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As filed with the Securities and Exchange Commission on February 10, 2017

Registration No. 333-

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

FORM S-4
REGISTRATION STATEMENT
Under
The Securities Act of 1933

Mast Therapeutics, Inc.
(Exact name of Registrant as specified in its charter)

Delaware	2834	84-1318182
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

3611 Valley Centre Drive, Suite 500
San Diego, CA 92130
(858) 552-0866
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Brandi L. Roberts
Chief Financial Officer and Senior Vice President
Mast Therapeutics, Inc.
3611 Valley Centre Drive, Suite 500
San Diego, CA 92130
(858) 552-0866
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Michael S. Kagnoff, Esq. Larry W. Nishnick, Esq. DLA Piper LLP (US) 4365 Executive Drive, Suite 1100 San Diego, CA 92121 (858) 677-1400	Robert Neville Chief Executive Officer Savara Inc. 900 S. Capital of Texas Highway Las Cimas IV, Suite 150 Austin, TX 78746 (512) 961-1891	J. Robert Suffoletta, Esq. Robert T. Ishii, Esq. Wilson Sonsini Goodrich & Rosati Professional Corporation 900 S. Capital of Texas Highway Las Cimas IV, Fifth Floor Austin, TX 78746 (512) 338-5400

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement and the satisfaction or waiver of all other conditions under the Merger Agreement described herein.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: ☐

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

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

Large accelerated filer ☐ Accelerated filer ☒

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

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

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ☐

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Security Being Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common stock, $0.001 par value per share	871,659,402	N/A	$12,525,000	$1,452

(1) Relates to common stock, $0.001 par value per share, of Mast Therapeutics, Inc., a Delaware corporation ("Mast"), issuable to holders of capital stock, $0.001 par value per share, and warrants and options of Savara Inc., a Delaware corporation ("Savara"), in the proposed merger of Victoria Merger Corp., a Delaware corporation and a wholly-owned subsidiary of Mast, with and into Savara. The amount of Mast common stock to be registered is based on the estimated number of shares of Mast common stock that are expected to be issued pursuant to the merger, assuming an exchange ratio of 40.15 shares of Mast common stock for each outstanding share of Savara capital stock and for each option and warrant exercisable for shares of Savara capital stock, without giving effect to a reverse stock split of Mast common stock immediately prior to the merger. The estimated exchange ratio calculation contained herein is based upon Mast's capitalization immediately prior to the date of this proxy statement/prospectus/information statement, and will be adjusted to account for the issuance of any additional shares of Mast common stock prior to the consummation of the merger.

(2) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(f) of the Securities Act of 1933, as amended, based upon the estimated book value of the Savara securities to be exchanged in the merger, as of immediately prior to the merger. Savara is a private company, and no market exists for its securities.

(3) This fee has been calculated pursuant to Section 6(b) of the Securities Act of 1933, as amended, at a rate equal to $115.90 per $1,000,000 of the proposed maximum aggregate offering price.

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

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

SUBJECT TO COMPLETION, DATED FEBRUARY 10, 2017

PROPOSED MERGER
YOUR VOTE IS VERY IMPORTANT

To the Stockholders of Mast Therapeutics, Inc. and Savara Inc.:

Mast Therapeutics, Inc., or Mast, and Savara Inc., or Savara, have entered into an Agreement and Plan of Merger and Reorganization, or the Merger Agreement, pursuant to which a wholly owned subsidiary of Mast will merge with and into Savara, with Savara surviving as a wholly owned subsidiary of Mast, or the merger. The merger will result in 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.

Immediately prior to the effective time of the merger, each share of Savara preferred stock will be converted into one share of Savara common stock. At the effective time of the merger, each share of Savara common stock will be converted into the right to receive approximately [●] pre-split shares of Mast common stock, subject to adjustment to account for the effect of a reverse stock split of Mast common stock, at a ratio of [●], to be implemented prior to the consummation of the merger as discussed in this proxy statement/prospectus/information statement. The post-split exchange ratio is approximately [●]. Mast will assume restricted shares of Savara common stock and options to purchase Savara common stock that are outstanding and unexercised as of immediately prior to the effective time of the merger, and they will be converted into restricted shares of Mast common stock or options to purchase Mast common stock, respectively. Mast will assume warrants to purchase Savara common stock that are outstanding and unexercised as of immediately prior to the effective time of the merger, and they will be converted into warrants to purchase Mast common stock. Mast stockholders will continue to own and hold their existing shares of Mast common stock. Immediately after the merger, Savara stockholders, warrantholders and optionholders will own approximately 76% of the common stock of Mast, with Mast stockholders, warrantholders and optionholders, whose Mast equity will remain outstanding after the merger, holding approximately 24% of the common stock of Mast. The exchange ratio is determined pursuant to a formula described in more detail in the Merger Agreement and in the attached proxy statement/prospectus/information statement, and the [●] pre-split figure, [●] post-split figure and percentage ownership figures are estimates.

Shares of Mast common stock are currently listed on the NYSE MKT equities market under the symbol “MSTX.” Prior to consummation of the merger, Mast intends to file an initial listing application for the combined company with the NYSE MKT pursuant to NYSE MKT “reverse merger” rules. In connection with the merger, Mast will be renamed “Savara Inc.” and expects to trade on the NYSE MKT under the symbol “SVRA.” On [●], 2017, the last trading day before the date of this proxy statement/prospectus/information statement, the closing sale price of Mast common stock was $[●] per share.

Mast is holding a special meeting of stockholders to obtain the stockholder approvals necessary to complete the merger and related matters. At the Mast special meeting, which will be held at [●], local time, on [●], 2017 at the offices of Mast Therapeutics, Inc. located at 3611 Valley Centre Drive, Suite 500, San Diego, California 92130, unless postponed or adjourned to a later date, Mast will ask its stockholders to, among other things, adopt the Merger Agreement thereby approving the merger and the issuance of Mast common stock, and approve an amendment and restatement of the Mast amended and restated certificate of incorporation (i) effecting a reverse stock split of Mast common stock, at a ratio of 1-for-[●], which is referred to herein as the 1-for-[●] reverse stock split, and (ii) changing the Mast corporate name to “Savara Inc.,” and approve, on a non-binding advisory vote basis, compensation that will or may become payable by Mast to its named executive officers in connection with the merger, each as described in the accompanying proxy statement/prospectus/information statement.

As described in the accompanying proxy statement/prospectus/information statement, certain Savara stockholders who in the aggregate beneficially own or control approximately 30% of the outstanding shares of Savara common stock on an as converted to common stock basis, and certain Mast stockholders who in the aggregate beneficially own or control less than one percent of the outstanding shares of Mast common stock, are parties to voting agreements with Mast and Savara, respectively, whereby such stockholders agreed to vote in favor of the adoption of the Merger Agreement and the transactions contemplated by the Merger Agreement, respectively, subject to the terms of the voting agreements. In addition, following the registration statement on Form S-4, of which this proxy statement/prospectus/information statement is a part, being declared effective by the U.S. Securities and Exchange Commission and pursuant to the conditions of the Merger Agreement, the Savara stockholders who are party to the voting agreements will each execute an action by written consent of the Savara stockholders, referred to herein as the written consent, adopting the Merger Agreement and approving the merger and the transactions contemplated by the Merger Agreement. No meeting of Savara stockholders to adopt the Merger Agreement and approve the merger and related transactions will be held; however, all Savara stockholders will have the opportunity to elect to adopt the Merger Agreement, thereby approving the merger and related transactions, by signing and returning to Savara a written consent.

After careful consideration, the Mast and Savara boards of directors have unanimously approved the Merger Agreement and the respective proposals referred to above, and each of the Mast and Savara boards of directors has unanimously determined that it is advisable to enter into the merger. The board of directors of Mast unanimously recommends that its stockholders vote "FOR" the proposals described in the accompanying proxy statement/prospectus/information statement, and the board of directors of Savara unanimously recommends that its stockholders sign and return the written consent indicating their approval of the merger and adoption of the Merger Agreement and related transactions to Savara.

More information about Mast, Savara and the proposed transaction is contained in this proxy statement/prospectus/information statement. Mast and Savara urge you to read the accompanying proxy statement/prospectus/information statement carefully and in its entirety. IN PARTICULAR, YOU SHOULD CAREFULLY CONSIDER THE MATTERS DISCUSSED UNDER "RISK FACTORS" BEGINNING ON PAGE [●].

Mast and Savara are excited about the opportunities the merger brings to both Mast and Savara stockholders, and thank you for your consideration and continued support.

Brian M. Culley
Chief Executive Officer
Mast Therapeutics, Inc.

Robert Neville
Chief Executive Officer
Savara Inc.

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

The accompanying proxy statement/prospectus/information statement is dated [●], 2017, and is first being mailed to Mast and Savara stockholders on or about [●], 2017.

