as such Co-Borrower identifies to Bank the venture capital or private equity investors at least seven (7) Business Days prior to the closing of the transaction and provides to Bank a description of the material terms of the transaction; or (b) during any period of twelve (12) consecutive months, a majority of the members of the board of directors or other equivalent governing body of a Co-Borrower cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body; (c) at any time, a Co-Borrower shall cease to own and control, of record and beneficially, directly or indirectly, one hundred percent (100%) (except for director's qualifying shares as required by the laws of such foreign jurisdiction) of each class of outstanding capital stock of each subsidiary of such Co-Borrower free and clear of all Liens (except Liens created by this Agreement).

"**Claims**" is defined in Section 12.3.

"**Code**" is the Uniform Commercial Code, as the same may, from time to time, be enacted and in effect in the State of California; provided, that, to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; provided further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, or priority of, or remedies with respect to, Bank's Lien on any Collateral is governed by the Uniform Commercial Code in effect in a jurisdiction other than the State of California, the term "**Code**" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority, or remedies and for purposes of definitions relating to such provisions.

"**Collateral**" is any and all properties, rights and assets of Co-Borrowers described on Exhibit A.

"**Collateral Account**" is any Deposit Account, Securities Account, or Commodity Account.

"**Commodity Account**" is any "commodity account" as defined in the Code with such additions to such term as may hereafter be made.

"**Compliance Certificate**" is that certain certificate in the form attached hereto as Exhibit B.

"**Contingent Obligation**" is, for any Person, any direct or indirect liability, contingent or not, of that Person for (a) any Indebtedness, capital lease, dividend or letter of credit of another Person such as an obligation, in each case, directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (b) any obligations for undrawn letters of credit for the account of that Person; and (c) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices (each a "**Swap Agreement**"); but "Contingent Obligation" does not include endorsements, warranties or indemnities in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under any guarantee or other support arrangement.

"**Control Agreement**" is any control agreement entered into among the depository institution at which a Co-Borrower maintains a Deposit Account or the securities intermediary or commodity intermediary at which a Co-Borrower maintains a Securities Account or a Commodity Account, such Co-Borrower, and Bank pursuant to which Bank obtains control (within the meaning of the Code) over such Deposit Account, Securities Account, or Commodity Account.

"**Copyrights**" are any and all copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret.

"**Credit Extension**" is any Term Loan by Bank for Co-Borrowers' benefit.

"**Currency**" is coined money and such other banknotes or other paper money as are authorized by law and circulate as a medium of exchange.

"**Default Rate**" is defined in Section 2.3(b).

"**Denmark Share Pledge Documents**" means the following documents all duly executed on or prior to the Effective Date: a share pledge agreement regarding the shares in Savara Denmark along with a letter of notification (in the form set out in the share pledge agreement), a letter of confirmation (in the form set out in the share pledge agreement), a copy of the shareholders' register of Savara Denmark showing the recording of the pledge in a form satisfactory to the Bank, and a legal opinion by LETT Law Firm P/S as to the enforceability of these documents.

"**Deposit Account**" is any "deposit account" as defined in the Code with such additions to such term as may hereafter be made.

"**Designated Deposit Account**" is the multicurrency account denominated in Dollars, account number ending in xxxxx9702, maintained by a Co-Borrower with Bank.

"**Dollars**," "**dollars**" or use of the sign "**$**" means only lawful money of the United States and not any other currency, regardless of whether that currency uses the "$" sign to denote its currency or may be readily converted into lawful money of the United States.

"**Dollar Equivalent**" is, at any time, (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount denominated in a Foreign Currency, the equivalent amount therefor in Dollars as determined by Bank at such time on the basis of the then-prevailing rate of exchange in San Francisco, California, for sales of the Foreign Currency for transfer to the country issuing such Foreign Currency.

"**Domestic Subsidiary**" means a Subsidiary organized under the laws of the United States or any state or territory thereof or the District of Columbia, but excluding any FSHCO and any subsidiary of a Foreign Subsidiary.

"**Draw Period**" is the period of time commencing on the date Co-Borrowers achieve the Draw Period Milestone and ending on the earlier of (x) June 30, 2017 or (y) the occurrence of an Event of Default; provided, however, that the Draw Period shall not commence if on the date of the occurrence of the Draw Period Milestone an Event of Default has occurred and is continuing.

"**Draw Period Milestone**" is the receipt (or in the case of a grant, the expected receipt) by Co-Borrowers of net cash proceeds of not less than Forty Million Dollars ($40,000,000), in the aggregate, from a secondary offering, PIPE or ATM partnerships, and/or a grant which shall be received no later than twelve (12) months after the awarding of such grant.

"**Effective Date**" is the date on which all of the conditions precedent, as outlined in Section 3.1, have been satsified.

"**Equipment**" is all "equipment" as defined in the Code with such additions to such term as may hereafter be made, and includes without limitation all machinery, fixtures, goods, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing.

"**ERISA**" is the Employee Retirement Income Security Act of 1974, and its regulations.

"**Event of Default**" is defined in Section 8.

"**Exchange Act**" is the Securities Exchange Act of 1934, as amended.

"**Existing Indebtedness**" is the indebtedness of Co-Borrowers to Hercules Capital, Inc. in the aggregate outstanding amount as of the Effective Date of approximately Three Million Six Hundred Sixty-Three Thousand Five Hundred Sixty and 15/100 Dollars ($3,663,560.15) pursuant to that certain Loan and Security Agreement, dated as of August 11, 2015, entered into by and among Co-Borrowers (f/k/a Mast Therapeutics, Inc.), the lenders party thereto and Hercules Capital, Inc., as administrative agent, as amended.

"**Final Payment**" is a payment (in addition to and not a substitution for the regularly monthly payments of principal plus accrued interest) due on the earliest to occur of (a) the Term Loan Maturity Date, (b) the acceleration of any Term Loan, or (c) the prepayment of a Term Loan, equal to the original principal amount of such Term Loan multiplied by the Final Payment Percentage.

"**Final Payment Percentage**" is six percent (6.00%).

"**Foreign Currency**" means lawful money of a country other than the United States.

"**Foreign Subsidiary**" means any Subsidiary organized under the laws of any jurisdiction other than the laws of the United States or any state or territory thereof or the District of Columbia.

"**FSHCO**" means any Domestic Subsidiary if substantially all of its assets (whether held directly or through other Subsidiaries) consist of the Equity Interests or Indebtedness of one or more Foreign Subsidiaries.

"**Funding Date**" is any date on which a Credit Extension is made to or for the account of Co-Borrowers which shall be a Business Day.

"**FX Contract**" is any foreign exchange contract by and between a Co-Borrower and Bank under which Co-Borrower commits to purchase from or sell to Bank a specific amount of Foreign Currency on a specified date.

"**GAAP**" is generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other Person as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

"**General Intangibles**" is all "general intangibles" as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation, all Intellectual Property, claims, income and other tax refunds, security and other deposits, payment intangibles, contract rights, options to purchase or sell real or personal property, rights in all litigation presently or hereafter pending (whether in contract, tort or otherwise), insurance policies (including without limitation key man, property damage, and business interruption insurance), payments of insurance and rights to payment of any kind.

"**Governmental Approval**" is any consent, authorization, approval, order, license, franchise, permit, certificate, accreditation, registration, filing or notice, of, issued by, from or to, or other act by or in respect of, any Governmental Authority.

"**Governmental Authority**" is any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization.

"**Guarantor**" is any Person providing a Guaranty in favor of Bank.

"**Guaranty**" is any guarantee of all or any part of the Obligations, as the same may from time to time be amended, restated, modified or otherwise supplemented.

"**Indebtedness**" is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations, and (d) Contingent Obligations. Notwithstanding the foregoing, the capital lease reflected on a Co-Borrower's balance sheet as of December 31, 2016 that is part of a research and development contract (and any similar arrangement entered into by a Co-Borrower or any of its Subsidiaries in the future) shall not constitute Indebtedness.

"**Indemnified Person**" is defined in Section 12.3.

"**Insolvency Proceeding**" is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"**Intellectual Property**" means, with respect to any Person, means all of such Person's right, title, and interest in and to the following owned by such Person:

(a) its Copyrights, Trademarks and Patents;

(b) any and all trade secrets and trade secret rights, including, without limitation, any rights to unpatented inventions, know-how, operating manuals;

(c) any and all source code;

(d) any and all design rights which may be available to such Person;

(e) any and all claims for damages by way of past, present and future infringement of any of the foregoing, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the Intellectual Property rights identified above; and

(f) all amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents.

"**Interest-Only Period**" means the period commencing on the Effective Date and continuing through September 30, 2018; provided that, if Co-Borrowers request and Bank funds the Term B Loan, the Interest-Only Period shall automatically be extended through March 31, 2019.

"**Inventory**" is all "inventory" as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products, including without limitation such inventory as is temporarily out of a Co-Borrower's custody or possession or in transit and including any returned goods and any documents of title representing any of the above.

"**Investment**" is any beneficial ownership interest in any Person (including stock, partnership interest or other securities), and any loan, advance or capital contribution to any Person.

"**Letter of Credit**" is a standby or commercial letter of credit issued by Bank upon request of a Co-Borrower based upon an application, guarantee, indemnity, or similar agreement.

"**Lien**" is a claim, mortgage, deed of trust, levy, charge, pledge, security interest or other encumbrance of any kind, whether voluntarily incurred or arising by operation of law or otherwise against any property.

"**Loan Documents**" are, collectively, this Agreement and any schedules, exhibits, certificates, notices, and any other documents related to this Agreement, the Warrants, the Denmark Share Pledge Documents, any subordination agreement, any note, or notes or guaranties executed by a Co-Borrower or any Guarantor, and any other present or future agreement by a Co-Borrower and/or any Guarantor with or for the benefit of Bank in connection with this Agreement, all as amended, restated, or otherwise modified.

"**Material Adverse Change**" is (a) a material impairment in the perfection or priority of Bank's Lien in the Collateral or in the value of such Collateral; (b) a material adverse change in the business, operations, or condition (financial or otherwise) of a Co-Borrower; or (c) a material impairment of the prospect of repayment of any portion of the Obligations.

"**Obligations**" are Co-Borrowers' obligations to pay when due any debts, principal, interest, fees, Bank Expenses, the Prepayment Fee, the Final Payment and other amounts Co-Borrowers owe Bank now or later, whether under this Agreement, the other Loan Documents (other than the Warrants), or otherwise (other than the Warrants), including, without limitation, all obligations relating to letters of credit (including reimbursement obligations for drawn and undrawn letters of credit), cash management services, and foreign exchange contracts, if any, and including interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Co-Borrowers assigned to Bank, and to perform Co-Borrowers' duties under the Loan Documents (other than the Warrants).

"**Operating Documents**" are, for any Person, such Person's formation documents, as certified by the Secretary of State (or equivalent agency) of such Person's jurisdiction of organization on a date that is no earlier than thirty (30) days prior to the Effective Date, and, (a) if such Person is a corporation, its bylaws in current form, (b) if such Person is a limited liability company, its limited liability company agreement (or similar agreement), and (c) if such Person is a partnership, its partnership agreement (or similar agreement), each of the foregoing with all current amendments or modifications thereto.

"**Patents**" means all patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

"**Payment/Advance Form**" is that certain form attached hereto as Exhibit C.

"**Perfection Certificate**" is defined in Section 5.1.

"**Permitted Distributions**" means:

(a) purchases of capital stock from former employees, consultants and directors pursuant to repurchase agreements or other similar agreements, so long as an Event of Default does not exist and would not exist after the purchase;

(b) distributions or dividends consisting solely of Borrower's capital stock or rights under any stockholder rights plan;

(c) purchases for value of any rights distributed in connection with any stockholder rights plan adopted by Borrower;

(d) purchases of capital stock or options to acquire such capital stock with the proceeds received from a substantially concurrent issuance of capital stock or convertible securities in an aggregate amount not to exceed Two Hundred Fifty Thousand Dollars ($250,000) per fiscal year;

(e) repurchases or acquisitions of capital stock or options to acquire capital stock of Borrower in connection with the exercise of stock options or warrants or stock appreciation rights by way of cashless exercise or the vesting of restricted stock or restricted units, or in connection with the satisfaction of withholding tax obligations;

(f) conversions of convertible securities (including options, warrants and convertible notes) into other securities pursuant to their terms or otherwise in exchange therefor;

(g) the issuance of cash in lieu of fractional shares;

(h) other payments, distributions, redemptions, retirements or purchases;

provided that the total amount of distributions comprised of (a), (c) and (h) above do not exceed One Hundred Thousand Dollars ($100,000) in an aggregate amount in a fiscal year.

"**Permitted Indebtedness**" is:

(a) Co-Borrowers' Indebtedness to Bank under this Agreement and the other Loan Documents or in respect of Bank Services;

(b) Indebtedness existing on the Effective Date and shown on the Perfection Certificate;

(c) Subordinated Debt;

(d) (i) unsecured Indebtedness to trade creditors incurred in the ordinary course of business and (ii) unsecured intercompany payables incurred in the ordinary course of business that constitute Permitted Investments;

(e) Indebtedness incurred as a result of endorsing negotiable instruments received in the ordinary course of business;

(f) Indebtedness secured by Liens permitted under clauses (a) and (c) of the definition of "Permitted Liens" hereunder;

(g) Unsecured Indebtedness arising from customary cash management and treasury services, employee credit card programs and the honoring of a check, draft or similar instrument against insufficient funds or from the endorsement of instruments for collection, in each case, in the ordinary course of business;

(h) Indebtedness in respect of performance bonds, bid bonds, appeal bonds, surety bonds and similar obligations, in each case provided in the ordinary course of business, not to exceed an aggregate amount outstanding at any time of Fifty Thousand Dollars ($50,000.00);

(i) unsecured Indebtedness in an aggregate amount at any time outstanding not to exceed Two Hundred Fifty Thousand Dollars ($250,000.00);

(j) Indebtedness owed to any Person providing property, casualty, liability, or other insurance to Company or any of its Subsidiaries, so long as the amount of such Indebtedness is not in excess of the amount of the unpaid cost of, and shall be incurred only to defer the cost of, such insurance for the year in which such Indebtedness is incurred and such Indebtedness is outstanding only during such year;

(k) Indebtedness of a Subsidiary constituting a Permitted Investment under clause (g) or clause (h) of the definition of Permitted Investments; and

(l) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (i) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon a Co-Borrower or its Subsidiary, as the case may be.