MAST THERAPEUTICS, INC.
3611 Valley Centre Drive, Suite 500
San Diego, California 92130
(858) 552-0866

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held On [●], 2017

Dear Stockholders of Mast:

On behalf of the board of directors of Mast Therapeutics, Inc., a Delaware corporation, or Mast, Mast is pleased to deliver this proxy statement/prospectus/information statement for the proposed merger between Mast and Savara Inc., a Delaware corporation, or Savara, pursuant to which Victoria Merger Corp., a wholly owned subsidiary of Mast, will merge with and into Savara, with Savara surviving as a wholly owned subsidiary of Mast. The special meeting of stockholders of Mast will be held on [●], 2017 at [●], local time, at the offices of Mast Therapeutics, Inc. located at 3611 Valley Centre Drive, Suite 500, San Diego, California 92130, for the following purposes:

1. To consider and vote upon a proposal to approve the merger and the issuance of Mast common stock pursuant to the Agreement and Plan of Merger and Reorganization, dated as of January 6, 2017, by and among Mast, Victoria Merger Corp. and Savara, a copy of which is attached as *Annex A* to the accompanying proxy statement/prospectus/information statement;

2. To approve the amendment and restatement of the amended and restated certificate of incorporation of Mast to effect a reverse stock split of Mast common stock, at a ratio of 1-for-[●], in the form attached as *Annex D* to the accompanying proxy statement/prospectus/information statement;

3. To approve the amendment and restatement of the amended and restated certificate of incorporation of Mast to change the name “Mast Therapeutics, Inc.” to “Savara Inc.” in the form attached as *Annex D* to the accompanying proxy statement/prospectus/information statement;

4. To consider and vote upon a proposal to approve, on a non-binding advisory vote basis, compensation that will or may become payable by Mast to its named executive officers in connection with the merger;

5. To consider and vote upon an adjournment of the Mast special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of Mast Proposal Nos. 1, 2, 3 and 4; and

6. To transact such other business as may properly come before the stockholders at the Mast special meeting or any adjournment or postponement thereof.

The board of directors of Mast has fixed [●], 2017 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Mast special meeting and any adjournment or postponement thereof. Only holders of record of shares of Mast common stock at the close of business on the record date are entitled to notice of, and to vote at, the Mast special meeting. At the close of business on the record date, Mast had [●] shares of common stock outstanding and entitled to vote.

Your vote is important. The affirmative vote of the holders of a majority of the shares of Mast common stock having voting power present in person or represented by proxy at the Mast special meeting, presuming a quorum is present, is required for approval of Mast Proposal Nos. 1, 4 and 5. The affirmative

vote of the holders of a majority of shares of Mast common stock having voting power outstanding on the record date for the Mast special meeting is required for approval of Mast Proposal Nos. 2 and 3. Each of Proposal Nos. 1, 2 and 3 are conditioned upon each other. Therefore, the merger cannot be consummated without the approval of Proposal Nos. 1, 2 and 3.

Even if you plan to attend the Mast special meeting in person, Mast requests that you sign and return the enclosed proxy to ensure that your shares will be represented at the Mast special meeting if you are unable to attend.

By Order of the Mast Board of Directors,
Brian M. Culley
Chief Executive Officer
San Diego, California
[●], 2017

THE MAST BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT EACH OF THE PROPOSALS OUTLINED ABOVE IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, MAST AND ITS STOCKHOLDERS AND HAS APPROVED EACH SUCH PROPOSAL. THE MAST BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT MAST STOCKHOLDERS VOTE "FOR" EACH SUCH PROPOSAL.

REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus/information statement incorporates important business and financial information about Mast that is not included in or delivered with this document. You may obtain this information without charge through the Securities and Exchange Commission, or the SEC, website (www.sec.gov) or upon your written or oral request by contacting the Chief Financial Officer of Mast Therapeutics, Inc., 3611 Valley Centre Drive, Suite 500, San Diego, California 92130 or by calling (858) 552-0866.

To ensure timely delivery of these documents, any request should be made no later than [●], 2017 to receive them before the special meeting.

For additional details about where you can find information about Mast, please see the section entitled “Where You Can Find More Information” in this proxy statement/prospectus/information statement.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Except where specifically noted, the following information and all other information contained in this proxy statement/prospectus/information statement does not give effect to the proposed 1-for-[●] reverse stock split described in Mast Proposal No. 2, beginning on page [ ] in this proxy statement/prospectus/information statement.

The following section provides answers to frequently asked questions about the merger. This section, however, provides only summary information. For a more complete response to these questions and for additional information, please refer to the cross-referenced sections.

Q: What is the merger?

A: Mast Therapeutics, Inc., or Mast, and Savara Inc., or Savara, have entered into an Agreement and Plan of Merger and Reorganization, dated as of January 6, 2017, or the Merger Agreement. The Merger Agreement contains the terms and conditions of the proposed business combination of Mast and Savara. Under the Merger Agreement, Victoria Merger Corp., a wholly owned subsidiary of Mast, or the Merger Sub, will merge with and into Savara, with Savara surviving as a wholly owned subsidiary of Mast. This transaction is referred to as "the merger" or "the Merger."

At the effective time of the merger, each share of Savara common stock outstanding immediately prior to the effective time of the merger (excluding certain shares to be canceled pursuant to the Merger Agreement, and shares held by stockholders who have exercised and perfected appraisal rights or dissenters' rights as more fully described in "The Merger — Appraisal Rights and Dissenters' Rights" below) will be converted into the right to receive approximately [●] pre-split shares of Mast common stock, subject to adjustment to account for a reverse stock split of Mast common stock, at a ratio of one new share for every [●] outstanding shares, to be implemented prior to the consummation of the merger. The post-split exchange ratio is approximately [●]. As a result of the merger, holders of Savara stock, options and warrants are expected to own in the aggregate approximately 76% of Mast, and the Mast stockholders, optionholders and warrantholders are expected to own in the aggregate approximately 24% of Mast. The exchange ratio is determined pursuant to a formula described in more detail in the Merger Agreement and in this proxy statement/prospectus/information statement, and the [●] pre-split figure, [●] post-split figure and percentage ownership figures are estimates. In connection with the merger, Mast will change its corporate name to "Savara Inc." as required by the Merger Agreement.

Q: What will Savara stockholders, warrantholders and holders of Savara equity awards receive in the merger?

A: As a result of the merger, Savara stockholders, warrantholders and holders of Savara equity awards will become entitled to receive shares of Mast common stock, warrants and equity awards equal to approximately 76% of the fully-diluted common stock of Mast. At the effective time of the merger, each share of Savara capital stock will be converted into the right to receive the number of shares of Mast common stock calculated based on the exchange ratio determined in accordance with the Merger Agreement. Savara outstanding warrants, or Savara Warrants, to purchase shares of Savara equity securities not exercised at or prior to the effective time of the merger will be converted into warrants to purchase Mast common stock, with the number of shares and exercise price being appropriately adjusted to reflect the exchange ratio between Mast common stock and Savara common stock determined in accordance with the Merger Agreement.

At the effective time of the merger, each option to purchase Savara common stock, or Savara Options, that is outstanding and unexercised immediately prior to the effective time of the merger will be converted into and become an option to purchase Mast common stock, with the number of shares and exercise price being appropriately adjusted to reflect the exchange ratio between Mast common stock and Savara common stock determined in accordance with the Merger Agreement.

At the effective time of the merger, each share of Savara restricted common stock, or Savara Restricted Shares, that is outstanding immediately prior to the effective time of the merger will be exchanged for a restricted share of Mast common stock, and will have, and be subject to, the same terms and conditions (including vesting terms) set forth in Savara's Stock Option Plan and applicable restricted share agreements relating thereto. The number of Mast restricted shares that will be exchanged for an award of Savara restricted shares will be appropriately adjusted to reflect the exchange ratio between Mast common stock and Savara common stock determined in accordance with the Merger Agreement.

For a more complete description of what Savara stockholders, warrantholders and holders of Savara equity awards will receive in the merger, please see the sections entitled "Market Price and Dividend Information" and "The Merger Agreement — Merger Consideration" in this proxy statement/prospectus/information statement.

Q: What will Mast stockholders, warrantholders and holders of Mast equity awards receive in the merger?

A: Mast stockholders, warrantholders and holders of Mast equity awards will not receive anything as a result of the merger, but will continue to hold the same amount of Mast common stock, warrants to purchase Mast common stock and Mast equity awards held immediately prior to the merger, as appropriately adjusted for the reverse stock split.

Q: What will happen to Mast if, for any reason, the merger does not close?

A: If, for any reason, the merger does not close, the Mast board of directors (the "Mast Board") may elect to, among other things, attempt to complete another strategic transaction like the merger, attempt to sell or otherwise dispose of the various assets of Mast or continue to operate the business of Mast. If Mast decides to dissolve and liquidate its assets, Mast would be required to pay all of its debts and contractual obligations, and to set aside certain reserves for potential future claims, and there can be no assurances as to the amount or timing of available cash left to distribute to stockholders after paying the debts and other obligations of Mast and setting aside funds for reserves.

Q: Why are the two companies proposing to merge?

A: Following the merger, Mast and Savara believe the combined organization will advance a diversified pipeline of novel therapies for the treatment of serious or life-threatening rare respiratory diseases. Mast and Savara believe that the combined organization will have the following potential advantages: (i) a diversified, late-stage product development pipeline with important forthcoming milestones; (ii) an experienced management team; and (iii) the potential to access additional sources of capital. For a discussion of Mast and Savara reasons for the merger, please see the section entitled "The Merger — Mast Reasons for the Merger" and "The Merger — Savara Reasons for the Merger" in this proxy statement/prospectus/information statement.

Q: Why am I receiving this proxy statement/prospectus/information statement?