"**Permitted Investments**" are:

(a) Investments (including, without limitation, Subsidiaries) existing on the Effective Date and shown on the Perfection Certificate;

(b) Investments consisting of Cash Equivalents and (ii) any Investments permitted by a Co-Borrower's investment policy, as amended from time to time, provided that, solely for purposes of this Agreement, such investment policy (and any such amendment thereto) has been approved in writing by Bank (which investment policy existing on the Effective Date and provided to Bank is hereby approved);

(c) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of a Co-Borrower;

(d) Investments consisting of deposit accounts or securities accounts; provided that in the case of a deposit or securities account held by a Co-Borrower's Bank has a perfected security interest in such account to the extent required by Section 6.6;

(e) Investments accepted in connection with Transfers permitted by Section 7.1;

(f) Investments consisting of the creation of a Subsidiary for the purpose of consummating a merger transaction permitted by Section 7.3 of this Agreement, which is otherwise a Permitted Investment;

(g) Investments by (i) a Co-Borrower in Savara Denmark not to exceed Thirteen Million Dollars ($13,000,000) in the aggregate in any fiscal year and (ii) by Savara Denmark in its own Subsidiaries; provided that all such Investments are related to clinical development and associated G&A expense;

(h) Investments consisting of (i) travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business, and (ii) loans to employees, officers or directors relating to the purchase of equity securities of a Co-Borrower or its Subsidiaries pursuant to employee stock purchase plans or agreements approved by such Co-Borrower's Board of Directors;

(i) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business;

(j) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this paragraph (k) shall not apply to Investments of a Co-Borrower in any Subsidiary; and

(k) Investments not exceeding Two Hundred Fifty Thousand Dollars ($250,000.00) in the aggregate outstanding at any time;

"**Permitted Liens**" are:

(a) Liens existing on the Effective Date and shown on the Perfection Certificate or arising under this Agreement and the other Loan Documents;

(b) Liens for taxes, fees, assessments or other government charges or levies, either (i) not due and payable or (ii) being contested in good faith and for which a Co-Borrower maintains adequate reserves on its Books, provided that no notice of any such Lien has been filed or recorded under the Internal Revenue Code of 1986, as amended, and the Treasury Regulations adopted thereunder;

(c) purchase money Liens or capital leases (i) on Equipment and related software (together with any improvements, additions and accessions to such Equipment and the proceeds of the Equipment) acquired or held by a Co-Borrower incurred for financing the acquisition of the Equipment (and related software) securing no more than One Hundred Thousand Dollars ($100,000.00) in the aggregate amount outstanding, or (ii) existing on Equipment (including any related software) when acquired, if the Lien is confined to the property and improvements, additions and accessions to such Equipment and the proceeds of the Equipment;

(d) (i) Liens of carriers, warehousemen, suppliers, landlords or similar Liens arising in the ordinary course of business and (ii) Liens of other Persons that are possessory in nature arising in the ordinary course of business so long as such Liens attach only to Inventory, securing liabilities in the aggregate amount not to exceed One Hundred Thousand Dollars ($100,000), and in the case of clauses (i) and (ii) secure liabilities which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(e) Liens to secure payment of workers' compensation, employment insurance, old-age pensions, social security and other like obligations incurred in the ordinary course of business (other than Liens imposed by ERISA);

(f) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described in (a) through (c), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase;

(g) leases or subleases of real property granted in the ordinary course of a Co-Borrower's business (or, if referring to another Person, in the ordinary course of such Person's business), and leases, subleases, non-exclusive licenses or sublicenses of personal property (other than Intellectual Property) granted in the ordinary course of a Co-Borrower's business (or, if referring to another Person, in the ordinary course of such Person's business), if the leases, subleases, licenses and sublicenses do not prohibit granting Bank a security interest therein;

(h) (i) non-exclusive licenses of Intellectual Property granted to third parties in the ordinary course of business, and licenses of Intellectual Property that could not result in a legal transfer of title of the licensed property that may be exclusive in respects other than territory and that may be exclusive as to territory only as to discreet geographical areas outside of the United States; and (ii) intracompany non-exclusive licenses of Intellectual Property in the ordinary course of business;

(i) Liens arising from attachments or judgments, orders, or decrees in circumstances not constituting an Event of Default under Sections 8.4 and 8.7;

(j) Liens securing any overdraft and related liabilities arising from treasury, depository or cash management services or automated clearing house transfer of funds;

(k) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(l) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of a Co-Borrower or any Subsidiary;

(m) Liens representing the interest or title of a lessor, licensor, sublicensor or sublessor, provided such lease, sublease, license or sublicense is permitted hereunder;

(n) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; and

(o) Liens in favor of other financial institutions arising in connection with a Co-Borrower's deposit and/or securities accounts held at such institutions, provided that Bank has a perfected security interest in the amounts held in such deposit and/or securities accounts held by a Co-Borrower to the extent required by Section 6.6.

"**Person**" is any individual, sole proprietorship, partnership, limited liability company, joint venture, company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

"**Prepayment Fee**" is, with respect to any Term Loan subject to prepayment prior to the Term Loan Maturity Date, whether by mandatory or voluntary prepayment, acceleration or otherwise, an additional fee payable to Bank in an amount equal to: (i) for a prepayment made on or after the Effective Date through and including the first anniversary of the Effective Date, three percent (3.00%) of the principal amount of the Term Loans prepaid; (ii) for a prepayment made after the date which is the first anniversary of the Effective Date through and including the second anniversary of the Effective Date, two percent (2.00%) of the principal amount of the Term Loans prepaid and (iii) for a prepayment made after the date which is the second anniversary of the Effective Date and before the Term Loan Maturity Date, one percent (1.00%) of the principal amount of the Term Loans prepaid.

"**Prime Rate**" is the rate of interest per annum from time to time published in the money rates section of The Wall Street Journal or any successor publication thereto as the "prime rate" then in effect; provided that, in the event such rate of interest is less than zero, such rate shall be deemed to be zero for purposes of this Agreement; and provided further that if such rate of interest, as set forth from time to time in the money rates section of The Wall Street Journal, becomes unavailable for any reason as determined by Bank, the "Prime Rate" shall mean the rate of interest per annum announced by Bank as its prime rate in effect at its principal office in the State of California (such Bank announced Prime Rate not being intended to be the lowest rate of interest charged by Bank in connection with extensions of credit to debtors); provided that, in the event such rate of interest is less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"**Quarterly Financial Statements**" is defined in Section 6.2(a).

"**Registered Organization**" is any "registered organization" as defined in the Code with such additions to such term as may hereafter be made.

"**Regulatory Change**" means, with respect to Bank, any change on or after the date of this Agreement in United States federal, state, or foreign laws or regulations, including Regulation D, or the adoption or making on or after such date of any interpretations, directives, or requests applying to a class of lenders including Bank, of or under any United States federal or state, or any foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"**Requirement of Law**" is as to any Person, the organizational or governing documents of such Person, and any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"**Responsible Officer**" is any of the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer of a Co-Borrower.

"**Restricted License**" is any material license or other material agreement with respect to which a Co-Borrower is the licensee other than any commercial off-the-shelf licenses or similar agreements that are commercially available to the public) (a) that validly prohibits or otherwise restricts a Co-Borrower from granting a security interest in such Co-Borrower's interest in such license or agreement or any property subject to such license or agreement, or (b) for which a default under or termination of could interfere with the Bank's right to sell any Collateral.

"**Savara Denmark**" is Savara ApS, an entity organized under the laws of Denmark.

"**SEC**" shall mean the Securities and Exchange Commission and any successor thereto.

"**Securities Account**" is any "securities account" as defined in the Code with such additions to such term as may hereafter be made.

"**Subordinated Debt**" is indebtedness incurred by a Co-Borrower subordinated to all of such Co-Borrower's now or hereafter indebtedness to Bank (pursuant to a subordination, intercreditor, or other similar agreement in form and substance reasonably satisfactory to Bank entered into between Bank and the other creditor), on terms reasonably acceptable to Bank.

"**Subsidiary**" is, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless the context otherwise requires, each reference to a Subsidiary herein shall be a reference to a Subsidiary of a Co-Borrower.

"**Term Loan**" is a loan made by Bank pursuant to the terms of Section 2.1.1(a) hereof.

"**Term A Loan**" is a loan made by Bank pursuant to the terms of Section 2.1.1(a) hereof.

"**Term B Loan**" is a loan made by Bank pursuant to the terms of Section 2.1.1(a) hereof.

"**Term Loan Maturity Date**" is March 1, 2021.

"**Term Loan Payment**" is defined in Section 2.1.1(b).

"**Trademarks**" means any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of a Co-Borrower connected with and symbolized by such trademarks.

"**Transfer**" is defined in Section 7.1.

"**Warrants**" are those certain Warrants to Purchase Stock dated as of the Effective Date, or any date theretofore or thereafter, issued by Parent in favor of Bank and Life Science Loans, LLC.

[Signature page follows.**]**

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

CO-BORROWERS:

ARAVAS INC.

By: /s/ Dave Lowrance
Name: Dave Lowrance
Title: Chief Financial Officer

SAVARA INC.

By: /s/ Dave Lowrance
Name: Dave Lowrance
Title: Chief Financial Officer

BANK:

SILICON VALLEY BANK

By: /s/ Igor DaCruz
Name: Igor DaCruz
Title: Vice President

EXHIBIT A

COLLATERAL DESCRIPTION

The Collateral consists of all of Co-Borrowers' right, title and interest in and to the following personal property:

All goods, Accounts (including health-care receivables), Equipment, Inventory, contract rights or rights to payment of money, leases, license agreements, franchise agreements, General Intangibles (except as provided below), commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and

all Co-Borrowers' Books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Notwithstanding the foregoing, the Collateral does not include any of the following: (a) Intellectual Property; provided, however, the Collateral shall include all Accounts and all proceeds of Intellectual Property; provided that if a judicial authority (including a U.S. Bankruptcy Court) would hold that a security interest in the underlying Intellectual Property is necessary to have a security interest in such Accounts and such property that are proceeds of Intellectual Property, then the Collateral shall automatically, and effective as of the Effective Date, include the Intellectual Property to the extent necessary to permit perfection of Bank's security interest in such Accounts and such other property of a Co-Borrower that are proceeds of the Intellectual Property; (b) more than 65% of the presently existing and hereafter arising issued and outstanding shares of capital stock owned by a Co-Borrower of any Foreign Subsidiary or FSHCO which shares entitle the holder thereof to vote for directors or any other matter; (c) any intent-to-use trademarks at all times prior to the first use thereof, whether by the actual use thereof in commerce, the recording of a statement of use with the United States Patent and Trademark Office or otherwise; (d) any interest of a Co-Borrower as a lessee or sublessee under a real property lease; (e) rights held under a license that are not assignable by their terms without the consent of the licensor thereof (but only to the extent such restriction on assignment is enforceable under applicable law); or (f) any interest of a Co-Borrower as a lessee under an Equipment lease if a Co-Borrower is prohibited by the terms of such lease from granting a security interest in such lease or under which such an assignment or Lien would cause a default to occur under such lease; provided, however, that upon termination of such prohibition, such interest shall immediately become Collateral without any action by such Co-Borrower or Bank.

Exhibit 10.12

SEPARATION AGREEMENT
AND
GENERAL RELEASE OF CLAIMS

THIS SEPARATION AGREEMENT AND GENERAL RELEASE OF CLAIMS (hereinafter "Agreement") is entered into by and between Brian M. Culley (hereinafter "Employee") and Mast Therapeutics, Inc. (hereinafter "Mast" or the "Company"). Employee and Mast hereinafter are collectively referred to as the "Parties" or individually referred to as a "Party."

RECITALS

A. Mast is a corporation and is doing business in the State of California.

B. Employee's employment with Mast as a Chief Executive Officer is expected to terminate as of the closing (the "Closing") of the acquisition of Savara Inc. (the "Change of Control"), which is expected to occur on or about April 21, 2017 (such date of termination of employment the "Termination Date").

C. In accordance with the terms of the Executive Severance Agreement, dated March 23, 2016, between Employee and Mast (the "Executive Severance Agreement"), Employee desires to settle and compromise any and all possible claims and disputes he/she has against any of the Releasees, as defined below, arising out of their relationship to date, and to provide for a general release of any and all such claims.

AGREEMENT

1. Termination of Employment and Resignation of Positions. Employee agrees that his/her employment with Mast will terminate as part of the Closing effective as of the Termination Date and he/she has complied, or will comply as of the Termination Date, as applicable, with the provisions of Section 1.3 of the Executive Severance Agreement. Employee hereby resigns, effective as of the Termination Date, any and all other positions he/she holds with Mast and any of its subsidiaries, including positions as a director of Mast or any of its subsidiaries. In the event that Employee's employment with Mast is not terminated in connection with the Closing, this Agreement shall automatically terminate and no longer remain in force or effect without further obligation of either of the Parties.

2. Separation Pay/Consideration. In consideration of the covenants and releases given herein, upon termination of Employee's employment on the Termination Date, and subject to non-revocation of this Agreement as set forth in Section 4.c. and execution of the Affirmation (as defined below), Employee will become eligible to receive the following consideration:

a. Separation Pay. Mast will tender a check to Employee in an amount of Nine Hundred Twenty-Three Thousand, Five Hundred Eighteen Dollars and Eighty Cents ($923,518.80), less applicable federal and California payroll tax deductions, which is the equivalent of (i) twenty-four (24) months of Employee's base salary and (ii) the amount equal to the premiums necessary to continue Employee's health insurance coverage in effect for Employee and Employee's covered dependents under the Consolidated Omnibus Reconciliation Act of 1985, for a period of twenty-four (24) months; and

b. Unemployment Insurance Claim. Mast will not oppose Employee's claim for unemployment insurance benefits, and, if asked, will inform the California Employment Development Department that Employee was laid off by Mast as part of the Change in Control.

3. Release.

a. Release. Employee does hereby unconditionally, irrevocably and absolutely release and discharge Mast and its current and former officers, directors, employees, agents, investors, attorneys, shareholders, administrators, affiliates, benefit plans, plan administrators, professional employer organization or co-employer,

insurers, trustees, divisions, and subsidiaries, and predecessor and successor corporations and assigns, (collectively, the "Releasees") from any and all loss, liability, claims, demands, causes of action or suits of any type, whether in law and/or in equity, related directly or indirectly, or in any way connected with any transactions, affairs or occurrences between them to date, including, but not limited to, Employee's employment with Mast and the termination of said employment. Employee agrees that the foregoing consideration represents settlement in full of all outstanding obligations owed to Employee by the Releasees, other than consideration to which Employee may be entitled in respect of (i) a Change of Control, and (ii) unpaid wages, accrued and unused vacation and reimbursement for business expenses validly incurred prior to termination. This Agreement specifically applies, without limitation, to any and all disputed wage claims, claims for unpaid expenses, contract claims, tort claims, claims for wrongful termination, and claims arising under Title VII of the Civil Rights Act of 1991, the Americans with Disabilities Act, the Equal Pay Act, the Worker Adjustment and Retraining Notification Act, the Employee Retirement Income Security Act, the Sarbanes-Oxley Act of 2002, the California Fair Employment and Housing Act, the Fair Labor Standards Act, the Family and Medical Leave Act, the California Family Rights Act, the California Labor Code, the California Business and Professions Code, and any and all federal or state statutes or laws governing employment and/or discrimination in employment. In addition, this Agreement specifically applies to any claims for age discrimination harassment or retaliation in employment, including any claims arising under the Age Discrimination in Employment Act or any other statutes or laws which govern age discrimination in employment. Nothing in this Agreement shall be construed to mean that Employee is releasing or waiving claims to enforce this Agreement, workers' compensation claims, claims for unemployment insurance benefits, claims for any vested retirement, any claim for indemnification (including under the Company's organizational documents or insurance policies) arising in connection with an action instituted by a third party against the Company or Employee, or claims that, by law, cannot be waived.

b. Section 1542 Waiver. Employee does expressly waive all of the benefits and rights granted to him/her pursuant to California Civil Code section 1542, which reads as follows:

> A general release does not extend to claims which the creditor does not know of or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Employee does certify that he/she has read all of this Agreement, including the release provisions contained herein and the quoted Civil Code section, and that he/she fully understands all of the same. Employee hereby expressly agrees that this Agreement shall extend and apply to all unknown, unsuspected and unanticipated injuries and damages, as well as those that are now disclosed.

c. No Further Action. Except as set forth in Section 5, Employee irrevocably and absolutely agrees that he/she will not prosecute nor allow to be prosecuted on his/her behalf, in any administrative agency, whether federal or state, or in any court, whether federal or state, any claim or demand of any type related to the matters released above, it being the intention of the Parties that with the execution by Employee of this release, the Releasees will be absolutely, unconditionally and forever discharged of and from all obligations to or on behalf of Employee related in any way to the matters discharged herein.

4. Additional Provisions Regarding Release of Age Claims/OWBPA Provisions.

a. ADEA Claims. This section of the Agreement exclusively addresses issues relating to Employee's release of claims arising under federal law involving discrimination on the basis of age in employment (age forty and above). This section is provided separately, in compliance with federal law, including but not limited to the Older Workers' Benefit Protection Act of 1990 ("OWBPA"), to ensure that Employee clearly understands his rights so that any release of age discrimination claims under federal law (the ADEA) is knowing and voluntary on the part of Employee.

b. Review Period/OWBPA Provisions. In accordance with the provisions of the OWBPA, Employee is aware of the following: Employee represents, acknowledges and agrees that Mast has advised him/her, in writing, (i) to discuss this Agreement with an attorney and to that extent, if any, that Employee has desired, Employee has done so; (ii) that Mast has given Employee forty-five (45) days from receipt of this Agreement to review and consider this Agreement before signing it, and Employee understands that he/she may use as much of this forty-

five (45) day period as he/she wishes prior to signing; (iii) that no promise, representation, warranty or agreements not contained herein have been made by or with anyone to cause him/her to sign this Agreement; (iv) that he/she has read this Agreement in its entirety, and fully understands and is aware of its meaning, intent, content and legal effect; (v) that he/she is executing this release voluntarily and free of any duress or coercion; (vi) that this Agreement includes rights and claims under the federal Age Discrimination in Employment Act, as amended, and the federal OWBPA, as amended; and (vii) that this Agreement does not waive rights or claims that may arise after the date Employee signs this Agreement.

c. Effective Date of Agreement. The Parties acknowledge that for a period of seven (7) days following the execution of this Agreement, Employee may revoke the Agreement, and the Agreement shall not become effective or enforceable until the revocation period has expired. This Agreement shall become effective eight (8) days after it has been signed by Employee and Mast, and in the event the parties do not sign on the same date, then this Agreement shall become effective eight (8) days after the date it is signed by Employee.

5. Protected Rights. Employee understands that nothing contained in this Agreement limits Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission, or any other federal, state or local government agency or commission ("Government Agencies"), including an Age Discrimination in Employment Act charge or complaint, although Employee may have no right to relief by reason of the claims Employee has released herein. Employee further understands that this Agreement does not limit Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to Mast. Nothing in this Agreement shall restrict or limit any right Employee may have to receive a whistleblower award or bounty for information provided to the Securities and Exchange Commission. In addition, pursuant to the Defend Trade Secrets Act of 2016, Employee is notified that an individual will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made in confidence to a federal, state, or local government official (directly or indirectly) or to an attorney *solely* for the purpose of reporting or investigating a suspected violation of law, or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if (and only if) such filing is made under seal. In addition, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the individual's attorney and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

6. No Cooperation. Subject to Section 5 governing Employee's Protected Rights, Employee agrees that he/she will not knowingly encourage, counsel, or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints by any third party against the Company and its subsidiaries, and predecessor and successor corporations and assigns, unless under a subpoena or other court order to do so or as related directly to the ADEA waiver in this Agreement. Employee agrees both to promptly notify the Company and its successor corporations, upon receipt of any such subpoena or court order, and to furnish, within three (3) business days of its receipt, a copy of such subpoena or other court order. If approached by anyone for counsel or assistance in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints against the Company and its subsidiaries, and predecessor and successor corporations and assigns, Employee shall state no more than that Employee cannot provide counsel or assistance.

7. Acknowledgements/Affirmations. Employee acknowledges and affirms that he/she has been paid and/or has received all wages, bonuses, incentive compensation, accrued vacation and benefits to which Employee may be entitled, except for such wages, bonuses, incentive compensation, accrued vacation and benefits to which Employee may be entitled as a result of the Change of Control and/or termination of employment. Employee also acknowledges and affirms that he/she has been provided information regarding his/her inability to continue to receive health insurance benefits as COBRA benefits after the termination of his/her employment due to Mast's termination, in connection with the Change in Control, of the health insurance plans in which Employee has participated. Employee further acknowledges and affirms that he/she has returned all documents and other items provided to Employee by the Company (with the exception of a copy of the Employee Handbook and personnel documents specifically relating to Employee), developed or obtained by Employee in connection with Employee's employment with the Company, or otherwise belonging to the Company.

8. Confidentiality/Non-Disparagement. Employee agrees that all matters relative to this Agreement shall remain confidential. Accordingly, Employee hereby agrees that, with the exception of his/her spouse, counsel and tax advisors, he/she shall not discuss, disclose or reveal to any other persons, entities or organizations, whether within or outside of Mast, the terms and conditions of this Agreement. The Parties acknowledge, however, that Mast may be required to file a copy of this Agreement with the Securities and Exchange Commission, in which case, the terms and conditions of this Agreement will be accessible for review by the public. Nothing in this section prevents Employee from disclosing to any third party that his/her employment with Mast terminated in connection with the Change in Control. Employee agrees not to make any derogatory or adverse statements, written or verbal, regarding the Releasees to anyone, and agrees to refrain from knowingly interfering in any tortious manner with the contracts and relationships of the Company. Mast agrees not to make any derogatory or adverse statements, written or verbal, regarding Employee to anyone. Employee understands that the Company's obligations under this paragraph extend only to the Company's current executive officers and members of its Board of Directors and only for so long as each officer or member is an employee or Director of the Company.

9. Affirmation of Release and Waiver. Prior to receipt of the consideration set forth in Section 2, Employee shall execute and deliver the Affirmation in substantially the form set forth in Exhibit A (the "Affirmation").

10. Reference Requests. Any reference requests concerning Employee will be referred to the Human Resources Department. The only information that will be provided in response to such a request will be Employee's dates of employment, his/her title, confirmation of his/her rate of pay, a statement that Employee was terminated in connection with the Change in Control and would not have been terminated but for that company action, and a statement that it is Mast's policy to only provide that information.

11. Tax Consequences. The Company makes no representations or warranties with respect to the tax consequences of the payments and any other consideration provided to Employee or made on Employee's behalf under the terms of this Agreement. Employee agrees and understands that Employee is responsible for payment, if any, of local, state, and/or federal taxes on the payments and any other consideration provided hereunder by the Company and any penalties or assessments thereon.

12. Entire Agreement. The Parties further declare and represent that no promise, inducement or agreement not herein expressed has been made to them and that this Agreement together with the Executive Severance Agreement contain the full and entire agreement between and among the Parties, and that the terms of this Agreement are contractual and not a mere recital.

13. Applicable Law. The validity, interpretation, and performance of this Agreement shall be construed and interpreted according to the laws of the State of California.

14. Dispute Resolution. Except as set forth in Section 5, any dispute arising out of or related to this Agreement shall be resolved through binding arbitration through JAMS in San Diego, California, under the then current applicable rules of JAMS. The arbitrator may grant injunctions and other relief in such disputes. The arbitrator shall administer and conduct any arbitration in accordance with California law, including the California Code of Civil Procedure, and the arbitrator shall apply substantive and procedural California law to any dispute or claim, without reference to any conflict-of-law provisions of any jurisdiction. To the extent that the JAMS rules conflict with California law, California law shall take precedence. The decision of the arbitrator shall be final, conclusive, and binding on the parties to the arbitration. Each party shall be responsible for its or his or her own costs and attorneys' fees in connection with the arbitration, as well as half of the costs of the arbitration. THE PARTIES HEREBY AGREE TO WAIVE THEIR RIGHT TO HAVE ANY DISPUTE BETWEEN THEM RESOLVED IN A COURT OF LAW BY A JUDGE OR JURY. Notwithstanding the foregoing, this Section will not prevent either Party from seeking injunctive relief (or any other provisional remedy) from any court having jurisdiction over the Parties and the subject matter of their dispute relating to this Agreement.

15. Knowing and Voluntary Agreement. Employee acknowledges that he/she has carefully read and fully understands all the provisions and effects of this Agreement. Employee further acknowledges that he/she has been given the opportunity to consult with his/her own independent legal counsel and tax professional with respect to the matters referenced in this Agreement. Employee acknowledges that he/she has fully discussed this Agreement with his/her attorney or has voluntarily chosen to sign this Agreement without consulting an attorney and/or tax

professional, fully understanding the consequences of this Agreement. Employee further acknowledges that he/she is entering into this Agreement without coercion or duress from any of the Releasees and that none of the Releasees have made any representations or promises concerning the terms or effects of this Agreement other than those set forth in this Agreement.

16. Complete Defense. This Agreement may be pleaded as a full and complete defense and may be used as the basis for an injunction against any action, suit or proceeding which may be prosecuted, instituted or attempted by either party in breach thereof.

17. Counterparts. This Agreement may be executed in counterparts and, if so executed, each such counterpart shall have the force and effect of an original. A facsimile signature shall have the same force and effect as an original signature.

18. Severability. If any provision of this Agreement, or part thereof, is held invalid, void or voidable as against public policy or otherwise, the invalidity shall not affect other provisions, or parts thereof, which may be given effect without the invalid provision or part. To this extent, the provisions, and parts thereof, of this Agreement are declared to be severable.

19. No Admission of Liability. It is understood that this Agreement is not an admission of any liability by any person, firm, association or corporation but is in compromise of a disputed claim.

20. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, legal representatives, successors and assigns.

IN WITNESS WHEREOF, the undersigned have executed this Agreement on the dates shown below.

Dated: 4-10-17

/s/ Brian M. Culley
Brian M. Culley

Mast Therapeutics, Inc.

Dated: April 13, 2017

By: /s/ Brandi L. Roberts

Name: Brandi L. Roberts

Title: Chief Financial Officer

Affirmation

The undersigned hereby acknowledges his/her termination of employment with the Company as of April 27, 2017 (the "Termination Date") and further affirms that terms of the Separation Agreement and General Release of Claims between the undersigned and Mast Therapeutics, Inc. (the "Agreement") remain in full force and effect as of the Termination Date, including, but not limited to, the release, waivers and affirmations set forth in Sections 3, 4 and 6 of the Agreement.

The undersigned acknowledges and affirms that he/she has been paid and/or has received all wages, bonuses, incentive compensation, accrued vacation and benefits to which the undersigned may be entitled, other than shares of the Company's common stock pursuant to settlement of the restricted stock unit award granted to the undersigned in January 2017 pursuant to the Notice of Grant of Restricted Stock Units and Restricted Stock Units Award Agreement between the undersigned and the Company (the "RSUs Agreement"). Upon receipt of 33,831 shares of the Company's common stock (which is the amount granted under the RSUs Agreement as adjusted for the 70-for-1 reverse stock split implemented by the Company on April 27, 2017) in the undersigned's E*Trade account, the undersigned acknowledges and affirms that he/she will have received all shares of Company common stock due to the undersigned pursuant to the RSUs Agreement.

Dated: April 27, 2017

/s/ Brian M. Culley
Brian M. Culley

Exhibit 10.13

SEPARATION AGREEMENT
AND
GENERAL RELEASE OF CLAIMS

THIS SEPARATION AGREEMENT AND GENERAL RELEASE OF CLAIMS (hereinafter "Agreement") is entered into by and between Brandi L. Roberts (hereinafter "Employee") and Mast Therapeutics, Inc. (hereinafter "Mast" or the "Company"). Employee and Mast hereinafter are collectively referred to as the "Parties" or individually referred to as a "Party."

RECITALS

A. Mast is a corporation and is doing business in the State of California.

B. Employee's employment with Mast as a Chief Financial Officer and Senior Vice President is expected to terminate as of the closing (the "Closing") of the acquisition of Savara Inc. (the "Change of Control"), which is expected to occur on or about April 21, 2017 (such date of termination of employment the "Termination Date").

C. In accordance with the terms of the Executive Severance Agreement, dated March 23, 2016, between Employee and Mast (the "Executive Severance Agreement"), Employee desires to settle and compromise any and all possible claims and disputes he/she has against any of the Releasees, as defined below, arising out of their relationship to date, and to provide for a general release of any and all such claims.

AGREEMENT

1. Termination of Employment and Resignation of Positions. Employee agrees that his/her employment with Mast will terminate as part of the Closing effective as of the Termination Date and he/she has complied, or will comply as of the Termination Date, as applicable, with the provisions of Section 1.3 of the Executive Severance Agreement. Employee hereby resigns, effective as of the Termination Date, any and all other positions he/she holds with Mast and any of its subsidiaries, including positions as a director of Mast or any of its subsidiaries. In the event that Employee's employment with Mast is not terminated in connection with the Closing, this Agreement shall automatically terminate and no longer remain in force or effect without further obligation of either of the Parties.

2. Separation Pay/Consideration. In consideration of the covenants and releases given herein, upon termination of Employee's employment on the Termination Date, and subject to non-revocation of this Agreement as set forth in Section 4.c. and execution of the Affirmation (as defined below), Employee will become eligible to receive the following consideration:

a. Separation Pay. Mast will tender a check to Employee in an amount of Two Hundred Fifty Thousand, Three Hundred Seventy-Two Dollars and Twenty-Four Cents ($250,372.24), less applicable federal and California payroll tax deductions, which is the equivalent of (i) nine (9) months of Employee's base salary and (ii) the amount equal to the premiums necessary to continue Employee's health insurance coverage in effect for Employee and Employee's covered dependents under the Consolidated Omnibus Reconciliation Act of 1985, for a period of nine (9) months; and

b. Unemployment Insurance Claim. Mast will not oppose Employee's claim for unemployment insurance benefits, and, if asked, will inform the California Employment Development Department that Employee was laid off by Mast as part of the Change in Control.

3. Release.

a. Release. Employee does hereby unconditionally, irrevocably and absolutely release and discharge Mast and its current and former officers, directors, employees, agents, investors, attorneys, shareholders,

administrators, affiliates, benefit plans, plan administrators, professional employer organization or co-employer, insurers, trustees, divisions, and subsidiaries, and predecessor and successor corporations and assigns, (collectively, the "Releasees") from any and all loss, liability, claims, demands, causes of action or suits of any type, whether in law and/or in equity, related directly or indirectly, or in any way connected with any transactions, affairs or occurrences between them to date, including, but not limited to, Employee's employment with Mast and the termination of said employment. Employee agrees that the foregoing consideration represents settlement in full of all outstanding obligations owed to Employee by the Releasees, other than consideration to which Employee may be entitled in respect of (i) a Change of Control, and (ii) unpaid wages, accrued and unused vacation and reimbursement for business expenses validly incurred prior to termination. This Agreement specifically applies, without limitation, to any and all disputed wage claims, claims for unpaid expenses, contract claims, tort claims, claims for wrongful termination, and claims arising under Title VII of the Civil Rights Act of 1991, the Americans with Disabilities Act, the Equal Pay Act, the Worker Adjustment and Retraining Notification Act, the Employee Retirement Income Security Act, the Sarbanes-Oxley Act of 2002, the California Fair Employment and Housing Act, the Fair Labor Standards Act, the Family and Medical Leave Act, the California Family Rights Act, the California Labor Code, the California Business and Professions Code, and any and all federal or state statutes or laws governing employment and/or discrimination in employment. In addition, this Agreement specifically applies to any claims for age discrimination harassment or retaliation in employment, including any claims arising under the Age Discrimination in Employment Act or any other statutes or laws which govern age discrimination in employment. Nothing in this Agreement shall be construed to mean that Employee is releasing or waiving claims to enforce this Agreement, workers' compensation claims, claims for unemployment insurance benefits, claims for any vested retirement, any claim for indemnification (including under the Company's organizational documents or insurance policies) arising in connection with an action instituted by a third party against the Company or Employee, or claims that, by law, cannot be waived.

b. Section 1542 Waiver. Employee does expressly waive all of the benefits and rights granted to him/her pursuant to California Civil Code section 1542, which reads as follows:

> A general release does not extend to claims which the creditor does not know of or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Employee does certify that he/she has read all of this Agreement, including the release provisions contained herein and the quoted Civil Code section, and that he/she fully understands all of the same. Employee hereby expressly agrees that this Agreement shall extend and apply to all unknown, unsuspected and unanticipated injuries and damages, as well as those that are now disclosed.

c. No Further Action. Except as set forth in Section 5, Employee irrevocably and absolutely agrees that he/she will not prosecute nor allow to be prosecuted on his/her behalf, in any administrative agency, whether federal or state, or in any court, whether federal or state, any claim or demand of any type related to the matters released above, it being the intention of the Parties that with the execution by Employee of this release, the Releasees will be absolutely, unconditionally and forever discharged of and from all obligations to or on behalf of Employee related in any way to the matters discharged herein.

4. Additional Provisions Regarding Release of Age Claims/OWBPA Provisions.

a. ADEA Claims. This section of the Agreement exclusively addresses issues relating to Employee's release of claims arising under federal law involving discrimination on the basis of age in employment (age forty and above). This section is provided separately, in compliance with federal law, including but not limited to the Older Workers' Benefit Protection Act of 1990 ("OWBPA"), to ensure that Employee clearly understands his rights so that any release of age discrimination claims under federal law (the ADEA) is knowing and voluntary on the part of Employee.

b. Review Period/OWBPA Provisions. In accordance with the provisions of the OWBPA, Employee is aware of the following: Employee represents, acknowledges and agrees that Mast has advised him/her, in writing, (i) to discuss this Agreement with an attorney and to that extent, if any, that Employee has desired, Employee has done so; (ii) that Mast has given Employee forty-five (45) days from receipt of this Agreement to review

and consider this Agreement before signing it, and Employee understands that he/she may use as much of this forty-five (45) day period as he/she wishes prior to signing; (iii) that no promise, representation, warranty or agreements not contained herein have been made by or with anyone to cause him/her to sign this Agreement; (iv) that he/she has read this Agreement in its entirety, and fully understands and is aware of its meaning, intent, content and legal effect; (v) that he/she is executing this release voluntarily and free of any duress or coercion; (vi) that this Agreement includes rights and claims under the federal Age Discrimination in Employment Act, as amended, and the federal OWBPA, as amended; and (vii) that this Agreement does not waive rights or claims that may arise after the date Employee signs this Agreement.

c. Effective Date of Agreement. The Parties acknowledge that for a period of seven (7) days following the execution of this Agreement, Employee may revoke the Agreement, and the Agreement shall not become effective or enforceable until the revocation period has expired. This Agreement shall become effective eight (8) days after it has been signed by Employee and Mast, and in the event the parties do not sign on the same date, then this Agreement shall become effective eight (8) days after the date it is signed by Employee.