A: You are receiving this proxy statement/prospectus/information statement because you have been identified as a stockholder of Mast or Savara as of the applicable record date, and you are entitled, as applicable, to vote at the Mast stockholder meeting to approve among other things the merger and the issuance of shares of Mast common stock pursuant to the Merger Agreement, or sign and return the Savara written consent to adopt the Merger Agreement and approve the merger. This document serves as:

- a proxy statement of Mast used to solicit proxies for its special meeting of stockholders;
- a prospectus of Mast used to offer shares of Mast common stock in exchange for shares of Savara common stock in the merger and issuable upon exercise of Savara options and warrants; and

- an information statement of Savara used to solicit the written consent of its stockholders for the adoption of the Merger Agreement and the approval of the merger and related transactions.

Q: What is required to consummate the merger?

A: To consummate the merger, Mast stockholders must approve the issuance of Mast common stock pursuant to the Merger Agreement. In addition, the Merger Agreement anticipates approval of an amendment and restatement of the amended and restated certificate of incorporation of Mast effecting (i) the 1-for-[●] reverse stock split, and (ii) the change in Mast's name to "Savara Inc." Moreover, Savara stockholders must approve the merger.

The approval of the merger and the issuance of Mast common stock pursuant to the Merger Agreement by the stockholders of Mast requires the affirmative vote of the holders of a majority of the shares of Mast common stock having voting power present in person or represented by proxy at the Mast special meeting for the issuance of shares of Mast common stock in the merger, presuming a quorum is present at the meeting. The approval of the 1-for-[●] reverse stock split and the change of Mast's name require the affirmative vote of the holders of a majority of shares of Mast common stock having voting power outstanding on the record date for the Mast special meeting. The approval of the 1-for-[●] reverse stock split is required in order to authorize Mast to implement the reverse stock split and to ensure Mast may issue a sufficient amount of Mast common stock to consummate the merger. In addition, the reverse stock split is necessary to ensure that the post-merger trading price of Mast's common stock satisfies the initial listing requirements of the NYSE MKT applicable to the combined company. Therefore, if the requisite stockholders of Mast approve the merger and the issuance of Mast common stock pursuant to the Merger Agreement but do not approve the 1-for-[●] reverse stock split, it is possible that the merger may not be consummated.

The adoption of the Merger Agreement and the approval of the merger and related transactions by the stockholders of Savara require the affirmative votes of the holders of (i) a majority of the outstanding Savara common stock and preferred stock, voting together as one class, and (ii) a majority of the outstanding shares of Savara preferred stock. In addition to the requirement of obtaining such stockholder approvals, each of the other closing conditions set forth in the Merger Agreement must be satisfied or waived.

Certain Savara stockholders who in the aggregate beneficially own or control approximately 30% of the outstanding shares of Savara common stock on an as converted to common stock basis, and certain Mast stockholders who in the aggregate beneficially own or control less than one percent of the outstanding shares of Mast common stock, are parties to voting agreements with Mast and Savara, respectively, whereby such stockholders agreed to vote in favor of the adoption of the Merger Agreement and the transactions contemplated by the Merger Agreement, respectively, subject to the terms of the voting agreements. In addition, following the registration statement on Form S-4, of which this proxy statement/prospectus/information statement is a part, being declared effective by the U.S. Securities and Exchange Commission and pursuant to the conditions of the Merger Agreement, Savara stockholders who are party to the voting agreements will each execute written consents approving the merger and related transactions. Stockholders of Savara, including those who are parties to voting agreements, are being requested to execute written consents providing such approvals.

For a more complete description of the closing conditions under the Merger Agreement, you are urged to read the section entitled "The Merger Agreement — Conditions to the Completion of the Merger" in this proxy statement/prospectus/information statement.

Q: Who will be the directors of Mast following the merger?

A: Immediately following the merger, the Mast Board is expected to be composed of seven directors, with five to be designated by Savara and two to be designated by Mast. Such directors are identified in the table below.

Name	Current Principal Affiliation
Robert Neville	Chairman and Chief Executive Officer, Savara
Nevan Elam	Chairman, Chief Executive Officer and President of AntriaBio, Inc.
Richard J. Hawkins	Chief Executive Officer and President of Lumos Pharma, Inc.
Yuri Pikover	Managing Director of 37 Ventures, LLC
Joseph S. McCracken	Roche Global Head of Business Development and Licensing (retired)
[●]	
[●]	

Q: Who will be the executive officers of Mast immediately following the merger?

A: Immediately following the merger, the executive management team of Mast is expected to be composed solely of the members of the Savara executive management team prior to the merger as set forth below:

Name	Title
Robert Neville	Chief Executive Officer
Taneli Jouhikainen	Chief Operating Officer
David Lowrance	Chief Financial Officer

Q: What are the potential material U.S. federal income tax consequences of the merger to Savara stockholders?

A: Each of Mast and Savara intends the merger to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"). However, completion of the merger is not conditioned upon receipt of an opinion from counsel that the merger qualifies as a reorganization, and the merger will occur even if the merger does not qualify as a reorganization.

Assuming the merger qualifies as a reorganization, in general, the material U.S. federal income tax consequences to U.S. Holders (as defined herein) of Savara common stock (other than any such holders exercising dissenters' rights) are expected to be as follows:

- Each Savara stockholder should not generally recognize gain or loss upon the exchange of Savara common stock for Mast common stock pursuant to the merger, except to the extent of cash received in lieu of a fractional share of Mast common stock as described below; and
- Each Savara stockholder should recognize gain or loss to the extent any cash received in lieu of a fractional share of Mast common stock exceeds or is less than the basis of such fractional share.

Tax matters are very complicated, and the tax consequences of the merger to a particular Savara stockholder will depend on such stockholder's circumstances. Accordingly, you should consult your tax advisor for a full understanding of the tax consequences of the merger to you, including the applicability and effect of U.S. federal, state, local and non-U.S. income and other tax laws. For more information, please see the section entitled "The Merger — Considerations with Respect to U.S. Federal Income Tax Consequences of the Merger" beginning on page [ ].

Q: As a Mast stockholder, how does the Mast Board recommend that I vote?

A: After careful consideration, the Mast Board unanimously recommends that Mast stockholders vote:

- "FOR" Proposal No. 1 to approve the merger and the issuance of shares of common stock of Mast in the merger;

- "FOR" Proposal No. 2 to approve the amendment and restatement of the amended and restated certificate of incorporation of Mast to effect a reverse stock split of Mast common stock, at a ratio of 1-for-[●];
- "FOR" Proposal No. 3 to approve the amendment and restatement of the amended and restated certificate of incorporation of Mast to change the name of "Mast Therapeutics, Inc." to "Savara Inc.";
- "FOR" Proposal No. 4 to consider and vote upon a proposal to approve, on a non-binding advisory vote basis, compensation that will or may become payable by Mast to its named executive officers in connection with the merger; and
- "FOR" Proposal No. 5 to adjourn the special meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Proposal Nos. 1, 2, 3 and 4.

Q: What is the compensation that will or may become payable by Mast to its named executive officers in connection with the merger for purposes of this advisory vote?

A: The compensation that will or may become payable by Mast to its named executive officers in connection with the merger includes: (i) based on the terms of the severance agreements Mast entered into with its executive officers in March 2016, cash severance payments, cash payments intended to cover health insurance costs for a period of time post-termination and the acceleration of outstanding equity awards as a result of the planned termination of the named executive officers in connection with the consummation of the merger; (ii) incentive awards to Mast's named executive officers payable 50% in a single sum cash payment and 50% in a grant of restricted stock units ("RSUs") approved by the Mast Board in January 2017 in order to retain, reward and incentivize these individuals for their continuing efforts to help Mast achieve its goals through the merger which will become payable or vest, as applicable, upon consummation of the merger; and (iii) certain RSUs granted in January 2017 and held by Mast's named executive officers provide that such RSUs will vest upon consummation of the merger and that their outstanding unexercised stock options will be cancelled. Based on the terms of their respective severance agreements, outstanding equity awards and Mast's short-term incentive program, Mast's executive officers will be entitled to receive a total value of approximately $2.5 million (collectively, not individually) in connection with the consummation of the merger and the associated termination of their employment from Mast, based on data available as of December 31, 2016. For further detail, see the section titled "Mast Proposal No. 4: Advisory Non-Binding Vote on Merger-Related Executive Compensation Arrangements."

Q: What will happen if stockholders do not approve the compensation that will or may become payable by Mast to its named executive officers in connection with the merger at the special meeting?

A: Approval of the compensation that will or may become payable by Mast to its named executive officers in connection with the merger (and their associated termination from Mast) is not a condition to completion of the merger. The vote with respect to the compensation that will or may become payable by Mast to its named executive officers in connection with the merger is an advisory vote and will not be binding on Mast. Further, the severance agreements, equity awards and other arrangements governing the consideration the Mast named executive officers have received or will be eligible to receive in the merger are contractual in nature and not, by their terms, subject to stockholder approval. Accordingly, regardless of the outcome of the advisory vote, if the Merger Agreement is adopted by the stockholders and the merger is completed, Mast's named executive officers will be eligible to receive the compensation that is based on or otherwise relates to the merger and their associated termination from Mast in accordance with the terms and conditions applicable to the employment and separation agreements, equity awards and other arrangements Mast has entered into with the named executive officers.

Q: As a Savara stockholder, how does the Savara board of directors recommend that I vote?

A: After careful consideration, the Savara board of directors (the "Savara Board") unanimously recommends that Savara stockholders execute the written consent indicating their vote in favor of the adoption of the Merger Agreement and the approval of the merger and the transactions contemplated thereby.

Q: What risks should I consider in deciding whether to vote in favor of the merger or to execute and return the written consent, as applicable?