5. Protected Rights. Employee understands that nothing contained in this Agreement limits Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission, or any other federal, state or local government agency or commission ("Government Agencies"), including an Age Discrimination in Employment Act charge or complaint, although Employee may have no right to relief by reason of the claims Employee has released herein. Employee further understands that this Agreement does not limit Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to Mast. Nothing in this Agreement shall restrict or limit any right Employee may have to receive a whistleblower award or bounty for information provided to the Securities and Exchange Commission. In addition, pursuant to the Defend Trade Secrets Act of 2016, Employee is notified that an individual will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made in confidence to a federal, state, or local government official (directly or indirectly) or to an attorney *solely* for the purpose of reporting or investigating a suspected violation of law, or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if (and only if) such filing is made under seal. In addition, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the individual's attorney and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

6. No Cooperation. Subject to Section 5 governing Employee's Protected Rights, Employee agrees that he/she will not knowingly encourage, counsel, or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints by any third party against the Company and its subsidiaries, and predecessor and successor corporations and assigns, unless under a subpoena or other court order to do so or as related directly to the ADEA waiver in this Agreement. Employee agrees both to promptly notify the Company and its successor corporations, upon receipt of any such subpoena or court order, and to furnish, within three (3) business days of its receipt, a copy of such subpoena or other court order. If approached by anyone for counsel or assistance in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints against the Company and its subsidiaries, and predecessor and successor corporations and assigns, Employee shall state no more than that Employee cannot provide counsel or assistance.

7. Acknowledgements/Affirmations. Employee acknowledges and affirms that he/she has been paid and/or has received all wages, bonuses, incentive compensation, accrued vacation and benefits to which Employee may be entitled, except for such wages, bonuses, incentive compensation, accrued vacation and benefits to which Employee may be entitled as a result of the Change of Control and/or termination of employment. Employee also acknowledges and affirms that he/she has been provided information regarding his/her inability to continue to receive health insurance benefits as COBRA benefits after the termination of his/her employment due to Mast's termination, in connection with the Change in Control, of the health insurance plans in which Employee has participated. Employee further acknowledges and affirms that he/she has returned all documents and other items provided to Employee by the Company (with the exception of a copy of the Employee Handbook and personnel documents specifically relating to Employee), developed or obtained by Employee in connection with Employee's employment with the Company, or otherwise belonging to the Company.

8. Confidentiality/Non-Disparagement. Employee agrees that all matters relative to this Agreement shall remain confidential. Accordingly, Employee hereby agrees that, with the exception of his/her spouse, counsel and tax advisors, he/she shall not discuss, disclose or reveal to any other persons, entities or organizations, whether within or outside of Mast, the terms and conditions of this Agreement. The Parties acknowledge, however, that Mast may be required to file a copy of this Agreement with the Securities and Exchange Commission, in which case, the terms and conditions of this Agreement will be accessible for review by the public. Nothing in this section prevents Employee from disclosing to any third party that his/her employment with Mast terminated in connection with the Change in Control. Employee agrees not to make any derogatory or adverse statements, written or verbal, regarding the Releasees to anyone, and agrees to refrain from knowingly interfering in any tortious manner with the contracts and relationships of the Company. Mast agrees not to make any derogatory or adverse statements, written or verbal, regarding Employee to anyone. Employee understands that the Company's obligations under this paragraph extend only to the Company's current executive officers and members of its Board of Directors and only for so long as each officer or member is an employee or Director of the Company.

9. Affirmation of Release and Waiver. Prior to receipt of the consideration set forth in Section 2, Employee shall execute and deliver the Affirmation in substantially the form set forth in Exhibit A (the "Affirmation").

10. Reference Requests. Any reference requests concerning Employee will be referred to the Human Resources Department. The only information that will be provided in response to such a request will be Employee's dates of employment, his/her title, confirmation of his/her rate of pay, a statement that Employee was terminated in connection with the Change in Control and would not have been terminated but for that company action, and a statement that it is Mast's policy to only provide that information.

11. Tax Consequences. The Company makes no representations or warranties with respect to the tax consequences of the payments and any other consideration provided to Employee or made on Employee's behalf under the terms of this Agreement. Employee agrees and understands that Employee is responsible for payment, if any, of local, state, and/or federal taxes on the payments and any other consideration provided hereunder by the Company and any penalties or assessments thereon.

12. Entire Agreement. The Parties further declare and represent that no promise, inducement or agreement not herein expressed has been made to them and that this Agreement together with the Executive Severance Agreement contain the full and entire agreement between and among the Parties, and that the terms of this Agreement are contractual and not a mere recital.

13. Applicable Law. The validity, interpretation, and performance of this Agreement shall be construed and interpreted according to the laws of the State of California.

14. Dispute Resolution. Except as set forth in Section 5, any dispute arising out of or related to this Agreement shall be resolved through binding arbitration through JAMS in San Diego, California, under the then current applicable rules of JAMS. The arbitrator may grant injunctions and other relief in such disputes. The arbitrator shall administer and conduct any arbitration in accordance with California law, including the California Code of Civil Procedure, and the arbitrator shall apply substantive and procedural California law to any dispute or claim, without reference to any conflict-of-law provisions of any jurisdiction. To the extent that the JAMS rules conflict with California law, California law shall take precedence. The decision of the arbitrator shall be final, conclusive, and binding on the parties to the arbitration. Each party shall be responsible for its or his or her own costs and attorneys' fees in connection with the arbitration, as well as half of the costs of the arbitration. THE PARTIES HEREBY AGREE TO WAIVE THEIR RIGHT TO HAVE ANY DISPUTE BETWEEN THEM RESOLVED IN A COURT OF LAW BY A JUDGE OR JURY. Notwithstanding the foregoing, this Section will not prevent either Party from seeking injunctive relief (or any other provisional remedy) from any court having jurisdiction over the Parties and the subject matter of their dispute relating to this Agreement.

15. Knowing and Voluntary Agreement. Employee acknowledges that he/she has carefully read and fully understands all the provisions and effects of this Agreement. Employee further acknowledges that he/she has been given the opportunity to consult with his/her own independent legal counsel and tax professional with respect to the matters referenced in this Agreement. Employee acknowledges that he/she has fully discussed this Agreement with his/her attorney or has voluntarily chosen to sign this Agreement without consulting an attorney and/or tax

professional, fully understanding the consequences of this Agreement. Employee further acknowledges that he/she is entering into this Agreement without coercion or duress from any of the Releasees and that none of the Releasees have made any representations or promises concerning the terms or effects of this Agreement other than those set forth in this Agreement.

16. Complete Defense. This Agreement may be pleaded as a full and complete defense and may be used as the basis for an injunction against any action, suit or proceeding which may be prosecuted, instituted or attempted by either party in breach thereof.

17. Counterparts. This Agreement may be executed in counterparts and, if so executed, each such counterpart shall have the force and effect of an original. A facsimile signature shall have the same force and effect as an original signature.

18. Severability. If any provision of this Agreement, or part thereof, is held invalid, void or voidable as against public policy or otherwise, the invalidity shall not affect other provisions, or parts thereof, which may be given effect without the invalid provision or part. To this extent, the provisions, and parts thereof, of this Agreement are declared to be severable.

19. No Admission of Liability. It is understood that this Agreement is not an admission of any liability by any person, firm, association or corporation but is in compromise of a disputed claim.

20. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, legal representatives, successors and assigns.

IN WITNESS WHEREOF, the undersigned have executed this Agreement on the dates shown below.

Dated: April 10, 2017

/s/ Brandi L. Roberts
Brandi L. Roberts

Mast Therapeutics, Inc.

Dated: 4-13-17

By: /s/ Brian M. Culley

Name: Brian M. Culley

Title: CEO

Affirmation

The undersigned hereby acknowledges his/her termination of employment with the Company as of April 27, 2017 (the "Termination Date") and further affirms that terms of the Separation Agreement and General Release of Claims between the undersigned and Mast Therapeutics, Inc. (the "Agreement") remain in full force and effect as of the Termination Date, including, but not limited to, the release, waivers and affirmations set forth in Sections 3, 4 and 6 of the Agreement.

The undersigned acknowledges and affirms that he/she has been paid and/or has received all wages, bonuses, incentive compensation, accrued vacation and benefits to which the undersigned may be entitled, other than shares of the Company's common stock pursuant to settlement of the restricted stock unit award granted to the undersigned in January 2017 pursuant to the Notice of Grant of Restricted Stock Units and Restricted Stock Units Award Agreement between the undersigned and the Company (the "RSUs Agreement"). Upon receipt of 12,713 shares of the Company's common stock (which is the amount granted under the RSUs Agreement as adjusted for the 70-for-1 reverse stock split implemented by the Company on April 27, 2017) in the undersigned's E*Trade account, the undersigned acknowledges and affirms that he/she will have received all shares of Company common stock due to the undersigned pursuant to the RSUs Agreement.

Dated: April 27, 2017

/s/ Brandi L. Roberts
Brandi L. Roberts

Exhibit 10.14

CONSULTING SERVICES AGREEMENT

THIS CONSULTING SERVICES AGREEMENT (this "Agreement") is made effective as of April 28, 2017 (the "Effective Date") by and between **SAVARA INC.**, a Delaware corporation having a principal place of business at 900 S. Capital of Texas Highway, Suite 150, Austin, Texas 78746 USA ("Savara"), and Brandi Roberts, an individual having a principal place of business at 9975 Fox Meadow Rd, San Diego, CA 92127 ("Consultant") (each herein referred to individually as a "Party," or collectively as the "Parties").

BACKGROUND:

A. Pursuant to that certain Agreement and Plan of Merger and Reorganization, dated January 6, 2017, by and among Mast Therapeutics, Inc. ("Mast"), Victoria Merger Corp. ("Merger Sub"), a wholly-owned subsidiary of Mast, and Savara Inc., on or about April 27, 2017, Merger Sub merged with and into Savara, with Savara becoming a wholly-owned subsidiary of Mast (the "Merger"), and concurrently with the Merger, Mast changed its name to "Savara Inc." and Savara Inc., the wholly-owned subsidiary, changed its name to "[Aravas Inc.]"

B. Prior to the Merger, Consultant served as Mast's Chief Financial Officer and has expertise relevant to Savara's business.

C. Savara now desires to engage Consultant to provide services, and Consultant is willing to perform such services, on and subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, intending to be legally bound, and in consideration of the mutual promises contained herein, the Parties agree as follows:

1. Consulting Services.

1.1. Consultant will provide the services described on the attached Schedule A (the "Services") to Savara and its Affiliates (as defined in Section 10.2 below). If mutually agreed upon in writing by amendment to this Agreement, Consultant also will perform as part of the Services other services and duties assigned by Savara to Consultant from time to time. Consultant will report to Savara's Chief Financial Officer ("CFO") or his designee.

1.2. When providing the Services, Consultant will comply with Savara's policies, standards, rules, and regulations, as they may exist from time to time and that are applicable to independent contractors. Consultant will perform the Services to the best of its abilities and in a diligent, trustworthy, businesslike, and efficient manner, exercising due care in the performance of Services and rendering them in accordance with prevailing professional standards and ethics.

1.3. Consultant has no authority to enter into any contracts or instruments, or to create any obligations that are binding upon Savara.

2. Compensation.

2.1. Compensation. As compensation for the Services, Savara will pay to Consultant the amounts specified in the attached Schedule B to this Agreement. All payments provided for under this Agreement are intended to be exempt from or otherwise comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and guidance thereunder (together, "Section 409A") so that none of the payments to be provided

hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to be exempt or so comply. Each payment under this Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

2.2. Payments. Payments due to Consultant under this Agreement will be made at the times specified in the attached Schedule B to this Agreement. Invoices are to be submitted together with all appropriate supporting documentation to Savara's CFO via e-mail to dave.lowrance@savarapharma.com. Upon Savara's request, Consultant will submit a copy of the invoice and any supporting documentation to Savara at the address set forth in this Agreement, Attention: David Lowrance.

2.3. Withholdings. Consultant will at all times be an independent contractor and not an agent or employee of Savara. As such, Consultant acknowledges that Savara will not withhold or deduct any amount from compensation to pay any federal, state, or local taxes and Consultant will not be eligible for any employee benefits, including, but not limited to, paid time off, sick leave, medical insurance, and 401k participation. Consultant has sole responsibility to and will pay taxes, if any, and file returns as are required in accordance with applicable laws and regulations.

2.4. Company Equipment. While consultant will be expected to provide their own equipment, Savara in its discretion may provide access to certain company-owned laptop computer and other equipment and software to Consultant for use in provision of Services, in which event the computer, related software and equipment will remain the property of Savara and Consultant will use the assigned items for Savara business exclusively. Upon expiration or termination of this Agreement, Consultant promptly will return the items to Savara.

3. Expenses. Savara will reimburse Consultant for reasonable "out-of-pocket" expenses ordinary and necessary in nature, including mileage at the standard IRS rate, which Consultant incurs at Savara's request in the course of performing the Services. Reimbursement payments are subject to Consultant's compliance with Savara's policies in effect from time to time regarding travel, entertainment, and other business expenses and the reporting and documentation of expenses. Air travel will be economy plus (or similar class) within the continental United States and otherwise will be business class.

4. Term and Termination. Consultant's engagement under this Agreement commences on the Effective Date and will continue through August 31, 2017, unless extended as mutually agreed upon in writing by amendment to this Agreement. This Agreement may be terminated at any time by either Party upon thirty (30) days prior written notice. Upon the earlier termination of this Agreement for any reason, Savara will be liable only for payment of compensation for Services rendered and reimbursement of expenses properly incurred through the effective date of termination. If this Agreement terminates during April or May 2017, Savara will be liable for payment of compensation for Services on a pro-rata basis. For example, if this Agreement terminates on May 15, 2017, Savara would be liable for payment of $13,000 for Services rendered, plus any travel time and expenses properly incurred through May 15, 2017. The provisions of Sections 2, 3, and 6 through 10 will survive the expiration or termination of this Agreement.

5. Other Business Activities. Consultant covenants, represents, and warrants to Savara that, as of the Effective Date, Consultant is not engaged, directly or indirectly, in any other business or activity that might materially interfere with the ability to render the Services.

6. Trade Secrets and Confidential Information.

6.1. Consultant acknowledges that Consultant will have access to, or become acquainted with, Confidential Information and Trade Secrets (as these terms are defined below). As a material inducement to Savara to enter into this Agreement, and in acknowledgement of good and valuable consideration to be received by Consultant under this Agreement, Consultant agrees as follows:

(a) The Trade Secrets and Confidential Information are the sole and exclusive property of Savara (or a third party providing the information to Savara). Savara (or the third party, if applicable) owns all worldwide rights to the information under patent, copyright, trade secret, confidential information or other property right.

(b) The disclosure of Trade Secrets and Confidential Information by Savara to Consultant does not confer upon Consultant any license, interest, or rights of any kind in or to the Trade Secrets or Confidential Information. Consultant may use the Trade Secrets and Confidential Information solely to benefit Savara and only during the Term.

(c) Except to perform Services for Savara under this Agreement or with Savara's prior written consent, Consultant:

(i) will not directly or indirectly or in any manner, divulge, disclose, or communicate any Confidential Information to any third party,

(ii) will hold Trade Secrets and Confidential Information in confidence,

(iii) will not use Trade Secrets or Confidential Information for any purpose other than solely to provide Services, and

(iv) will not, directly or indirectly, in any form, by any means, or for any purpose, reproduce, distribute, transmit, reverse engineer, de-compile, disassemble or transfer, or use, the Trade Secrets or the Confidential Information, or any portion of either, to benefit Consultant or any third party.

(d) Consultant will return or destroy (with written confirmation of destruction provided upon request) the Trade Secrets and Confidential Information that are in Consultant's possession or control to Savara, together with all copies, documents, records, notebooks, programs and similar items, collections, and materials (in writing, electronic, or otherwise) that relate to the Confidential Information or Trade Secrets:

(i) upon Savara's request, and

(ii) immediately upon expiration or termination of this Agreement.

6.2. For purposes of this Agreement, the following terms have the meanings set forth below:

(a) "Confidential Information" means information, other than Trade Secrets, that Savara treats as confidential. Without limiting the generality of the foregoing, Confidential Information includes information regarding Savara's equipment, products and product mix, prices and pricing policies, costs, future plans, business affairs and strategies, contracts and licenses, copyrights and patents, advertising and promotional

strategies and campaigns, distribution strategies, methods of doing business and the terms and conditions of this Agreement. Confidential Information does not include information that is readily available to the public (other than because of Consultant's unauthorized disclosure) or otherwise legally available to Consultant on a non-confidential basis.