A: You should carefully review the section of this proxy statement/prospectus/information statement entitled "Risk Factors," which sets forth certain risks and uncertainties related to the merger, risks and uncertainties to which the combined organization's business will be subject, and risks and uncertainties to which each of Mast and Savara, as an independent company, is subject.

Q: When do you expect the merger to be consummated?

A: The merger is anticipated to occur promptly after the Mast special meeting to be held on [●], 2017. For more information, please see the section entitled "The Merger Agreement — Conditions to the Completion of the Merger" in this proxy statement/prospectus/information statement.

Q: What do I need to do now?

A: Mast and Savara urge you to read this proxy statement/prospectus/information statement carefully, including its annexes, and to consider how the merger affects you.

If you are a stockholder of Mast, you may provide your proxy instructions in one of two different ways. First, you can mail your signed proxy card in the enclosed return envelope. Second, you may also provide your proxy instructions via the Internet or telephone by following the instructions on your proxy card or voting instruction form. Please provide your proxy instructions only once, unless you are revoking a previously delivered proxy instruction, and as soon as possible so that your shares can be voted at the special meeting of Mast stockholders.

If you are a stockholder of Savara, you may execute and return your written consent to Savara in accordance with the instructions provided.

Q: What happens if I do not return a proxy card or otherwise provide proxy instructions, as applicable?

A: If you are a Mast stockholder, the failure to return your proxy card or otherwise provide proxy instructions will reduce the aggregate number of votes required to approve Mast Proposals Nos. 1, 4 and 5 and will have the same effect as voting against Mast Proposal Nos. 2 and 3, and your shares will not be counted for purposes of determining whether a quorum is present at the Mast special meeting.

Q: May I vote in person at the special meeting of stockholders of Mast?

A: If your shares of Mast common stock are registered directly in your name with the Mast transfer agent, you are considered to be the stockholder of record with respect to those shares, and the proxy materials and proxy card are being sent directly to you by Mast. If you are a Mast stockholder of record, you may attend the special meeting of Mast stockholders and vote your shares in person. Even if you plan to attend the Mast special meeting in person, Mast requests that you sign and return the enclosed proxy to ensure that your shares will be represented at the Mast special meeting if you are unable to attend. If your shares of Mast common stock are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held in "street name," and the proxy materials are being forwarded to you by your broker or other nominee together with a voting instruction card. As the beneficial owner, you are also invited to attend the special meeting of Mast stockholders. Because a beneficial owner is not the stockholder of record, you may not vote these shares in person at the Mast special meeting unless you obtain a proxy from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the meeting.

Q: When and where is the special meeting of Mast stockholders being held?

A: The special meeting of Mast stockholders will be held at the offices of Mast located at 3611 Valley Centre Drive, Suite 500, San Diego, California 92130, at [●] local time, on [●], 2017. Subject to space availability, all Mast stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis.

Q: If my Mast shares are held in "street name" by my broker, will my broker vote my shares for me?

A: Unless your broker has discretionary authority to vote on certain matters, your broker will not be able to vote your shares of Mast common stock on matters requiring discretionary authority without instructions from you. Brokers are not expected to have discretionary authority to vote for Mast Proposals No. 1, 2, 3 or 4. To make sure that your vote is counted, you should instruct your broker to vote your shares, following the procedures provided by your broker.

Q: May I change my vote after I have submitted a proxy or provided proxy instructions?

A: Mast stockholders of record, other than Mast stockholders who have signed voting agreements, may change their vote at any time before their proxy is voted at the Mast special meeting in one of three ways. First, a stockholder of record of Mast can send a written notice to the Secretary of Mast stating that it would like to revoke its proxy. Second, a stockholder of record of Mast can submit new proxy instructions either on a new proxy card or via the Internet or telephone. Third, a stockholder of record of Mast can attend the Mast special meeting and vote in person. Attendance alone will not revoke a proxy. If a Mast stockholder of record or a stockholder who owns Mast shares in "street name" has instructed a broker to vote its shares of Mast common stock, the stockholder must follow directions received from its broker to change those instructions.

Q: Who is paying for this proxy solicitation?

A: Mast and Savara will share equally the cost of printing and filing of this proxy statement/prospectus/information statement and the proxy card. Arrangements will also be made with brokerage firms and other custodians, nominees and fiduciaries who are record holders of Mast common stock for the forwarding of solicitation materials to the beneficial owners of Mast common stock. Mast will reimburse these brokers, custodians, nominees and fiduciaries for the reasonable out-of-pocket expenses they incur in connection with the forwarding of solicitation materials. Mast has retained Advantage Proxy to assist it in soliciting proxies using the means referred to above. Mast will pay the fees of Advantage Proxy, which Mast expects to be approximately $10,000, plus reimbursement of out-of-pocket expenses.

Q: Who can help answer my questions?

A: If you are a Mast stockholder and would like additional copies, without charge, of this proxy statement/prospectus/information statement or if you have questions about the merger, including the procedures for voting your shares, you should contact Mast's proxy solicitor:

ADVANTAGE PROXY
(877) 870-8565 (toll free)
(206) 870-8565 (collect)
ksmith@advantageproxy.com

If you are a Savara stockholder and would like additional copies, without charge, of this proxy statement/prospectus/information statement or if you have questions about the merger, including the procedures for voting your shares, you should contact:

Savara Inc.
900 S. Capital of Texas Highway
Las Cimas IV, Suite 150
Austin, Texas 78746
Tel: (512) 961-1891
Attn: Chris Marich, Head of Business Operations

PROSPECTUS SUMMARY

This summary highlights selected information from this proxy statement/prospectus/information statement and may not contain all of the information that is important to you. To better understand the merger, the proposals being considered at the Mast special meeting and the Savara stockholder actions that are the subject of the written consent, you should read this entire proxy statement/prospectus/information statement carefully, including the Merger Agreement and the other annexes to which you are referred herein. For more information, please see the section entitled "Where You Can Find More Information" in this proxy statement/prospectus/information statement.

The Companies

Mast Therapeutics, Inc.
3611 Valley Centre Drive, Suite 500
San Diego, California 92130
(858) 552-0866

Mast Therapeutics, Inc., or Mast, is a biopharmaceutical company headquartered in San Diego, California. Mast's lead product candidate, AIR001, is a sodium nitrite solution for intermittent inhalation via nebulization for the treatment of heart failure with preserved ejection fraction (HFpEF), which is currently in Phase 2 clinical development.

Savara Inc.
900 S. Capital of Texas Highway
Las Cimas IV, Suite 150
Austin, Texas 78746
Tel: (512) 961-1891

Savara Inc., or 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, and Molgradex, a Phase 2/3 stage inhaled granulocyte-macrophage colony-stimulating factor, or GM-CSF. Savara's strategy involves expanding its 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. Savara's management team has significant experience in orphan drug development and pulmonary medicine, in identifying unmet needs, creating and acquiring new product candidates, and effectively advancing them to approvals and commercialization.

Savara acquired the assets of Copenhagen-based Serendex Pharmaceuticals A/S ("Serendex") on July 15, 2016. Serendex was established in 2008 and listed on the Oslo Stock Exchange in 2014. Serendex operated as a public company until their delisting on May 4, 2016, ahead of its acquisition by Savara.

Victoria Merger Corp.
3611 Valley Centre Drive, Suite 500
San Diego, California 92130
(858) 552-0866

Victoria Merger Corp., or Merger Sub, is a wholly owned subsidiary of Mast and was formed solely for the purposes of carrying out the merger.

The Merger (see page [●])

If the merger is completed, Merger Sub will merge with and into Savara, with Savara surviving as a wholly owned subsidiary of Mast.

Immediately after the merger, subject to adjustments to reflect certain events that could occur prior to closing of the merger, Savara stockholders, option holders and warrant holders will own approximately 76% of the fully-diluted common stock of post-merger Mast, with Mast stockholders, option holders and warrant holders holding approximately 24% of the fully-diluted common stock of post-merger Mast. Savara outstanding warrants to purchase shares of Savara equity securities not exercised at or prior to the effective time of the merger will be converted into warrants to purchase Mast common stock. Mast will assume options to purchase Savara common stock that are outstanding and unexercised as of immediately prior to the effective time of the merger, and they will be converted into options to purchase Mast common stock. Mast will assume unvested shares of Savara restricted stock that are outstanding immediately prior to the effective time of the merger, and they will be converted into restricted shares of Mast common stock. The exchange ratio is determined pursuant to a formula described in more detail in the Merger Agreement and in this proxy statement/prospectus/information statement, and the percentage ownership figures are estimates. The foregoing percentages assume that the exchange ratio is not adjusted, as described in "The Merger — Merger Consideration and Adjustment" below.

For a more complete description of the merger exchange ratio, please see the section entitled "The Merger Agreement" in this proxy statement/prospectus/information statement.

The closing of the merger will occur no later than three business days after the last of the conditions to the merger has been satisfied or waived, or at another time as Mast and Savara agree. Mast and Savara anticipate that the consummation of the merger will occur promptly after the Mast special meeting. However, because the merger is subject to a number of conditions, neither Mast nor Savara can predict exactly when the closing will occur or if it will occur at all. In connection with the merger, assuming that Mast receives the required stockholder approval of Mast Proposal No. 3, Mast will be renamed "Savara Inc."

The reasons for the merger are described on pages [●] and [●].

Opinion of the Mast Financial Advisor (see page [●])

Roth Capital Partners LLC ("Roth"), the financial advisor of Mast, delivered to the Mast Board a written opinion dated January 6, 2017, addressed to the Mast Board, to the effect that, as of such date and based on and subject to the assumptions, factors, qualifications and limitations described in the opinion, the consideration to be paid by Mast in the merger was fair, from a financial point of view, to Mast. The full text of this written opinion to the Mast Board, which describes, among other things, the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Roth in preparing its opinion, is attached as Annex B to this proxy statement/prospectus/information statement and is incorporated by reference in its entirety into this proxy statement/prospectus/information statement. Holders of Mast common stock are encouraged to read the opinion carefully in its entirety. The Roth opinion was prepared solely for the information of the Mast Board for use in connection with its consideration of the merger. It does not address any other aspect of the proposed merger or any alternative to the merger. Neither Roth's written opinion nor the summary of its opinion and the related analyses set forth in this proxy statement/prospectus/information statement are intended to be, and they do not constitute, advice or a recommendation to any stockholder as to how such stockholder should act or vote with respect to any matter relating to the merger or any other matter.

Overview of the Merger Agreement and Agreements Related to the Merger Agreement

Merger Consideration (see page [●])

Immediately prior to the effective time of the merger, each share of Savara preferred stock outstanding at such time will be converted into shares of Savara common stock at a ratio determined in accordance with the Savara certificate of incorporation then in effect. At the effective time of the merger:

- each share of Savara capital stock issued and outstanding immediately prior to the effective time of the merger will be converted into and represent the right to receive a number of shares of Mast common stock equal to the exchange ratio, as described below; and

- each Savara Option will be assumed by Mast and will become an option to that number of shares of the common stock of Mast, or Mast Option, multiplied by the exchange ratio (and rounding the resulting number down to the nearest whole share), at an exercise price equal to the per share exercise price of such Savara Option divided by the exchange ratio (and rounding the resulting number up to the nearest whole cent);
- each award of Savara Restricted Shares will be assumed by Mast and will become an award of a number of restricted shares of Mast, or Mast Restricted Shares, subject to vesting, determined by multiplying the number of Savara Restricted Shares subject to the award by the exchange ratio (and rounding the resulting number down to the nearest whole share); and
- each Savara Warrant will be assumed by Mast and will become a warrant to purchase to that number of shares of the common stock of Mast, or Mast Warrants, multiplied by the exchange ratio (and rounding the resulting number down to the nearest whole share), at an exercise price equal to the per share exercise price of such Savara Warrant divided by the exchange ratio (and rounding the resulting number up to the nearest whole cent).

Immediately after the merger, based on the exchange ratio, Savara stockholders, warrantholders and optionholders will own approximately 76% of the fully-diluted common stock of Mast with Mast stockholders, optionholders and warrantholders holding approximately 24% of the fully-diluted common stock of Mast. The exchange ratio is determined pursuant to a formula described in more detail in the Merger Agreement and in this proxy statement/prospectus/information statement.

There will be no adjustment to the total number of shares of Mast common stock that Savara stockholders will be entitled to receive for changes in the market price of Mast common stock. Accordingly, the market value of the shares of Mast common stock issued pursuant to the merger will depend on the market value of the shares of Mast common stock at the time the merger closes, and could vary significantly from the market value on the date of this proxy statement/prospectus/information statement.

Treatment of Savara Options and Savara Restricted Shares (see page [ ])

At the effective time of the merger, each Savara Option, whether vested or not vested, will be converted into a Mast Option and each Mast Option may be exercised solely for shares of Mast common stock. Mast will assume the Savara Stock Option Plan. The number of shares of Mast common stock subject to each Mast Option will be determined by multiplying (i) the number of shares of Savara common stock that were subject to the underlying Savara Option by (ii) the exchange ratio, with the resulting number rounded down to the nearest whole number of shares of Mast common stock. The per share exercise price for the Mast common stock subject to such Mast Option will be determined by dividing (i) the per share exercise price of the underlying Savara Option by (ii) the exchange ratio, with the resulting number rounded up to the nearest whole cent.

Any restrictions on the exercise of assumed Savara Options will continue in full force and effect following the conversion and the term, exercisability, vesting schedules, status as an “incentive stock option” under Section 422 of the Code, if applicable, and other provisions of the assumed Savara Options will generally remain unchanged; provided, that any Savara Options assumed by Mast may be subject to adjustment to reflect changes in Mast’s capitalization after the effective time of the merger and that the Mast Board or any committee thereof will succeed to the authority of the Savara Board with respect to each assumed Savara Option.

At the effective time, Savara Restricted Share will be exchanged for a Mast Restricted Share and each Mast Restricted Share will have, and be subject to, the same terms and conditions (including vesting terms) set forth in Savara’s Stock Option Plan and applicable Savara Restricted Share agreements relating thereto, as in effect immediately prior to the effective time of the merger. The number of Mast Restricted Shares that will be exchanged for an award of Savara Restricted Shares will equal the number of Savara Restricted Shares

outstanding subject to such award immediately prior to the effective time of the merger multiplied by the exchange ratio, with the result rounded down to the nearest whole number of shares of Mast common stock.

Treatment of Savara Warrants (see page [ ])

At the effective time of the merger, each Savara Warrant will be converted into a Mast Warrant and each Mast Warrant may be exercised solely for shares of Mast common stock. The number of shares of Mast common stock subject to each Mast Warrant will be determined by multiplying (i) the number of shares of Savara common stock that were subject to the underlying Savara Warrant by (ii) the exchange ratio, with the resulting number rounded down to the nearest whole number of shares of Mast common stock. The per share exercise price for the Mast common stock subject to such Mast Warrant will be determined by dividing (i) the per share exercise price of the underlying Savara Warrant by (ii) the exchange ratio, with the resulting number rounded up to the nearest whole cent.

Any restrictions on the exercise of assumed Savara Warrants will continue in full force and effect following the conversion and the term, exercisability and other provisions of the assumed Savara Warrants will otherwise remain unchanged; provided, that any Savara Warrants assumed by Mast may be subject to adjustment to reflect changes in Mast's capitalization after the effective time of the merger.

Conditions to the Completion of the Merger (see page [ ])

To consummate the merger, Mast stockholders must approve the merger and the issuance of shares of Mast common stock in the merger. In addition, the Merger Agreement anticipates approval of an amendment and restatement of the amended and restated certificate of incorporation of Mast (i) effecting the proposed [●] reverse stock split, and (ii) effecting a change of the Mast name to "Savara Inc." Moreover, the Savara stockholders must adopt the Merger Agreement and approve the merger. In addition to obtaining such stockholder approvals and appropriate regulatory approvals, each of the other closing conditions set forth in the Merger Agreement must be satisfied or waived.

No Solicitation (see page [ ])

Each of Mast and Savara agreed that, subject to limited exceptions, Mast and Savara will not, and will not authorize or permit any of their respective subsidiaries or any of their respective controlled affiliates, officers, directors, employees, partners, attorneys, accountants, advisors, agents or representatives of such parties or of any such party's subsidiaries or other controlled affiliates to, directly or indirectly:

- solicit, initiate, knowingly encourage, induce or facilitate the making, submission or announcement of any "acquisition proposal," as defined below, or take any action that would reasonably be expected to lead to an acquisition proposal;
- furnish any nonpublic information regarding it to any person in connection with or in response to an acquisition proposal or an inquiry or indication of interest that could lead to an acquisition proposal;
- engage in discussions or negotiations with any person with respect to any acquisition proposal;
- approve, endorse or recommend an acquisition proposal; or
- enter into any letter of intent or similar document or any agreement contemplating or otherwise relating to an "acquisition transaction," as defined in the Merger Agreement.

However, before obtaining the applicable Mast or Savara stockholder approvals required to adopt the Merger Agreement, each party may furnish nonpublic information regarding such party and its respective

subsidiaries to, may enter into discussions with, or facilitate or cooperate with the submission of an acquisition proposal made by any person in response to any such acquisition proposal, that after consultation with a financial advisor and outside legal counsel, such party's board of directors determines in good faith is, or would reasonably be expected to result in a "superior offer," as defined in the Merger Agreement, if:

- such acquisition proposal did not result from a breach of the no solicitation provisions of the Merger Agreement described above such party's board of directors concludes in good faith, after having taken into account the advice of its outside legal counsel, that such action is required in order for the board of directors to comply with its fiduciary duty obligations to its stockholders under applicable legal requirements;
- at least two business days prior to furnishing any information or entering into discussions with a third party, such party must (i) give the other party written notice of the identity of the third party, the terms and conditions of any proposals or offers (including, if applicable, copies of any written requests, proposals or offers, including proposed agreements) made thereby and of that party's intention to furnish information to, or enter into discussions with such third party and (ii) such party must receive from the third party an executed confidentiality agreement on terms no less favorable to such party than those in the confidentiality agreement between Mast and Savara, with such new confidentiality agreement to contain customary limitations on the use and disclosure of all nonpublic written and oral information furnished to such third party on or behalf of such party (as well as customary "standstill" provisions if Mast is the party entering into a new confidentiality agreement with the third party); and
- substantially contemporaneous with furnishing of any information to a third party, such party furnishes the same information to the other party to the extent not previously furnished.

Termination of the Merger Agreement (see page [ ])

Either Mast or Savara can terminate the Merger Agreement under certain circumstances, which would prevent the merger from being consummated.