(b) "Trade Secrets" means information, without regard to form, of Savara or its existing or prospective licensors, licensees, customers, or suppliers (including technical or nontechnical data, formulas, patterns, and customer purchasing practices), compilations (including compilations of customer information), programs (including computer programs and models), devices, methods, techniques, drawings, processes, financial data (including sales forecasts, sales histories, and budgets), financial plans, business plans, product plans, or lists of actual or potential licensors, licensees, customers, or suppliers (including identifying information about those licensors, licensees, customers, and suppliers), whether or not reduced to writing, that:

(i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, or

(ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

6.3. Consultant obligations under this Agreement with regard to Trade Secrets will remain in effect for as long as that information remains a trade secret under applicable law. Consultant's obligations under this Agreement with regard to Confidential Information will remain in effect during the Term and for a period of three (3) years after the expiration or termination of this Agreement.

6.4. In connection with the Services, Savara may provide or Consultant may gain access to information about investigators or subjects in Savara clinical studies. This may include information that can be used by itself or in combination with other available information to identify a specific individual ("Personal Data"). Consultant shall respect the privacy of the investigators and study subjects and covenants that:

(a) In the performance of Services, Consultant will comply with all applicable national, regional, and local laws relating to information privacy.

(b) Consultant will comply with the obligations of confidentiality pursuant to this Section 6 with respect to all Personal Data.

(c) Consultant will use electronic, physical, and other safeguards appropriate to the nature of the information to prevent any use or disclosure of Personal Data in its possession other than as provided for by this Agreement.

(d) After completion of Services or termination of this Agreement, Consultant will, at Savara's option, either destroy (with written confirmation of destruction provided upon request) or return any Personal Data in Consultant's possession.

7. **Non-Solicitation.** As a material inducement to Savara to enter into this Agreement, and in acknowledgement of good and valuable consideration to be received by Consultant under this Agreement, Consultant agrees as follows:

7.2. Personal Solicitation. During the Term and for one (1) year after the expiration or termination of this Agreement, Consultant will not, for any reason (whether on its own behalf or on behalf of any other person, corporation, partnership, venture, or any other entity or form of business), directly or indirectly, solicit or encourage any person who is an employee or independent contractor of Savara to leave Savara's employment or service.

7.3. Disparagement. Consultant will not, at any time during the Term or after the expiration or termination of this Agreement, make false or misleading statements about Savara or its products, management, employees, customers, or suppliers.

8. Intellectual Property.

8.1. As a material inducement to Savara to enter into this Agreement, and in acknowledgement of good and valuable consideration to be received by Consultant under this Agreement, Consultant acknowledges and agrees that the provision of Services may provide the opportunity for conceiving or reducing to practice developments, discoveries, methods, processes, designs, inventions, ideas, or improvements related to the Business (collectively, "Work Product"). Consultant will promptly report and disclose to Savara in writing all Work Product that Consultant conceives, makes, implements, or reduces to practice, whether alone or acting with others, during the Term, that are developed:

(a) while providing Services on Savara's time, or

(b) while utilizing, directly or indirectly, Savara's equipment, supplies, facilities, Confidential Information, Trade Secrets, or other assets.

8.2. Consultant acknowledges and agrees that all Work Product is Savara's sole and exclusive property. Consultant will assign, and automatically assigns, without further consideration or action, to Savara all rights, title, and interest in and to all Work Product.

8.3. Definitions. "Business" means the business of developing and marketing pharmaceutical products in the Field, except that this definition will change, without further action by the Parties, to reflect any change in the nature of Savara's business during the Term. "Field" means inhalation therapies for patients with rare pulmonary conditions.

9. Equitable Relief.

9.1 Consultant acknowledges and agrees that:

(a) it has carefully read and considered Sections 6 through 8 and, having done so, expressly acknowledges and agrees that the restrictions set forth in those Sections are fair and reasonable and are reasonably required to protect Savara's interests and the confidential nature of the Confidential Information and the Trade Secrets,

(b) Sections 6 through 8 will not cause undue hardship or unreasonably interfere with Consultant's ability to earn a livelihood,

(c) the Confidential Information and Trade Secrets are unique to Savara's business, and Savara would not reveal them to Consultant but for Consultant's willingness to agree to the restrictions set forth in this Agreement,

(d) a breach of any of the provisions of Sections 6 through 8 might cause irreparable harm and damage to Savara,

(e) Sections 6 through 8 will be construed as agreements independent of any other provision of this Agreement or any other agreement between the Parties, and

(f) the existence of any claim or cause of action by Consultant against Savara, whether predicated upon this Agreement or any other agreement, will not constitute a defense to Savara's enforcement of Sections 6 through 8.

9.2. If Consultant breaches any of the provisions of Sections 6 through 8, Savara will be entitled to injunctive relief, specific performance, or any other equitable remedy that a court of competent jurisdiction may provide (without posting any bond), in addition to any other remedies

available at law or in equity. In this event, Consultant expressly waives the defense that a remedy in damages will be adequate.

9.3. The Parties intend that nothing contained in this Section 9 be construed to limit Savara's right to any remedies at law or in equity, including the recovery of damages for Consultant's breach of this Agreement.

10. Miscellaneous.

10.1. Expenses. Savara and Consultant will each bear their own fees, costs, and expenses they incur with respect to the preparation, negotiation, and completion of this Agreement.

10.2. Assignment and Change of Control; Binding Effect. This Agreement and its rights, privileges, and obligations may not be assigned or otherwise transferred by either Party without the prior written consent of the other Party; *provided, however*, that Savara may assign without consent this Agreement and its rights, privileges, and obligations (i) to an Affiliate (as defined in Section 10.2(a) below) (ii) in connection with a merger, consolidation, or sale of substantially all of its assets to an unrelated third party, or (iii) in connection with a Change of Control (as defined in Section 10.2(b) below). In the event of a Change of Control, written notification shall be required but not consent. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective permitted successors and assigns.

(a) "Affiliate" shall mean any corporation, company, partnership, or other entity which controls, is controlled by, or is under common control with Savara. An entity shall be regarded as in control of another entity if it directly or indirectly owns or controls fifty percent (50%) or more of the voting stock or other ownership interest of the other entity, or if it possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other entity or the power to elect or appoint fifty percent (50%) or more of the members of the governing body of the other entity.

(b) "Change of Control" shall mean acquisition by a third party of fifty percent (50%) or more of the voting equity interests of Savara, or transfer to a third party of Effective Control (as defined in the following sentence) of Savara as a result of any other transaction. "Effective Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of voting securities, by contract, or otherwise. Notwithstanding applicability of the foregoing, an entity which shall be consolidated pursuant to United States Generally Accepted Accounting Principles (GAAP), as they exist from time to time, consistently applied, with Savara shall be deemed under Effective Control for purposes of this Agreement.

10.3. Severability. Whenever possible, the Parties intend that each provision of this Agreement be interpreted to be effective and valid under applicable law. If a court of competent jurisdiction holds any provision to be prohibited by or invalid under applicable law, the provision will be ineffective only to the extent of the prohibition or invalidity, without affecting the rest of this Agreement. But the Parties do not intend this severability if it would materially change the economic benefits of this Agreement to any Party.

10.4. Counterparts. The Parties may execute this Agreement simultaneously in two or more counterparts (including facsimile copies), any one of which need not contain the signatures of more than one Party, but all the counterparts taken together will constitute one and the same Agreement.

10.5. Descriptive Headings; Interpretation. The descriptive headings of this Agreement exist for convenience only and do not constitute a substantive part of this Agreement. The use of the word "including" in this Agreement means by way of example rather than by limitation.

10.6. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California as applied to agreements among California residents entered into and to be performed entirely within California.

10.7. Notices. All notices, demands or other communications to be given or delivered under or by reason of this Agreement must be in writing and will be deemed to have been given when (a) delivered personally to the recipient, (b) sent to the recipient by reputable overnight courier service (charges prepaid), or (c) mailed to the recipient by certified or registered mail, return receipt requested, and postage prepaid. These notices, demands and other communications will be sent to Savara and Consultant (to the attention of the individuals named below) at the addresses indicated above or another address as specified by the receiving Party in prior written notice to the sending Party.

10.8. No Strict Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. If any ambiguity or question of intent or interpretation arises, the Parties intend that (a) this Agreement be construed as if they had jointly drafted it and (b) no presumption or burden of proof arise favoring or disfavoring any Party by virtue of its role in drafting any provision of this Agreement.

10.9. Entire Agreement. Schedule A and Schedule B attached to this Agreement are incorporated by reference. This Agreement constitutes the full and entire understanding and agreement between the Parties concerning the subject matter set forth in this Agreement. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. The Parties agree that this Agreement shall be considered signed and delivered when the signature of a Party is delivered by scanned image (*e.g.*, portable document format (PDF)) or facsimile, which scanned image or facsimile shall be treated in all respects as having the same effect as an original signature.

10.10. Amendment. No modification of this Agreement shall be effective unless made in writing and executed and delivered by a duly authorized representative of each Party.

10.11. Waivers, Delays, or Omissions. Except as expressly provided in this Agreement: (a) no delay or omission to exercise any right, power or remedy accruing to any Party upon any breach or default of any other Party will (i) impair the non-defaulting Party's rights, powers or remedies, or (ii) constitute a waiver of, or acquiescence in, the breach or default or any subsequent similar breach or default, and (b) no waiver of any breach or default will constitute a waiver of any previous or subsequent similar breach or default. Any Party's waiver, permit, consent or approval concerning any breach, default, provision or condition of or under this Agreement must be in writing and will be effective only to the extent specifically set forth in the writing. All remedies, whether under this Agreement, applicable law, or otherwise, will be cumulative and not alternative.

10.12. General Indemnification. Savara agrees to defend, indemnify, and hold harmless Consultant from any claims, demands, suits, and actions in law or in equity arising out of or in reference to the Services, including reasonable attorney's fees incurred in connection therewith, except that Savara will not be so obligated nor liable to the extent of any claims arising out of or in reference to fraud or willful misconduct of Consultant.

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement as of the Effective Date.

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THE SIGNATURE PAGE IMMEDIATELY FOLLOWS]

SAVARA INC.

By: /s/ David L. Lowrance
Name: David L. Lowrance
Title: CFO
Date: April 24th, 2017

BRANDI ROBERTS

/s/ Brandi Roberts
Name: Brandi Roberts
Date: 4/24/17

SCHEDULE A

DESCRIPTION OF CONSULTING SERVICES

Consultant will work closely with the CFO of Savara and his designees to provide consultation on assigned matters, as mutually agreed, as follows:

SEC Reporting
Q1 2017 Close
Accounting/General Ledger/Transition Activities
Supervision of onsite consultants
Other Items as Requested

Savara and Consultant acknowledge and agree that, notwithstanding anything to the contrary in this Agreement and regardless of the flat fee arrangement for the months of April and May 2017 as provided in Schedule B to this Agreement, Consultant shall have no obligation to provide any minimum amount of hours in performance of Services to Savara. Consultant does not intend to devote more than 30 hours per week during the months of April and May 2017 to the performance of the Services. After May 31, 2017, Consultant does not intend to devote more than 5 hours per week to the performance of the Services. Consultant agrees that Consultant's fees for Services rendered after May 31, 2017 will not exceed $5,000 per month without Savara's prior written consent.

SCHEDULE B

COMPENSATION FOR CONSULTING SERVICES

For Services provided under this Agreement Savara shall pay Consultant:

- A flat fee of $1,300 for the month of April 2017;
- A flat fee of $26,000 for the month of May 2017; and
- At the rate of $200 per hour for Services rendered after May 31, 2017.

Travel time for trips out of San Diego County, California requested by Savara will be billed at $100 per hour. For clarity, travel time shall include only time in transit between Consultant's principal office and destination. Time spent during travel actively performing Services shall be billed at Consultant's labor rate as set forth above. Travel during the months of April and May 2017 will have travel time billed at $100 per hour, but Services performed during such travel are included in the flat fee for Services for such months.

Payments due to Consultant under this Agreement will be made by Savara as follows:

- The flat fee payment for April 2017 set forth above will be due on or before May 1, 2017;
- The flat fee payment for May 2017 set forth above will be due as to 50% of the amount on or before May 12, 2017 and as to the other 50% of the amount on or before May 31, 2017;
- After May 31, 2017, Consultant will submit invoices to Savara on a bi-weekly basis for Services performed, and payment will be due within ten (10) days of Savara's receipt of such an invoice; and
- Consultant will submit invoices and appropriate supporting documentation relating to travel time and expenses, if any, on a bi-weekly basis and payment will be due within ten (10) days of Savara's receipt of any such invoice together with appropriate supporting documentation.

Exhibit 10.15

SEPARATION AGREEMENT
AND
GENERAL RELEASE OF CLAIMS

THIS SEPARATION AGREEMENT AND GENERAL RELEASE OF CLAIMS (hereinafter "Agreement") is entered into by and between Edwin L. Parsley (hereinafter "Employee") and Mast Therapeutics, Inc. (hereinafter "Mast" or the "Company"). Employee and Mast hereinafter are collectively referred to as the "Parties" or individually referred to as a "Party."

RECITALS

A. Mast is a corporation and is doing business in the State of California.

B. Employee's employment with Mast as a Chief Medical Officer and Senior Vice President is expected to terminate as of the closing (the "Closing") of the acquisition of Savara Inc. (the "Change of Control"), which is expected to occur on or about April 21, 2017 (such date of termination of employment the "Termination Date").

C. In accordance with the terms of the Executive Severance Agreement, dated March 23, 2016, between Employee and Mast (the "Executive Severance Agreement"), Employee desires to settle and compromise any and all possible claims and disputes he/she has against any of the Releasees, as defined below, arising out of their relationship to date, and to provide for a general release of any and all such claims.

AGREEMENT

1. Termination of Employment and Resignation of Positions. Employee agrees that his/her employment with Mast will terminate as part of the Closing effective as of the Termination Date and he/she has complied, or will comply as of the Termination Date, as applicable, with the provisions of Section 1.3 of the Executive Severance Agreement. Employee hereby resigns, effective as of the Termination Date, any and all other positions he/she holds with Mast and any of its subsidiaries, including positions as a director of Mast or any of its subsidiaries. In the event that Employee's employment with Mast is not terminated in connection with the Closing, this Agreement shall automatically terminate and no longer remain in force or effect without further obligation of either of the Parties.

2. Separation Pay/Consideration. In consideration of the covenants and releases given herein, upon termination of Employee's employment on the Termination Date, and subject to non-revocation of this Agreement as set forth in Section 4.c. and execution of the Affirmation (as defined below), Employee will become eligible to receive the following consideration:

a. Separation Pay. Mast will tender a check to Employee in an amount of Two Hundred Ninety-Seven Thousand, Eight Hundred Twenty-Two Dollars and Fifty-Four Cents ($297,822.54), less applicable federal and California payroll tax deductions, which is the equivalent of (i) nine (9) months of Employee's base salary and (ii) the amount equal to the premiums necessary to continue Employee's health insurance coverage in effect for Employee and Employee's covered dependents under the Consolidated Omnibus Reconciliation Act of 1985, for a period of nine (9) months; and

b. Unemployment Insurance Claim. Mast will not oppose Employee's claim for unemployment insurance benefits, and, if asked, will inform the California Employment Development Department that Employee was laid off by Mast as part of the Change in Control.