Termination Fee (see page [ ])

If the Merger Agreement is terminated under certain circumstances, Mast will be required to pay Savara a termination fee of $1.8 million, Savara will be required to pay Mast a termination fee of $2.5 million, or, Mast or Savara will be required in some circumstances, to reimburse the other party for expenses incurred in connection with the merger, up to a maximum of $250,000.

Voting Agreements (see page [ ])

Certain Savara securityholders that beneficially own or control approximately 30% of the voting power of Savara's outstanding capital stock on an as-converted to common stock basis as of December 31, 2016 entered into voting agreements pursuant to which, among other things, they agreed to vote all of their shares of Savara capital stock in favor of the adoption of the Merger Agreement and the approval of the merger and the other transactions contemplated by the Merger Agreement, and any other matter that is reasonably necessary to facilitate the consummation of the merger and the other transactions contemplated by the Merger Agreement, against any "Acquisition Proposal," as defined in the Merger Agreement, and against any other matter that would reasonably be expected to impede, interfere with, delay, postpone or adversely affect the merger or any of the transactions contemplated by the Merger Agreement.

Certain Mast securityholders that beneficially own or control less than one percent of the outstanding shares of Mast common stock as of February 2, 2017 entered into voting agreements pursuant to which, among other

things, they agreed to vote all their shares of Mast capital stock in favor of the adoption of the Merger Agreement and the approval of the merger and the other transactions contemplated by the Merger Agreement, and any other matter that is reasonably necessary to facilitate the consummation of the merger and the other transactions contemplated by the Merger Agreement, against any "Acquisition Proposal," as defined in the Merger Agreement, and against any other matter that would reasonably be expected to impede, interfere with, delay, postpone or adversely affect the merger or any of the transactions contemplated by the Merger Agreement.

Lock-Up Agreements (see page [ ])

The Savara securityholders and Mast securityholders that entered into voting agreements also entered into lock-up agreements with Savara and Mast, respectively, pursuant to which they agreed not to, except in limited circumstances, (i) offer, pledge, sell, contract to sell, sell any option or contract purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, make any short sale or otherwise transfer or dispose of or lend any shares of Mast common stock or securities convertible into, exercisable or exchangeable for or that represent the right to receive Mast common stock whether then owned or thereafter acquired (the "Securities"), (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Securities, (iii) make any demanded for or exercise any right with respect to the registration of any Mast common stock or any security convertible into or exercisable or exchangeable for Mast common stock or (iv) publicly disclose the intention to do any of the foregoing (each such restriction, the "lock-up restrictions").

The lock-up restrictions automatically terminate with respect to one-third of the Securities on each of (i) the six-month anniversary of the date of the closing of the merger, (ii) the eight-month anniversary of the date of the closing of the merger and (iii) the ten-month anniversary of the date of the closing of the merger.

Management Following the Merger (see page [ ])

Effective as of the closing of the merger, Mast's executive officers are expected to be the current Savara management team:

Name	Title
Robert Neville	Chief Executive Officer
Taneli Jouhikainen	Chief Operating Officer
David Lowrance	Chief Financial Officer

Interests of Certain Directors, Officers and Affiliates of Mast and Savara (see pages [ ] and [ ])

When considering the recommendation of the Mast Board, you should be aware that Mast's executive officers and directors have interests in the merger that are different from, or in addition to, your interests as a stockholder. The Mast Board was aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending that the merger agreement be adopted by the stockholders of Mast. For example, Mast previously entered into severance agreements with its named executive officers that provide them with cash severance payments, cash payments intended to cover certain health insurance costs and the acceleration of their outstanding equity awards in the event their employment is terminated without cause following a change of control of Mast. In addition, certain of Mast's directors and executive officers have options and RSUs, which shall RSU's vest immediately prior to the consummation of the merger, and certain officers of Mast are eligible for a cash bonus award upon the consummation of the merger. Two members of the Mast Board are expected to continue as directors of Mast upon the closing of the merger and all of Mast's directors and executive officers are entitled to certain indemnification and liability insurance coverage pursuant to the terms of the Merger Agreement and coverage pursuant to insurance policies maintained by Mast.

As of February 2, 2017, the directors and executive officers of Mast, together with their affiliates, owned less than one percent of the outstanding shares of Mast common stock, and each of the Mast directors and executive officers has entered into a voting agreement in connection with the merger. The voting agreement is discussed in greater detail in the section entitled "Agreements Related to the Merger — Voting Agreements" in this proxy statement/prospectus/information statement.

In considering the recommendation of the Savara Board with respect to approving the merger and related transactions by written consent, Savara stockholders should be aware that certain members of the board of directors and executive officers of Savara have interests in the merger that may be different from, or in addition to, interests they have as Savara stockholders. For example, certain of Savara's directors and executive officers have options or restricted stock, subject to vesting, which options to purchase shares of Savara common stock which will be converted into and become options to purchase shares of Mast common stock, Savara's directors and executive officers are expected to become directors and executive officers of Mast upon the closing of the merger and all of Savara's directors and executive officers are entitled to certain indemnification and liability insurance coverage pursuant to the terms of the Merger Agreement.

As of December 31, 2016, the directors and executive officers of Savara, together with their affiliates, owned approximately 8.65% of the outstanding shares of Savara capital stock, on an as converted to common stock basis. Savara officers and directors, and Serenova A/S, have also entered into a voting agreement in connection with the merger. The voting agreements are discussed in greater detail in the section entitled "Agreements Related to the Merger — Voting Agreements" in this proxy statement/prospectus/information statement.

Considerations with Respect to U.S. Federal Income Tax Consequences of the Merger (see page [ ])

Each of Mast and Savara intends the merger to qualify as a reorganization within the meaning of Section 368(a) of the Code. Assuming the merger qualifies as a reorganization, in general, and subject to the qualifications and limitations set forth in the section entitled "The Merger — Considerations with Respect to U.S. Federal Income Tax Consequences of the Merger," the material U.S. federal income tax consequences to U.S. Holders (as defined herein) of Savara common stock should be as follows:

- a Savara stockholder should not recognize gain or loss upon the exchange of Savara common stock for Mast common stock pursuant to the merger, except to the extent of cash received in lieu of a fractional share of Mast common stock as described below;
- a Savara stockholder's aggregate tax basis for the shares of Mast common stock received in the merger (including any fractional share interest for which cash is received) should equal the stockholder's aggregate tax basis in the shares of Savara common stock surrendered upon completion of the merger;
- the holding period of the shares of Mast common stock received by a Savara stockholder in the merger should include the holding period of the shares of Savara common stock surrendered in exchange therefor provided the surrendered Savara common stock is held as a capital asset (generally, property held for investment) at the time of the merger; and
- a Savara stockholder who receives cash in lieu of a fractional share of Mast common stock in the merger should recognize capital gain or loss in an amount equal to the difference between the amount of cash received instead of a fractional share and the stockholder's tax basis allocable to such fractional share.

Completion of the merger, however, is not conditioned upon a receipt of an opinion from counsel that the merger qualifies as a reorganization, and the merger will occur even if the merger does not qualify as a

reorganization and Savara stockholders are fully taxed on the shares of Mast common stock they receive in the merger. Moreover, the tax opinions received by Savara and Mast are based on representation letters delivered by Savara and Mast as to factual matters and on certain factual assumptions, including with respect to the number of Savara shares held by, and the amount of consideration payable to, Savara stockholders, if any, that exercise dissenters' rights. These representation letters will be delivered as of the effective date of this registration statement. If any of the representations or assumptions on which the tax opinions are based proves incorrect, including because there is a change in facts or law between the date of the representation letters and the closing date of the merger, the U.S. federal income tax consequences of the merger described above may be adversely affected.

Tax matters are very complicated, and the tax consequences of the merger to a particular Savara stockholder will depend on such stockholder's circumstances. Accordingly, you should consult your tax advisor for a full understanding of the tax consequences of the merger to you, including the applicability and effect of federal, state, local and non-U.S. income and other tax laws. For more information, please see the section entitled "The Merger — Considerations with Respect to U.S. Federal Income Tax Consequences of the Merger" beginning on page [ ].

Risk Factors (see page [ ])

Both Mast and Savara are subject to various risks associated with their businesses and their industries. In addition, the merger, including the possibility that the merger may not be completed, poses a number of risks to each company and its respective stockholders, including the following risks:

- The exchange ratio is not adjustable based on the market price of Mast common stock so the merger consideration at the closing may have a greater or lesser value than at the time the Merger Agreement was signed;
- Failure to complete the merger may result in Mast and Savara paying a termination fee or expenses to the other and could harm the common stock price of Mast and the future business, liquidity and operations of each company;
- If the conditions to the merger are not met, the merger may not occur;
- The merger may be completed even though material adverse changes may result from the announcement of the merger, industry-wide changes and other causes;
- Some Mast and Savara executive officers and directors have interests in the merger that are different from yours and that may influence them to support or approve the merger without regard to your interests;
- The market price of the combined organization common stock may decline as a result of the merger;
- Mast and Savara stockholders may not realize a benefit from the merger commensurate with the ownership dilution they will experience in connection with the merger;
- During the pendency of the merger, Mast and Savara may not be able to enter into a business combination with another party at a favorable price (subject to certain exceptions) because of restrictions in the Merger Agreement, which could adversely affect their respective businesses;
- Certain provisions of the Merger Agreement may discourage third parties from submitting alternative takeover proposals, including proposals that may be superior to the arrangements contemplated by the Merger Agreement; and
- Because the lack of a public market for Savara shares makes it difficult to evaluate the fairness of the merger, the stockholders of Savara may receive consideration in the merger that is less than the fair market value of the Savara shares or Mast may pay more than the fair market value of the Savara shares.

These risks and other risks are discussed in greater detail under the section entitled “Risk Factors” in this proxy statement/prospectus/information statement. Mast and Savara both encourage you to read and consider all of these risks carefully.

Regulatory Approvals (see page [ ])

In the United States, Mast must comply with applicable federal and state securities laws and the rules and regulations of the NYSE MKT in connection with the issuance of shares of Mast common stock and the filing of this proxy statement/prospectus/information statement with the SEC. As of the date hereof, the registration statement of which this proxy statement/prospectus/information statement is a part has not become effective.

NYSE MKT Listing (see page [ ])

Prior to consummation of the merger, Mast intends to file an initial listing application for the combined company with the NYSE MKT pursuant to NYSE MKT “reverse merger” rules. If such application is accepted, Mast anticipates that Mast’s common stock will be listed on the NYSE MKT following the closing of the merger under the trading symbol “SVRA.”

Anticipated Accounting Treatment (see page [ ])

The merger will be treated by Mast as a reverse merger under the acquisition method of accounting in accordance with accounting principles generally accepted in the United States. For accounting purposes, Savara is considered to be acquiring Mast in the merger.

Appraisal Rights and Dissenters’ Rights (see page [ ])

Holders of Mast common stock are not entitled to appraisal rights in connection with the merger. Savara stockholders are entitled to appraisal rights in connection with the merger under Delaware law. For more information about such rights, see the provisions of Section 262 of the Delaware General Corporation Law, or the DGCL, attached hereto as *Annex C*, and the section entitled “The Merger — Appraisal Rights and Dissenters’ Rights” in this proxy statement/prospectus/information statement.

Comparison of Stockholder Rights (see page [ ])

Both Mast and Savara are incorporated under the laws of the State of Delaware and, accordingly, the rights of the stockholders of each are currently, and will continue to be, governed by the DGCL. If the merger is completed, Savara stockholders will become stockholders of Mast, and their rights will be governed by the DGCL, the bylaws of Mast and, assuming Mast Proposals No. 2 and 3 are approved by Mast stockholders at the Mast special meeting, the amended and restated certificate of incorporation of Mast attached to this proxy statement/prospectus/information statement as *Annex D*. The rights of Mast stockholders contained in the amended and restated certificate of incorporation and bylaws of Mast differ from the rights of Savara stockholders under the amended and restated certificate of incorporation and bylaws of Savara, as more fully described under the section entitled “Comparison of Rights of Holders of Mast Stock and Savara Stock” in this proxy statement/prospectus/information statement.

SELECTED HISTORICAL AND UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION AND DATA

The following tables present summary historical financial data for Mast and Savara, summary unaudited pro forma condensed combined financial data for Mast and Savara, and comparative historical and unaudited pro forma per share data for Mast and Savara.

Selected Historical Consolidated Financial Data of Mast

The selected consolidated statements of operations data for the years ended December 31, 2015 and 2014 and the selected consolidated balance sheet data as of December 31, 2015 and 2014 are derived from Mast's audited consolidated financial statements included elsewhere in this proxy statement/prospectus/information statement. The selected consolidated statements of operations data for the nine months ended September 30, 2016 and 2015 and the selected consolidated balance sheet data as of September 30, 2016 are derived from Mast's unaudited interim consolidated financial statements included elsewhere in this proxy statement/prospectus/information statement. Mast's unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles on the same basis as its audited annual consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal, recurring adjustments, necessary for the fair statement of those unaudited interim consolidated financial statements. Mast's historical results are not necessarily indicative of the results that may be expected in any future period and the results for the nine months ended September 30, 2016 are not necessarily indicative of results to be expected for the full year ending December 31, 2016 or any other period.

The selected historical consolidated financial data below should be read in conjunction with the section titled "Mast Management's Discussion and Analysis of Financial Condition and Results of Operations," "Risk Factors — Risks Related to Mast" and Mast's consolidated financial statements and related notes included elsewhere in this proxy statement/prospectus/information statement.

Condensed Consolidated Statements of Operations and Comprehensive Loss

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

	Years Ended December 31,			Nine Months Ended September 30,	
	2015	2014	2013	2016	2015
				(unaudited)	
Revenue	$ —	$ —	$ —	$ 45	$ —
Operating expenses:					
Research and development	28,264	19,435	12,902	20,715	21,106
Selling, general and administrative	10,963	9,488	8,518	7,408	8,448
Transaction related expense	—	271	79	—	—
Depreciation and amortization	146	85	40	86	105
Total operating expenses	39,373	29,279	21,539	28,209	29,659
Loss from operations	(39,373)	(29,279)	(21,539)	(28,164)	(29,659)
Interest income	130	69	60	107	94
Interest expense	(603)	—	—	(1,979)	(102)
Other income (loss), net	4	508	(1)	(29)	(12)
Net loss	$ (39,842)	$ (28,702)	$ (21,480)	$ (30,065)	$ (29,679)
Net loss per share — basic and diluted	$ (0.25)	$ (0.23)	$ (0.28)	$ (0.15)	$ (0.18)
Weighted average shares outstanding — basic and diluted	162,219,116	122,409,183	76,585,752	196,527,686	161,748,944
Comprehensive Income/(Loss):					
Net loss	$ (39,842)	$ (28,702)	$ (21,480)	$ (30,065)	$ (29,679)
Other comprehensive income/(loss)	8	(4)	(19)	22	34
Comprehensive net loss	$ (39,834)	(28,706)	$ (21,499)	$ (30,043)	$ (29,645)

Condensed Consolidated Balance Sheets

(in thousands, except for share and par value data)

	September 30, 2016 (Unaudited)	December 31, 2015	December 31, 2014
Assets			
Current assets:			
Cash and cash equivalents	$ 20,521	$ 23,052	$ 35,808
Investment securities	6,429	17,929	21,481
Prepaid expenses and other current assets	1,333	1,271	1,114
Total current assets	28,283	42,252	58,403
Property and equipment, net	148	226	188
In-process research and development	8,549	8,549	8,549
Goodwill	3,007	3,007	3,007
Other assets	131	183	353
Total assets	$ 40,118	$ 54,217	$ 70,500
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	$ 1,497	$ 2,600	$ 1,370
Accrued liabilities	6,902	8,152	5,625
Accrued compensation and payroll taxes	901	1,430	1,443
Debt facility	11,593	10,991	—
Total current liabilities	20,893	23,173	8,438
Long-term lease obligation	19	25	—
Debt facility, net of current portion	2,615	3,726	—
Deferred income tax liability	3,404	3,404	3,404
Total liabilities	26,931	30,328	11,842
Stockholders' equity:			
Common stock, $0.001 par value; 500,000,000 shares authorized; 232,892,110 and 163,614,297 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	233	164	159
Additional paid-in capital	317,988	298,715	293,655
Accumulated other comprehensive income/(loss)	4	(17)	(25)
Accumulated deficit	(305,038)	(274,973)	(235,131)
Total stockholders' equity	13,187	23,889	58,658
Total liabilities and stockholders' equity	$ 40,118	$ 54,217	$ 70,500

Selected Historical Consolidated Financial Data of Savara

The selected consolidated statements of operations data for the years ended December 31, 2015 and 2014 and the selected consolidated balance sheet data as of December 31, 2015 and 2014 are derived from Savara's audited consolidated financial statements included elsewhere in this proxy statement/prospectus/information statement. The selected consolidated statements of operations data for the nine months ended September 30, 2016 and 2015 and the selected consolidated balance sheet data as of September 30, 2016 are derived from Savara's unaudited interim condensed consolidated financial statements included elsewhere in this proxy

statement/prospectus/information statement. Savara's unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles on the same basis as its audited annual consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal, recurring adjustments, necessary for the fair statement of those unaudited interim condensed consolidated financial statements. Savara's historical results are not necessarily indicative of the results that may be expected in any future period and the results for the nine months ended September 30, 2016 are not necessarily indicative of results to be expected for the full year ending December 31, 2016 or any other period.

The selected historical consolidated financial data below should be read in conjunction with the section titled "Savara Management's Discussion and Analysis of Financial Condition and Results of Operations," "Risk Factors — Risks Related to Savara's Capital Requirements and Financial Condition" and Savara's consolidated financial statements and related notes included elsewhere in this proxy statement/prospectus/information statement.

Consolidated Statements of Operations Data:

	Year Ended December 31,		Unaudited Nine Months Ended September 30,	
	2015	2014	2016	2015
	(in thousands)			
Grant Revenue	$ 54	$ 1,548	$ —	$ 54
Operating expenses:				
Research and development	$ 4,321	$ 5,429	$ 4,694	$ 2,818
General and administrative	1,656	1,568	2,211	1,173
Total operating expenses	5,977	6,997	6,905	3,991
Loss from operations	(5,923)	(5,449)	(6,905)	(3,937)
Other expense	3,076	833	50	2,312
Net loss	$ (8,999)	$ (6,282)	$ (6,955)	$ (6,249)
Net loss per common share, basic and diluted	$ (5.55)	$ (4.26)	$ (2.58)	$ (3.92)
Shares used in computing net loss per common share, basic and diluted	1,653,259	1,503,058	2,723,760	1,633,104

Consolidated Balance Sheet Data:

	As of December 31,		As of September 30,
	2015	2014	2016
	(in thousands)		(unaudited)
Cash	$ 16,683	$ 12,688	$ 15,512
Working capital	15,680	12,956	14,587
Total assets	17,854	13,937	32,258
Convertible promissory notes	—	7,870	3,200
Accumulated deficit	(27,483)	(18,484)	(34,439)
Total stockholders' equity/(deficit)	(27,328)	(18,299)	(31,311)

Selected Unaudited Pro Forma Condensed Combined Financial Data of Mast and Savara

The following information does not give effect to the proposed reverse stock split of Mast common stock described in Mast Proposal No. 2.