3. Release.

a. Release. Employee does hereby unconditionally, irrevocably and absolutely release and discharge Mast and its current and former officers, directors, employees, agents, investors, attorneys, shareholders,

administrators, affiliates, benefit plans, plan administrators, professional employer organization or co-employer, insurers, trustees, divisions, and subsidiaries, and predecessor and successor corporations and assigns, (collectively, the "Releasees") from any and all loss, liability, claims, demands, causes of action or suits of any type, whether in law and/or in equity, related directly or indirectly, or in any way connected with any transactions, affairs or occurrences between them to date, including, but not limited to, Employee's employment with Mast and the termination of said employment. Employee agrees that the foregoing consideration represents settlement in full of all outstanding obligations owed to Employee by the Releasees, other than consideration to which Employee may be entitled in respect of (i) a Change of Control, and (ii) unpaid wages, accrued and unused vacation and reimbursement for business expenses validly incurred prior to termination. This Agreement specifically applies, without limitation, to any and all disputed wage claims, claims for unpaid expenses, contract claims, tort claims, claims for wrongful termination, and claims arising under Title VII of the Civil Rights Act of 1991, the Americans with Disabilities Act, the Equal Pay Act, the Worker Adjustment and Retraining Notification Act, the Employee Retirement Income Security Act, the Sarbanes-Oxley Act of 2002, the California Fair Employment and Housing Act, the Fair Labor Standards Act, the Family and Medical Leave Act, the California Family Rights Act, the California Labor Code, the California Business and Professions Code, and any and all federal or state statutes or laws governing employment and/or discrimination in employment. In addition, this Agreement specifically applies to any claims for age discrimination harassment or retaliation in employment, including any claims arising under the Age Discrimination in Employment Act or any other statutes or laws which govern age discrimination in employment. Nothing in this Agreement shall be construed to mean that Employee is releasing or waiving claims to enforce this Agreement, workers' compensation claims, claims for unemployment insurance benefits, claims for any vested retirement, any claim for indemnification (including under the Company's organizational documents or insurance policies) arising in connection with an action instituted by a third party against the Company or Employee, or claims that, by law, cannot be waived.

b. Section 1542 Waiver. Employee does expressly waive all of the benefits and rights granted to him/her pursuant to California Civil Code section 1542, which reads as follows:

> A general release does not extend to claims which the creditor does not know of or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Employee does certify that he/she has read all of this Agreement, including the release provisions contained herein and the quoted Civil Code section, and that he/she fully understands all of the same. Employee hereby expressly agrees that this Agreement shall extend and apply to all unknown, unsuspected and unanticipated injuries and damages, as well as those that are now disclosed.

c. No Further Action. Except as set forth in Section 5, Employee irrevocably and absolutely agrees that he/she will not prosecute nor allow to be prosecuted on his/her behalf, in any administrative agency, whether federal or state, or in any court, whether federal or state, any claim or demand of any type related to the matters released above, it being the intention of the Parties that with the execution by Employee of this release, the Releasees will be absolutely, unconditionally and forever discharged of and from all obligations to or on behalf of Employee related in any way to the matters discharged herein.

4. Additional Provisions Regarding Release of Age Claims/OWBPA Provisions.

a. ADEA Claims. This section of the Agreement exclusively addresses issues relating to Employee's release of claims arising under federal law involving discrimination on the basis of age in employment (age forty and above). This section is provided separately, in compliance with federal law, including but not limited to the Older Workers' Benefit Protection Act of 1990 ("OWBPA"), to ensure that Employee clearly understands his rights so that any release of age discrimination claims under federal law (the ADEA) is knowing and voluntary on the part of Employee.

b. Review Period/OWBPA Provisions. In accordance with the provisions of the OWBPA, Employee is aware of the following: Employee represents, acknowledges and agrees that Mast has advised him/her, in writing, (i) to discuss this Agreement with an attorney and to that extent, if any, that Employee has desired, Employee has done so; (ii) that Mast has given Employee forty-five (45) days from receipt of this Agreement to review

and consider this Agreement before signing it, and Employee understands that he/she may use as much of this forty-five (45) day period as he/she wishes prior to signing; (iii) that no promise, representation, warranty or agreements not contained herein have been made by or with anyone to cause him/her to sign this Agreement; (iv) that he/she has read this Agreement in its entirety, and fully understands and is aware of its meaning, intent, content and legal effect; (v) that he/she is executing this release voluntarily and free of any duress or coercion; (vi) that this Agreement includes rights and claims under the federal Age Discrimination in Employment Act, as amended, and the federal OWBPA, as amended; and (vii) that this Agreement does not waive rights or claims that may arise after the date Employee signs this Agreement.

c. Effective Date of Agreement. The Parties acknowledge that for a period of seven (7) days following the execution of this Agreement, Employee may revoke the Agreement, and the Agreement shall not become effective or enforceable until the revocation period has expired. This Agreement shall become effective eight (8) days after it has been signed by Employee and Mast, and in the event the parties do not sign on the same date, then this Agreement shall become effective eight (8) days after the date it is signed by Employee.

5. Protected Rights. Employee understands that nothing contained in this Agreement limits Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission, or any other federal, state or local government agency or commission ("Government Agencies"), including an Age Discrimination in Employment Act charge or complaint, although Employee may have no right to relief by reason of the claims Employee has released herein. Employee further understands that this Agreement does not limit Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to Mast. Nothing in this Agreement shall restrict or limit any right Employee may have to receive a whistleblower award or bounty for information provided to the Securities and Exchange Commission. In addition, pursuant to the Defend Trade Secrets Act of 2016, Employee is notified that an individual will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made in confidence to a federal, state, or local government official (directly or indirectly) or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if (and only if) such filing is made under seal. In addition, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the individual's attorney and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

6. No Cooperation. Subject to Section 5 governing Employee's Protected Rights, Employee agrees that he/she will not knowingly encourage, counsel, or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints by any third party against the Company and its subsidiaries, and predecessor and successor corporations and assigns, unless under a subpoena or other court order to do so or as related directly to the ADEA waiver in this Agreement. Employee agrees both to promptly notify the Company and its successor corporations, upon receipt of any such subpoena or court order, and to furnish, within three (3) business days of its receipt, a copy of such subpoena or other court order. If approached by anyone for counsel or assistance in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints against the Company and its subsidiaries, and predecessor and successor corporations and assigns, Employee shall state no more than that Employee cannot provide counsel or assistance.

7. Acknowledgements/Affirmations. Employee acknowledges and affirms that he/she has been paid and/or has received all wages, bonuses, incentive compensation, accrued vacation and benefits to which Employee may be entitled, except for such wages, bonuses, incentive compensation, accrued vacation and benefits to which Employee may be entitled as a result of the Change of Control and/or termination of employment. Employee also acknowledges and affirms that he/she has been provided information regarding his/her inability to continue to receive health insurance benefits as COBRA benefits after the termination of his/her employment due to Mast's termination, in connection with the Change in Control, of the health insurance plans in which Employee has participated. Employee further acknowledges and affirms that he/she has returned all documents and other items provided to Employee by the Company (with the exception of a copy of the Employee Handbook and personnel documents specifically relating to

Employee), developed or obtained by Employee in connection with Employee's employment with the Company, or otherwise belonging to the Company.

8. Confidentiality/Non-Disparagement. Employee agrees that all matters relative to this Agreement shall remain confidential. Accordingly, Employee hereby agrees that, with the exception of his/her spouse, counsel and tax advisors, he/she shall not discuss, disclose or reveal to any other persons, entities or organizations, whether within or outside of Mast, the terms and conditions of this Agreement. The Parties acknowledge, however, that Mast may be required to file a copy of this Agreement with the Securities and Exchange Commission, in which case, the terms and conditions of this Agreement will be accessible for review by the public. Nothing in this section prevents Employee from disclosing to any third party that his/her employment with Mast terminated in connection with the Change in Control. Employee agrees not to make any derogatory or adverse statements, written or verbal, regarding the Releasees to anyone, and agrees to refrain from knowingly interfering in any tortious manner with the contracts and relationships of the Company. Mast agrees not to make any derogatory or adverse statements, written or verbal, regarding Employee to anyone. Employee understands that the Company's obligations under this paragraph extend only to the Company's current executive officers and members of its Board of Directors and only for so long as each officer or member is an employee or Director of the Company.

9. Affirmation of Release and Waiver. Prior to receipt of the consideration set forth in Section 2, Employee shall execute and deliver the Affirmation in substantially the form set forth in Exhibit A (the "Affirmation").

10. Reference Requests. Any reference requests concerning Employee will be referred to the Human Resources Department. The only information that will be provided in response to such a request will be Employee's dates of employment, his/her title, confirmation of his/her rate of pay, a statement that Employee was terminated in connection with the Change in Control and would not have been terminated but for that company action, and a statement that it is Mast's policy to only provide that information.

11. Tax Consequences. The Company makes no representations or warranties with respect to the tax consequences of the payments and any other consideration provided to Employee or made on Employee's behalf under the terms of this Agreement. Employee agrees and understands that Employee is responsible for payment, if any, of local, state, and/or federal taxes on the payments and any other consideration provided hereunder by the Company and any penalties or assessments thereon.

12. Entire Agreement. The Parties further declare and represent that no promise, inducement or agreement not herein expressed has been made to them and that this Agreement together with the Executive Severance Agreement contain the full and entire agreement between and among the Parties, and that the terms of this Agreement are contractual and not a mere recital.

13. Applicable Law. The validity, interpretation, and performance of this Agreement shall be construed and interpreted according to the laws of the State of California.

14. Dispute Resolution. Except as set forth in Section 5, any dispute arising out of or related to this Agreement shall be resolved through binding arbitration through JAMS in San Diego, California, under the then current applicable rules of JAMS. The arbitrator may grant injunctions and other relief in such disputes. The arbitrator shall administer and conduct any arbitration in accordance with California law, including the California Code of Civil Procedure, and the arbitrator shall apply substantive and procedural California law to any dispute or claim, without reference to any conflict-of-law provisions of any jurisdiction. To the extent that the JAMS rules conflict with California law, California law shall take precedence. The decision of the arbitrator shall be final, conclusive, and binding on the parties to the arbitration. Each party shall be responsible for its or his or her own costs and attorneys' fees in connection with the arbitration, as well as half of the costs of the arbitration. THE PARTIES HEREBY AGREE TO WAIVE THEIR RIGHT TO HAVE ANY DISPUTE BETWEEN THEM RESOLVED IN A COURT OF LAW BY A JUDGE OR JURY. Notwithstanding the foregoing, this Section will not prevent either Party from seeking injunctive relief (or any other provisional remedy) from any court having jurisdiction over the Parties and the subject matter of their dispute relating to this Agreement.

15. Knowing and Voluntary Agreement. Employee acknowledges that he/she has carefully read and fully understands all the provisions and effects of this Agreement. Employee further acknowledges that he/she has been given the opportunity to consult with his/her own independent legal counsel and tax professional with respect to the matters referenced in this Agreement. Employee acknowledges that he/she has fully discussed this Agreement with his/her attorney or has voluntarily chosen to sign this Agreement without consulting an attorney and/or tax professional, fully understanding the consequences of this Agreement. Employee further acknowledges that he/she is entering into this Agreement without coercion or duress from any of the Releasees and that none of the Releasees have made any representations or promises concerning the terms or effects of this Agreement other than those set forth in this Agreement.

16. Complete Defense. This Agreement may be pleaded as a full and complete defense and may be used as the basis for an injunction against any action, suit or proceeding which may be prosecuted, instituted or attempted by either party in breach thereof.

17. Counterparts. This Agreement may be executed in counterparts and, if so executed, each such counterpart shall have the force and effect of an original. A facsimile signature shall have the same force and effect as an original signature.

18. Severability. If any provision of this Agreement, or part thereof, is held invalid, void or voidable as against public policy or otherwise, the invalidity shall not affect other provisions, or parts thereof, which may be given effect without the invalid provision or part. To this extent, the provisions, and parts thereof, of this Agreement are declared to be severable.

19. No Admission of Liability. It is understood that this Agreement is not an admission of any liability by any person, firm, association or corporation but is in compromise of a disputed claim.

20. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, legal representatives, successors and assigns.

IN WITNESS WHEREOF, the undersigned have executed this Agreement on the dates shown below.

Dated: 13 Apr 2017

/s/ Edwin L. Parsley
Edwin L. Parsley

Mast Therapeutics, Inc.

Dated: April 13, 2017

By: /s/ Brandi Roberts
Name: Brandi Roberts
Title: Chief Financial Officer

Affirmation

The undersigned hereby acknowledges his/her termination of employment with the Company as of April 27, 2017 (the "Termination Date") and further affirms that terms of the Separation Agreement and General Release of Claims between the undersigned and Mast Therapeutics, Inc. (the "Agreement") remain in full force and effect as of the Termination Date, including, but not limited to, the release, waivers and affirmations set forth in Sections 3, 4 and 6 of the Agreement.

The undersigned acknowledges and affirms that he/she has been paid and/or has received all wages, bonuses, incentive compensation, accrued vacation and benefits to which the undersigned may be entitled, other than shares of the Company's common stock pursuant to settlement of the restricted stock unit award granted to the undersigned in January 2017 pursuant to the Notice of Grant of Restricted Stock Units and Restricted Stock Units Award Agreement between the undersigned and the Company (the "RSUs Agreement"). Upon receipt of 12,779 shares of the Company's common stock (which is the amount granted under the RSUs Agreement as adjusted for the 70-for-1 reverse stock split implemented by the Company on April 27, 2017) in the undersigned's E*Trade account, the undersigned acknowledges and affirms that he/she will have received all shares of Company common stock due to the undersigned pursuant to the RSUs Agreement.

Dated: April 27, 2017

/s/ Edwin L. Parsley
Edwin L. Parsley

Exhibit 10.16

CONSULTING SERVICES AGREEMENT

THIS CONSULTING SERVICES AGREEMENT (this "Agreement") is made effective as of April 24__, 2017 (the "Effective Date") by and between **SAVARA INC.**, a Delaware corporation having a principal place of business at 900 S. Capital of Texas Highway, Suite 150, Austin, Texas 78746 USA ("Savara"), and Edwin L Parsley, DO, an individual having a principal place of business at 3972 Albatross #303, San Diego, CA 92103 ("Consultant") (each herein referred to individually as a "Party," or collectively as the "Parties").

BACKGROUND:

A. Pursuant to that certain Agreement and Plan of Merger and Reorganization, dated January 6, 2017, by and among Mast Therapeutics, Inc. ("Mast"), Victoria Merger Corp. ("Merger Sub"), a wholly-owned subsidiary of Mast, and Savara Inc., on or about April 21, 2017, Merger Sub merged with and into Savara, with Savara becoming a wholly-owned subsidiary of Mast (the "Merger"), and concurrently with the Merger, Mast changed its name to "Savara Inc." and Savara Inc., the wholly-owned subsidiary, changed its name to "[Aravas Inc.]"

B. Prior to the Merger, Consultant served as Mast and Aire's Chief Medical Officer and has expertise relevant to Savara's business.

C. Savara now desires to engage Consultant to provide services, and Consultant is willing to perform such services, on and subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, intending to be legally bound, and in consideration of the mutual promises contained herein, the Parties agree as follows:

1. Consulting Services.

1.1. Consultant will provide the services described on the attached Schedule A (the "Services") to Savara and its Affiliates (as defined in Section 10.2 below). If mutually agreed upon in writing by amendment to this Agreement, Consultant also will perform as part of the Services other services and duties assigned by Savara to Consultant from time to time. Consultant will report to Savara's Chief Operating Officer ("COO") or his designee.

1.2. When providing the Services, Consultant will comply with Savara's policies, standards, rules, and regulations, as they may exist from time to time and that are applicable to independent contractors. Consultant will perform the Services to the best of his abilities and in a diligent, trustworthy, businesslike, and efficient manner, exercising due care in the performance of Services and rendering them in accordance with prevailing professional standards and ethics.

1.3. Consultant has no authority to enter into any contracts or instruments, or to create any obligations that are binding upon Savara.

2. Compensation.

2.1. Compensation. As compensation for the Services, Savara will pay to Consultant the amounts specified in the attached Schedule B to this Agreement. All payments provided for under this Agreement are intended to be exempt from or otherwise comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and

guidance thereunder (together, "Section 409A") so that none of the payments to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to be exempt or so comply. Each payment under this Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

2.2. Payments. Payments due to Consultant under this Agreement will be made at the times specified in the attached Schedule B to this Agreement. Invoices are to be submitted together with all appropriate supporting documentation to via e-mail to accountspayable@savarapharma.com. Upon Savara's request, Consultant will submit a copy of the invoice and any supporting documentation to Savara at the address set forth in this Agreement, Attention: Account Payable.

2.3. Withholdings. Consultant will at all times be an independent contractor and not an agent or employee of Savara. As such, Consultant acknowledges that Savara will not withhold or deduct any amount from compensation to pay any federal, state, or local taxes and Consultant will not be eligible for any employee benefits, including, but not limited to, paid time off, sick leave, medical insurance, and 401k participation. Consultant has sole responsibility to and will pay taxes, if any, and file returns as are required in accordance with applicable laws and regulations.

2.4. Company Equipment. While consultant will be expected to provide their own equipment, Savara in its discretion will provide access to certain company-owned laptop computer and other equipment and software to Consultant for use in provision of Services, in which event the computer, related software and equipment will remain the property of Savara and Consultant will use the assigned items for Savara business exclusively. Upon expiration or termination of this Agreement, Consultant promptly will return the items to Savara if requested.

3. Expenses. Savara will reimburse Consultant for reasonable "out-of-pocket" expenses ordinary and necessary in nature, including mileage at the standard IRS rate, which Consultant incurs at Savara's request in the course of performing the Services. Reimbursement payments are subject to Consultant's compliance with Savara's policies in effect from time to time regarding travel, entertainment, and other business expenses and the reporting and documentation of expenses. Air travel will be economy plus (or similar class) within the continental United States and otherwise will be business class.

4. Term and Termination. Consultant's engagement under this Agreement commences on the Effective Date and will continue through December 31, 2017, unless extended as mutually agreed upon in writing by amendment to this Agreement. This Agreement may be terminated at any time by either Party upon thirty (30) days prior written notice. Upon the earlier termination of this Agreement for any reason, Savara will be liable only for payment of compensation for Services rendered and reimbursement of expenses properly incurred through the effective date of termination. The provisions of Sections 2, 3, and 6 through 10 will survive the expiration or termination of this Agreement.

5. Other Business Activities. Consultant covenants, represents, and warrants to Savara that, as of the Effective Date, Consultant is not engaged, directly or indirectly, in any other business or activity that might materially interfere with the ability to render the Services.

6. Trade Secrets and Confidential Information.

6.1. Consultant acknowledges that Consultant will have access to, or become acquainted with, Confidential Information and Trade Secrets (as these terms are defined below). As a material inducement to Savara to enter into this Agreement, and in acknowledgement of good and valuable consideration to be received by Consultant under this Agreement, Consultant agrees as follows:

(a) The Trade Secrets and Confidential Information are the sole and exclusive property of Savara (or a third party providing the information to Savara). Savara (or the third party, if applicable) owns all worldwide rights to the information under patent, copyright, trade secret, confidential information or other property right.

(b) The disclosure of Trade Secrets and Confidential Information by Savara to Consultant does not confer upon Consultant any license, interest, or rights of any kind in or to the Trade Secrets or Confidential Information. Consultant may use the Trade Secrets and Confidential Information solely to benefit Savara and only during the Term.

(c) Except to perform Services for Savara under this Agreement or with Savara's prior written consent, Consultant:

(i) will not directly or indirectly or in any manner, divulge, disclose, or communicate any Confidential Information to any third party,

(ii) will hold Trade Secrets and Confidential Information in confidence,

(iii) will not use Trade Secrets or Confidential Information for any purpose other than solely to provide Services, and

(iv) will not, directly or indirectly, in any form, by any means, or for any purpose, reproduce, distribute, transmit, reverse engineer, de-compile, disassemble or transfer, or use, the Trade Secrets or the Confidential Information, or any portion of either, to benefit Consultant or any third party.

(d) Consultant will return or destroy (with written confirmation of destruction provided upon request) the Trade Secrets and Confidential Information that are in Consultant's possession or control to Savara, together with all copies, documents, records, notebooks, programs and similar items, collections, and materials (in writing, electronic, or otherwise) that relate to the Confidential Information or Trade Secrets:

(i) upon Savara's request, and

(ii) immediately upon expiration or termination of this Agreement.

6.2. For purposes of this Agreement, the following terms have the meanings set forth below:

(a) "Confidential Information" means information, other than Trade Secrets, that Savara treats as confidential. Without limiting the generality of the foregoing, Confidential Information includes information regarding Savara's equipment, products and product mix, prices and pricing policies, costs, future plans, business affairs and strategies, contracts and licenses, copyrights and patents, advertising and promotional strategies and campaigns, distribution strategies, methods of doing business and the terms and conditions of this Agreement. Confidential Information does not include information that is readily available to the public (other than because of Consultant's unauthorized disclosure) or otherwise legally available to Consultant on a non-confidential basis.

(b) "Trade Secrets" means information, without regard to form, of Savara or its existing or prospective licensors, licensees, customers, or suppliers (including technical or nontechnical data, formulas, patterns, and customer purchasing practices), compilations (including compilations of customer information), programs (including

computer programs and models), devices, methods, techniques, drawings, processes, financial data (including sales forecasts, sales histories, and budgets), financial plans, business plans, product plans, or lists of actual or potential licensors, licensees, customers, or suppliers (including identifying information about those licensors, licensees, customers, and suppliers), whether or not reduced to writing, that:

(i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, or

(ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

6.3. Consultant obligations under this Agreement with regard to Trade Secrets will remain in effect for as long as that information remains a trade secret under applicable law. Consultant's obligations under this Agreement with regard to Confidential Information will remain in effect during the Term and for a period of three (3) years after the expiration or termination of this Agreement.

6.4. In connection with the Services, Savara may provide or Consultant may gain access to information about investigators or subjects in Savara clinical studies. This may include information that can be used by itself or in combination with other available information to identify a specific individual ("Personal Data"). Consultant shall respect the privacy of the investigators and study subjects and covenants that:

(a) In the performance of Services, Consultant will comply with all applicable national, regional, and local laws relating to information privacy.

(b) Consultant will comply with the obligations of confidentiality pursuant to this Section 6 with respect to all Personal Data.

(c) Consultant will use electronic, physical, and other safeguards appropriate to the nature of the information to prevent any use or disclosure of Personal Data in its possession other than as provided for by this Agreement.

(d) After completion of Services or termination of this Agreement, Consultant will, at Savara's option, either destroy (with written confirmation of destruction provided upon request) or return any Personal Data in Consultant's possession.

7. Non-Solicitation. As a material inducement to Savara to enter into this Agreement, and in acknowledgement of good and valuable consideration to be received by Consultant under this Agreement, Consultant agrees as follows:

7.2. Personal Solicitation. During the Term and for one (1) year after the expiration or termination of this Agreement, Consultant will not, for any reason (whether on its own behalf or on behalf of any other person, corporation, partnership, venture, or any other entity or form of business), directly or indirectly, solicit or encourage any person who is an employee or independent contractor of Savara to leave Savara's employment or service.

7.3. Disparagement. Consultant will not, at any time during the Term or after the expiration or termination of this Agreement, make false or misleading statements about Savara or its products, management, employees, customers, or suppliers.

8. Intellectual Property.

8.1. As a material inducement to Savara to enter into this Agreement, and in acknowledgement of good and valuable consideration to be received by Consultant under this Agreement, Consultant acknowledges and agrees that the provision of Services may provide the opportunity for conceiving or reducing to practice developments, discoveries, methods, processes, designs, inventions, ideas, or improvements related to the Business (collectively, "Work Product"). Consultant will promptly report and disclose to Savara in writing all Work Product that Consultant conceives, makes, implements, or reduces to practice, whether alone or acting with others, during the Term, that are developed:

(a) while providing Services on Savara's time, or

(b) while utilizing, directly or indirectly, Savara's equipment, supplies, facilities, Confidential Information, Trade Secrets, or other assets.

8.2. Consultant acknowledges and agrees that all Work Product is Savara's sole and exclusive property. Consultant will assign, and automatically assigns, without further consideration or action, to Savara all rights, title, and interest in and to all Work Product.

8.3. Definitions. "Business" means the business of developing and marketing pharmaceutical products in the Field, except that this definition will change, without further action by the Parties, to reflect any change in the nature of Savara's business during the Term. "Field" means inhalation therapies for patients with rare pulmonary conditions.

9. Equitable Relief.

9.1 Consultant acknowledges and agrees that:

(a) it has carefully read and considered Sections 6 through 8 and, having done so, expressly acknowledges and agrees that the restrictions set forth in those Sections are fair and reasonable and are reasonably required to protect Savara's interests and the confidential nature of the Confidential Information and the Trade Secrets,

(b) Sections 6 through 8 will not cause undue hardship or unreasonably interfere with Consultant's ability to earn a livelihood,

(c) the Confidential Information and Trade Secrets are unique to Savara's business, and Savara would not reveal them to Consultant but for Consultant's willingness to agree to the restrictions set forth in this Agreement,

(d) a breach of any of the provisions of Sections 6 through 8 might cause irreparable harm and damage to Savara,

(e) Sections 6 through 8 will be construed as agreements independent of any other provision of this Agreement or any other agreement between the Parties, and

(f) the existence of any claim or cause of action by Consultant against Savara, whether predicated upon this Agreement or any other agreement, will not constitute a defense to Savara's enforcement of Sections 6 through 8.

9.2. If Consultant breaches any of the provisions of Sections 6 through 8, Savara will be entitled to injunctive relief, specific performance, or any other equitable remedy that a court of competent jurisdiction may provide (without posting any bond), in addition to any other remedies available at law or in equity. In this event, Consultant expressly waives the defense that a remedy in damages will be adequate.

9.3. The Parties intend that nothing contained in this Section 9 be construed to limit Savara's right to any remedies at law or in equity, including the recovery of damages for Consultant's breach of this Agreement.

10. Miscellaneous.

10.1. Expenses. Savara and Consultant will each bear their own fees, costs, and expenses they incur with respect to the preparation, negotiation, and completion of this Agreement.

10.2. Assignment and Change of Control; Binding Effect. This Agreement and its rights, privileges, and obligations may not be assigned or otherwise transferred by either Party without the prior written consent of the other Party; *provided, however*, that Savara may assign without consent this Agreement and its rights, privileges, and obligations (i) to an Affiliate (as defined in Section 10.2(a) below) (ii) in connection with a merger, consolidation, or sale of substantially all of its assets to an unrelated third party, or (iii) in connection with a Change of Control (as defined in Section 10.2(b) below). In the event of a Change of Control, written notification shall be required but not consent. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective permitted successors and assigns.

(a) "Affiliate" shall mean any corporation, company, partnership, or other entity which controls, is controlled by, or is under common control with Savara. An entity shall be regarded as in control of another entity if it directly or indirectly owns or controls fifty percent (50%) or more of the voting stock or other ownership interest of the other entity, or if it possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other entity or the power to elect or appoint fifty percent (50%) or more of the members of the governing body of the other entity.

(b) "Change of Control" shall mean acquisition by a third party of fifty percent (50%) or more of the voting equity interests of Savara, or transfer to a third party of Effective Control (as defined in the following sentence) of Savara as a result of any other transaction. "Effective Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of voting securities, by contract, or otherwise. Notwithstanding applicability of the foregoing, an entity which shall be consolidated pursuant to United States Generally Accepted Accounting Principles (GAAP), as they exist from time to time, consistently applied, with Savara shall be deemed under Effective Control for purposes of this Agreement.

10.3. Severability. Whenever possible, the Parties intend that each provision of this Agreement be interpreted to be effective and valid under applicable law. If a court of competent jurisdiction holds any provision to be prohibited by or invalid under applicable law, the provision will be ineffective only to the extent of the prohibition or invalidity, without affecting the rest of this Agreement. But the Parties do not intend this severability if it would materially change the economic benefits of this Agreement to any Party.

10.4. Counterparts. The Parties may execute this Agreement simultaneously in two or more counterparts (including facsimile copies), any one of which need not contain the signatures of more than one Party, but all the counterparts taken together will constitute one and the same Agreement.

10.5. Descriptive Headings; Interpretation. The descriptive headings of this Agreement exist for convenience only and do not constitute a substantive part of this Agreement. The use of the word "including" in this Agreement means by way of example rather than by

limitation.

10.6. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California as applied to agreements among California residents entered into and to be performed entirely within California.

10.7. Notices. All notices, demands or other communications to be given or delivered under or by reason of this Agreement must be in writing and will be deemed to have been given when (a) delivered personally to the recipient, (b) sent to the recipient by reputable overnight courier service (charges prepaid), or (c) mailed to the recipient by certified or registered mail, return receipt requested, and postage prepaid. These notices, demands and other communications will be sent to Savara and Consultant (to the attention of the individuals named below) at the addresses indicated above or another address as specified by the receiving Party in prior written notice to the sending Party.

10.8. No Strict Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. If any ambiguity or question of intent or interpretation arises, the Parties intend that (a) this Agreement be construed as if they had jointly drafted it and (b) no presumption or burden of proof arise favoring or disfavoring any Party by virtue of its role in drafting any provision of this Agreement.

10.9. Entire Agreement. Schedule A and Schedule B attached to this Agreement are incorporated by reference. This Agreement constitutes the full and entire understanding and agreement between the Parties concerning the subject matter set forth in this Agreement. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. The Parties agree that this Agreement shall be considered signed and delivered when the signature of a Party is delivered by scanned image (*e.g.*, portable document format (PDF)) or facsimile, which scanned image or facsimile shall be treated in all respects as having the same effect as an original signature.

10.10. Amendment. No modification of this Agreement shall be effective unless made in writing and executed and delivered by a duly authorized representative of each Party.

10.11. Waivers, Delays, or Omissions. Except as expressly provided in this Agreement: (a) no delay or omission to exercise any right, power or remedy accruing to any Party upon any breach or default of any other Party will (i) impair the non-defaulting Party's rights, powers or remedies, or (ii) constitute a waiver of, or acquiescence in, the breach or default or any subsequent similar breach or default, and (b) no waiver of any breach or default will constitute a waiver of any previous or subsequent similar breach or default. Any Party's waiver, permit, consent or approval concerning any breach, default, provision or condition of or under this Agreement must be in writing and will be effective only to the extent specifically set forth in the writing. All remedies, whether under this Agreement, applicable law, or otherwise, will be cumulative and not alternative.

10.12. General Indemnification. Savara agrees to defend, indemnify, and hold harmless Consultant from any claims, demands, suits, and actions in law or in equity arising out of or in reference to the Services, including reasonable attorney's fees incurred in connection therewith, except that Savara will not be so obligated nor liable to the extent of any claims arising out of or in reference to fraud or willful misconduct of Consultant.

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement as of the Effective Date.

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THE SIGNATURE PAGE IMMEDIATELY FOLLOWS]

SAVARA INC.

By: /s/ Chris Marich
Name: Chris Marich
Title: VP Business Operations
Date: April 27th, 2017

Consultant

Edwin L Parsley, DO

/s/ Edwin L. Parsley
Name: Edwin L Parsley, DO
Date: 28 Apr 2017

SCHEDULE A

DESCRIPTION OF CONSULTING SERVICES

Consultant will work closely with the COO of Savara and his designees to provide consultation on assigned matters, as mutually agreed, as follows in the capacity of Interim Chief Medical Officer of Aires Pharmaceuticals, Inc. a wholly owned subsidiary of Savara:

Support and oversite of all ongoing clinical studies utilizing AIR001.
Preparation and assistance in submission of required regulatory documents regarding maintenance of the IND, Safety Reporting, and support of Orphan Drug Designations.
Support of AIR001 activities as requested by Savara including regulatory, business development and marketing strategy, representation of the AIR001 at conferences as requested and representation as a medical expert on AIR001 and nitrite science at investor conferences and meetings as requested.
Preparation and assistance in submission of regulatory required documents for Mast Therapeutics, Inc. asset Vepoloxamer, to complete close out of activities and assist in possible divestiture of the asset.
s
Other Items as Requested

Savara and Consultant acknowledge and agree that, notwithstanding anything to the contrary in this Agreement, Consultant shall have no obligation to provide any minimum amount of hours in performance of Services to Savara. Consultant does not intend to devote more than 30 hours per week during the duration of the agreement unless requested by Savara.

SCHEDULE B

COMPENSATION FOR CONSULTING SERVICES

For Services provided under this Agreement Savara shall pay Consultant:

- A rate of $230 per hour for Services rendered after 27 April 2017.

Travel time for trips out of San Diego County, California requested by Savara will be billed at $115 per hour. For clarity, travel time shall include only time in transit between Consultant's principal office and destination. Time spent during travel actively performing Services shall be billed at Consultant's labor rate as set forth above.

Payments due to Consultant under this Agreement will be made by Savara as follows:

- After 27 April, 2017, Consultant will submit invoices to Savara on a bi-weekly basis for Services performed, and payment will be due within ten (10) days of Savara's receipt of such an invoice; and
- Consultant will submit invoices and appropriate supporting documentation relating to travel time and expenses, if any, on a bi-weekly basis and payment will be due within ten (10) days of Savara's receipt of any such invoice together with appropriate supporting documentation.

Exhibit 10.17

SEPARATION AGREEMENT
AND
GENERAL RELEASE OF CLAIMS

THIS SEPARATION AGREEMENT AND GENERAL RELEASE OF CLAIMS (hereinafter "Agreement") is entered into by and between Shana Hood (hereinafter "Employee") and Mast Therapeutics, Inc. (hereinafter "Mast" or the "Company"). Employee and Mast hereinafter are collectively referred to as the "Parties" or individually referred to as a "Party."

RECITALS

A. Mast is a corporation and is doing business in the State of California.

B. Employee's employment with Mast as a General Counsel, Vice President & Secretary is expected to terminate as of the closing (the "Closing") of the acquisition of Savara Inc. (the "Change of Control"), which is expected to occur on or about April 21, 2017 (such date of termination of employment the "Termination Date").

C. In accordance with the terms of the Executive Severance Agreement, dated March 30, 2016, between Employee and Mast (the "Executive Severance Agreement"), Employee desires to settle and compromise any and all possible claims and disputes he/she has against any of the Releasees, as defined below, arising out of their relationship to date, and to provide for a general release of any and all such claims.

AGREEMENT

1. Termination of Employment and Resignation of Positions. Employee agrees that his/her employment with Mast will terminate as part of the Closing effective as of the Termination Date and he/she has complied, or will comply as of the Termination Date, as applicable, with the provisions of Section 1.3 of the Executive Severance Agreement. Employee hereby resigns, effective as of the Termination Date, any and all other positions he/she holds with Mast and any of its subsidiaries, including positions as a director of Mast or any of its subsidiaries. In the event that Employee's employment with Mast is not terminated in connection with the Closing, this Agreement shall automatically terminate and no longer remain in force or effect without further obligation of either of the Parties.

2. Separation Pay/Consideration. In consideration of the covenants and releases given herein, upon termination of Employee's employment on the Termination Date, and subject to non-revocation of this Agreement as set forth in Section 4.c. and execution of the Affirmation (as defined below), Employee will become eligible to receive the following consideration:

a. Separation Pay. Mast will tender a check to Employee in an amount of Two Hundred Thirty-Four Thousand, Three Hundred Ninety-One Dollars and Twenty-Nine Cents ($234,391.29), less applicable federal and California payroll tax deductions, which is the equivalent of (i) nine (9) months of Employee's base salary and (ii) the amount equal to the premiums necessary to continue Employee's health insurance coverage in effect for Employee and Employee's covered dependents under the Consolidated Omnibus Reconciliation Act of 1985, for a period of nine (9) months; and

b. Unemployment Insurance Claim. Mast will not oppose Employee's claim for unemployment insurance benefits, and, if asked, will inform the California Employment Development Department that Employee was laid off by Mast as part of the Change in Control.

3. Release.

a. Release. Employee does hereby unconditionally, irrevocably and absolutely release and discharge Mast and its current and former officers, directors, employees, agents, investors, attorneys, shareholders, administrators, affiliates, benefit plans, plan administrators, professional employer organization or co-employer,

insurers, trustees, divisions, and subsidiaries, and predecessor and successor corporations and assigns, (collectively, the "Releasees") from any and all loss, liability, claims, demands, causes of action or suits of any type, whether in law and/or in equity, related directly or indirectly, or in any way connected with any transactions, affairs or occurrences between them to date, including, but not limited to, Employee's employment with Mast and the termination of said employment. Employee agrees that the foregoing consideration represents settlement in full of all outstanding obligations owed to Employee by the Releasees, other than consideration to which Employee may be entitled in respect of (i) a Change of Control, and (ii) unpaid wages, accrued and unused vacation and reimbursement for business expenses validly incurred prior to termination. This Agreement specifically applies, without limitation, to any and all disputed wage claims, claims for unpaid expenses, contract claims, tort claims, claims for wrongful termination, and claims arising under Title VII of the Civil Rights Act of 1991, the Americans with Disabilities Act, the Equal Pay Act, the Worker Adjustment and Retraining Notification Act, the Employee Retirement Income Security Act, the Sarbanes-Oxley Act of 2002, the California Fair Employment and Housing Act, the Fair Labor Standards Act, the Family and Medical Leave Act, the California Family Rights Act, the California Labor Code, the California Business and Professions Code, and any and all federal or state statutes or laws governing employment and/or discrimination in employment. In addition, this Agreement specifically applies to any claims for age discrimination harassment or retaliation in employment, including any claims arising under the Age Discrimination in Employment Act or any other statutes or laws which govern age discrimination in employment. Nothing in this Agreement shall be construed to mean that Employee is releasing or waiving claims to enforce this Agreement, workers' compensation claims, claims for unemployment insurance benefits, claims for any vested retirement, any claim for indemnification (including under the Company's organizational documents or insurance policies) arising in connection with an action instituted by a third party against the Company or Employee, or claims that, by law, cannot be waived.

b. Section 1542 Waiver. Employee does expressly waive all of the benefits and rights granted to him/her pursuant to California Civil Code section 1542, which reads as follows:

> A general release does not extend to claims which the creditor does not know of or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Employee does certify that he/she has read all of this Agreement, including the release provisions contained herein and the quoted Civil Code section, and that he/she fully understands all of the same. Employee hereby expressly agrees that this Agreement shall extend and apply to all unknown, unsuspected and unanticipated injuries and damages, as well as those that are now disclosed.

c. No Further Action. Except as set forth in Section 5, Employee irrevocably and absolutely agrees that he/she will not prosecute nor allow to be prosecuted on his/her behalf, in any administrative agency, whether federal or state, or in any court, whether federal or state, any claim or demand of any type related to the matters released above, it being the intention of the Parties that with the execution by Employee of this release, the Releasees will be absolutely, unconditionally and forever discharged of and from all obligations to or on behalf of Employee related in any way to the matters discharged herein.

4. Additional Provisions Regarding Release of Age Claims/OWBPA Provisions.

a. ADEA Claims. This section of the Agreement exclusively addresses issues relating to Employee's release of claims arising under federal law involving discrimination on the basis of age in employment (age forty and above). This section is provided separately, in compliance with federal law, including but not limited to the Older Workers' Benefit Protection Act of 1990 ("OWBPA"), to ensure that Employee clearly understands his rights so that any release of age discrimination claims under federal law (the ADEA) is knowing and voluntary on the part of Employee.

b. Review Period/OWBPA Provisions. In accordance with the provisions of the OWBPA, Employee is aware of the following: Employee represents, acknowledges and agrees that Mast has advised him/her, in writing, (i) to discuss this Agreement with an attorney and to that extent, if any, that Employee has desired, Employee has done so; (ii) that Mast has given Employee forty-five (45) days from receipt of this Agreement to review and consider this Agreement before signing it, and Employee understands that he/she may use as much of this forty-

five (45) day period as he/she wishes prior to signing; (iii) that no promise, representation, warranty or agreements not contained herein have been made by or with anyone to cause him/her to sign this Agreement; (iv) that he/she has read this Agreement in its entirety, and fully understands and is aware of its meaning, intent, content and legal effect; (v) that he/she is executing this release voluntarily and free of any duress or coercion; (vi) that this Agreement includes rights and claims under the federal Age Discrimination in Employment Act, as amended, and the federal OWBPA, as amended; and (vii) that this Agreement does not waive rights or claims that may arise after the date Employee signs this Agreement.

c. Effective Date of Agreement. The Parties acknowledge that for a period of seven (7) days following the execution of this Agreement, Employee may revoke the Agreement, and the Agreement shall not become effective or enforceable until the revocation period has expired. This Agreement shall become effective eight (8) days after it has been signed by Employee and Mast, and in the event the parties do not sign on the same date, then this Agreement shall become effective eight (8) days after the date it is signed by Employee.

5. Protected Rights. Employee understands that nothing contained in this Agreement limits Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission, or any other federal, state or local government agency or commission ("Government Agencies"), including an Age Discrimination in Employment Act charge or complaint, although Employee may have no right to relief by reason of the claims Employee has released herein. Employee further understands that this Agreement does not limit Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to Mast. Nothing in this Agreement shall restrict or limit any right Employee may have to receive a whistleblower award or bounty for information provided to the Securities and Exchange Commission. In addition, pursuant to the Defend Trade Secrets Act of 2016, Employee is notified that an individual will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made in confidence to a federal, state, or local government official (directly or indirectly) or to an attorney *solely* for the purpose of reporting or investigating a suspected violation of law, or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if (and only if) such filing is made under seal. In addition, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the individual's attorney and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

6. No Cooperation. Subject to Section 5 governing Employee's Protected Rights, Employee agrees that he/she will not knowingly encourage, counsel, or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints by any third party against the Company and its subsidiaries, and predecessor and successor corporations and assigns, unless under a subpoena or other court order to do so or as related directly to the ADEA waiver in this Agreement. Employee agrees both to promptly notify the Company and its successor corporations, upon receipt of any such subpoena or court order, and to furnish, within three (3) business days of its receipt, a copy of such subpoena or other court order. If approached by anyone for counsel or assistance in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints against the Company and its subsidiaries, and predecessor and successor corporations and assigns, Employee shall state no more than that Employee cannot provide counsel or assistance.

7. Acknowledgements/Affirmations. Employee acknowledges and affirms that he/she has been paid and/or has received all wages, bonuses, incentive compensation, accrued vacation and benefits to which Employee may be entitled, except for such wages, bonuses, incentive compensation, accrued vacation and benefits to which Employee may be entitled as a result of the Change of Control and/or termination of employment. Employee also acknowledges and affirms that he/she has been provided information regarding his/her inability to continue to receive health insurance benefits as COBRA benefits after the termination of his/her employment due to Mast's termination, in connection with the Change in Control, of the health insurance plans in which Employee has participated. Employee further acknowledges and affirms that he/she has returned all documents and other items provided to Employee by the Company (with the exception of a copy of the Employee Handbook and personnel documents specifically relating to Employee), developed or obtained by Employee in connection with Employee's employment with the Company, or otherwise belonging to the Company.

8. Confidentiality/Non-Disparagement. Employee agrees that all matters relative to this Agreement shall remain confidential. Accordingly, Employee hereby agrees that, with the exception of his/her spouse, counsel and tax advisors, he/she shall not discuss, disclose or reveal to any other persons, entities or organizations, whether within or outside of Mast, the terms and conditions of this Agreement. The Parties acknowledge, however, that Mast may be required to file a copy of this Agreement with the Securities and Exchange Commission, in which case, the terms and conditions of this Agreement will be accessible for review by the public. Nothing in this section prevents Employee from disclosing to any third party that his/her employment with Mast terminated in connection with the Change in Control. Employee agrees not to make any derogatory or adverse statements, written or verbal, regarding the Releasees to anyone, and agrees to refrain from knowingly interfering in any tortious manner with the contracts and relationships of the Company. Mast agrees not to make any derogatory or adverse statements, written or verbal, regarding Employee to anyone. Employee understands that the Company's obligations under this paragraph extend only to the Company's current executive officers and members of its Board of Directors and only for so long as each officer or member is an employee or Director of the Company.

9. Affirmation of Release and Waiver. Prior to receipt of the consideration set forth in Section 2, Employee shall execute and deliver the Affirmation in substantially the form set forth in Exhibit A (the "Affirmation").

10. Reference Requests. Any reference requests concerning Employee will be referred to the Human Resources Department. The only information that will be provided in response to such a request will be Employee's dates of employment, his/her title, confirmation of his/her rate of pay, a statement that Employee was terminated in connection with the Change in Control and would not have been terminated but for that company action, and a statement that it is Mast's policy to only provide that information.

11. Tax Consequences. The Company makes no representations or warranties with respect to the tax consequences of the payments and any other consideration provided to Employee or made on Employee's behalf under the terms of this Agreement. Employee agrees and understands that Employee is responsible for payment, if any, of local, state, and/or federal taxes on the payments and any other consideration provided hereunder by the Company and any penalties or assessments thereon.

12. Entire Agreement. The Parties further declare and represent that no promise, inducement or agreement not herein expressed has been made to them and that this Agreement together with the Executive Severance Agreement contain the full and entire agreement between and among the Parties, and that the terms of this Agreement are contractual and not a mere recital.

13. Applicable Law. The validity, interpretation, and performance of this Agreement shall be construed and interpreted according to the laws of the State of California.

14. Dispute Resolution. Except as set forth in Section 5, any dispute arising out of or related to this Agreement shall be resolved through binding arbitration through JAMS in San Diego, California, under the then current applicable rules of JAMS. The arbitrator may grant injunctions and other relief in such disputes. The arbitrator shall administer and conduct any arbitration in accordance with California law, including the California Code of Civil Procedure, and the arbitrator shall apply substantive and procedural California law to any dispute or claim, without reference to any conflict-of-law provisions of any jurisdiction. To the extent that the JAMS rules conflict with California law, California law shall take precedence. The decision of the arbitrator shall be final, conclusive, and binding on the parties to the arbitration. Each party shall be responsible for its or his or her own costs and attorneys' fees in connection with the arbitration, as well as half of the costs of the arbitration. THE PARTIES HEREBY AGREE TO WAIVE THEIR RIGHT TO HAVE ANY DISPUTE BETWEEN THEM RESOLVED IN A COURT OF LAW BY A JUDGE OR JURY. Notwithstanding the foregoing, this Section will not prevent either Party from seeking injunctive relief (or any other provisional remedy) from any court having jurisdiction over the Parties and the subject matter of their dispute relating to this Agreement.

15. Knowing and Voluntary Agreement. Employee acknowledges that he/she has carefully read and fully understands all the provisions and effects of this Agreement. Employee further acknowledges that he/she has been given the opportunity to consult with his/her own independent legal counsel and tax professional with respect to the matters referenced in this Agreement. Employee acknowledges that he/she has fully discussed this Agreement with his/her attorney or has voluntarily chosen to sign this Agreement without consulting an attorney and/or tax

professional, fully understanding the consequences of this Agreement. Employee further acknowledges that he/she is entering into this Agreement without coercion or duress from any of the Releasees and that none of the Releasees have made any representations or promises concerning the terms or effects of this Agreement other than those set forth in this Agreement.

16. Complete Defense. This Agreement may be pleaded as a full and complete defense and may be used as the basis for an injunction against any action, suit or proceeding which may be prosecuted, instituted or attempted by either party in breach thereof.

17. Counterparts. This Agreement may be executed in counterparts and, if so executed, each such counterpart shall have the force and effect of an original. A facsimile signature shall have the same force and effect as an original signature.

18. Severability. If any provision of this Agreement, or part thereof, is held invalid, void or voidable as against public policy or otherwise, the invalidity shall not affect other provisions, or parts thereof, which may be given effect without the invalid provision or part. To this extent, the provisions, and parts thereof, of this Agreement are declared to be severable.

19. No Admission of Liability. It is understood that this Agreement is not an admission of any liability by any person, firm, association or corporation but is in compromise of a disputed claim.

20. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, legal representatives, successors and assigns.

IN WITNESS WHEREOF, the undersigned have executed this Agreement on the dates shown below.

Dated: 4-10-17

/s/ Shana Hood
Shana Hood

Mast Therapeutics, Inc.

Dated: April 13, 2017

By: /s/ Brandi Roberts

Name: Brandi Roberts

Title: Chief Financial Officer

Affirmation

The undersigned hereby acknowledges his/her termination of employment with the Company as of April 27, 2017 (the "Termination Date") and further affirms that terms of the Separation Agreement and General Release of Claims between the undersigned and Mast Therapeutics, Inc. (the "Agreement") remain in full force and effect as of the Termination Date, including, but not limited to, the release, waivers and affirmations set forth in Sections 3, 4 and 6 of the Agreement.

The undersigned acknowledges and affirms that he/she has been paid and/or has received all wages, bonuses, incentive compensation, accrued vacation and benefits to which the undersigned may be entitled, other than shares of the Company's common stock pursuant to settlement of the restricted stock unit award granted to the undersigned in January 2017 pursuant to the Notice of Grant of Restricted Stock Units and Restricted Stock Units Award Agreement between the undersigned and the Company (the "RSUs Agreement"). Upon receipt of 6,479 shares of the Company's common stock (which is the amount granted under the RSUs Agreement as adjusted for the 70-for-1 reverse stock split implemented by the Company on April 27, 2017) in the undersigned's E*Trade account, the undersigned acknowledges and affirms that he/she will have received all shares of Company common stock due to the undersigned pursuant to the RSUs Agreement.

Dated: April 27, 2017

/s/ Shana Hood
Shana Hood

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15(d)-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert Neville, certify that:

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

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

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

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

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

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

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

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

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

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

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

May 9, 2017

/s/ Robert Neville
Robert Neville
Chief Executive Officer and Chairman
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15(d)-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David Lowrance, certify that:

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

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

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

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

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

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

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

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

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

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

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

May 9, 2017

/s/ David Lowrance
David Lowrance
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Savara Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert Neville, principal executive officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 9, 2017

/s/ Robert Neville
Robert Neville
Chief Executive Officer and Chairman
(Principal Executive Officer)

In connection with the Quarterly Report of Savara Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Lowrance, principal financial officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 9, 2017

/s/ David Lowrance
David Lowrance
Chief Financial Officer
(Principal Financial and Accounting Officer)