The following selected unaudited pro forma condensed combined financial information has been prepared to reflect the acquisitions of Mast and Serendex by Savara using the acquisition method of accounting. On January 6, 2017, Savara and Mast entered into an Agreement and Plan of Merger and Reorganization pursuant to which a wholly owned subsidiary of Mast will merge with and into Savara, with Savara becoming a wholly owned subsidiary of Mast and the surviving corporation of the merger. For accounting purposes, Savara is considered to be acquiring Mast in the merger. In addition, on July 15, 2016, Savara completed its acquisition of Serendex.

The unaudited pro forma condensed combined financial statements were prepared in accordance with the regulations of the Securities and Exchange Commission (SEC). The unaudited pro forma condensed combined balance sheet as of September 30, 2016 is presented as if the merger had been completed on September 30, 2016. The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2016 and for the year ended December 31, 2015 assumes that both the merger and Savara's acquisition of Serendex took place as of January 1, 2015, and combines the historical results of Mast and Savara and the pre-acquisition historical results of Serendex.

The selected unaudited pro forma condensed combined financial data are presented for illustrative purposes only and are not necessarily indicative of the combined financial position or results of operations of future periods or the results that actually would have been realized had the entities been a single entity during these periods. The selected unaudited pro forma condensed combined financial data as of and for the nine months ended September 30, 2016 and for the year ended December 31, 2015 are derived from the unaudited pro forma condensed combined financial information and should be read in conjunction with that information. For more information, please see the section titled "Unaudited Pro Forma Condensed Combined Financial Statements" in this proxy statement/prospectus/information statement.

The unaudited pro forma condensed combined financial statements assume that, at the effective time of the merger, each share of Savara common stock will convert into the right to receive approximately 40 shares of Mast common stock, subject to adjustment to account for the effect of the proposed reverse stock split of Mast common stock to be implemented prior to the consummation of the merger. The estimated exchange ratio calculation used herein is based upon Mast's capitalization numbers immediately prior to the date of this proxy statement/prospectus/information statement, and will be adjusted to account for the issuance of any additional shares of Mast common stock prior to the consummation of the merger.

	Year Ended December 31, 2015	Nine Months Ended September 30, 2016
	(in thousands except per share amounts)	
Unaudited Pro Forma Combined Statement of Operations Data:		
Grant revenue	$ 54	$ 45
Operating expenses:		
Research and development	39,115	29,511
General and administrative	15,513	12,028
Depreciation and amortization	152	342
Total operating expenses	54,780	41,881
Loss from operations	(54,726)	(41,836)
Interest and other income (expense), net	(3,519)	(2,009)
Net loss	$ (58,245)	$ (43,845)
Accretion of redeemable convertible preferred stock	(183)	(70)
Net loss attributable to common stockholders	(58,428)	(43,915)
Basic and diluted net loss per share	$ (0.09)	$ (0.05)

	As of September 30, 2016 (in thousands)
Unaudited Pro Forma Combined Balance Sheet Data:	
Cash and cash equivalents	$ 36,033
Working capital	16,027
Total assets	100,914
Total stockholders' equity	47,426

Comparative Historical and Unaudited Pro Forma Per Share Data

The information below reflects the historical net loss and book value per share of Mast common stock and the historical net loss and book value per share of Savara common stock in comparison with the unaudited pro forma net loss and book value per share after giving effect to the proposed merger of Mast with Savara on a pro forma basis. The unaudited pro forma net loss and book value per share does not give effect to the proposed reverse stock split of Mast common stock described in Mast Proposal No. 2.

You should read the tables below in conjunction with the audited and unaudited financial statements of Mast included in this proxy statement/prospectus/information statement and the audited and unaudited financial statements of Savara included in this proxy statement/prospectus/information statement and the related notes and the unaudited pro forma condensed combined financial information and notes related to such financial statements included elsewhere in this proxy statement/prospectus/information statement.

MAST

	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
Historical Per Common Share Data:		
Basic and diluted net loss per share	$ (0.15)	$ (0.25)
Tangible book value per share	0.01	0.08

SAVARA

	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
Historical Per Common Share Data:		
Basic and diluted net loss per share	$ (2.58)	$ (5.55)
Tangible book value per share	(0.70)	9.47

MAST AND SAVARA

	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
Combined Company Pro Forma Data:		
Basic and diluted net loss per share	$ (0.05)	$ (0.09)
Tangible book value per share	(0.01)	N/A

MARKET PRICE AND DIVIDEND INFORMATION

Market Information

Mast's common stock trades under the symbol "MSTX" on the NYSE MKT equities market. The following table sets forth the high and low sale prices for Mast common stock in each full quarterly period within the three most recent fiscal years.

	Sales Price	
	High	Low
Year Ended December 31, 2014		
First Quarter	$1.10	$0.45
Second Quarter	0.73	0.52
Third Quarter	0.69	0.53
Fourth Quarter	0.60	0.40
Year Ended December 31, 2015		
First Quarter	$0.63	$0.42
Second Quarter	0.58	0.46
Third Quarter	0.60	0.38
Fourth Quarter	0.59	0.37
Year Ended December 31, 2016		
First Quarter	$0.50	$0.21
Second Quarter	0.48	0.27
Third Quarter	0.71	0.09
Fourth Quarter	0.16	0.07
Year Ended December 31, 2017		
First Quarter (through February 9, 2017)	$0.23	$0.09

On February 9, 2017, the last reported sale price of Mast's common stock on the NYSE MKT was $0.14 per share. As of February 2, 2017, Mast had approximately 116 record holders of its common stock. The number of beneficial owners is substantially greater than the number of record holders because a large majority of Mast's outstanding common stock is held of record through brokerage firms in "street name."

Dividend Policy

Mast has never declared or paid any cash dividends on its common stock and does not anticipate declaring or paying any cash dividends on its common stock in the foreseeable future. Mast expects to retain all available funds and any future earnings to support operations and fund the development and growth of its business.

RISK FACTORS

The combined organization will be faced with a market environment that cannot be predicted and that involves significant risks, many of which will be beyond its control. In addition to the other information contained in this proxy statement/prospectus/information statement, you should carefully consider the material risks described below before deciding how to vote your shares of stock. In addition, you should read and consider the risks associated with the business of Mast because these risks may also affect the combined company — these risks can be found in Mast's Annual Report on Form 10-K, as updated by subsequent Quarterly Reports on Form 10-Q, all of which are filed with the SEC. You should also read and consider the other information in this proxy statement/prospectus/information statement and the other documents incorporated by reference into this proxy statement/prospectus/information statement. Please see the section entitled "Where You Can Find More Information" in this proxy statement/prospectus/information statement.

Risks Related to the Merger

The exchange ratio is not adjustable based on the market price of Mast common stock so the merger consideration at the closing may have a greater or lesser value than at the time the Merger Agreement was signed.

The Merger Agreement has set the exchange ratio for the Savara common stock, and the exchange ratio is only adjustable upward or downward under certain circumstances as described in "The Merger — Merger Consideration and Adjustment." Any changes in the market price of Mast common stock before the completion of the merger will not affect the number of shares Savara securityholders will be entitled to receive pursuant to the Merger Agreement. Therefore, if before the completion of the merger the market price of Mast common stock declines from the market price on the date of the Merger Agreement, then Savara securityholders could receive merger consideration with substantially lower value. Similarly, if before the completion of the merger the market price of Mast common stock increases from the market price on the date of the Merger Agreement, then Savara securityholders could receive merger consideration with substantially more value for their shares of Savara capital stock than the parties had negotiated for in the establishment of the exchange ratio. Because the exchange ratio does not adjust as a result of changes in the value of Mast common stock, for each one percentage point that the market value of Mast common stock rises or declines, there is a corresponding one percentage point rise or decline, respectively, in the value of the total merger consideration issued to Savara securityholders.

Failure to complete the merger may result in Mast and Savara paying a termination fee or expenses to the other party and could harm the common stock price of Mast and future business and operations of each company.

If the merger is not completed, Mast and Savara are subject to the following risks:

- if the Merger Agreement is terminated under certain circumstances, Mast will be required to pay Savara a termination fee of $1.8 million;
- if the Merger Agreement is terminated under certain circumstances, Savara will be required to pay Mast a termination fee of $2.5 million;
- the price of Mast stock may decline and remain volatile, which may result in Mast being delisted from the NYSE MKT; and
- costs related to the merger, such as legal and accounting fees, and with respect to Mast, tail insurance premiums, which Mast and Savara estimate will total approximately $2.6 million and $1.5 million, respectively, some of which must be paid even if the merger is not completed.

In addition, if the Merger Agreement is terminated and the Mast Board or Savara Board determines to seek another business combination, there can be no assurance that either Mast or Savara will be able to find a partner willing to provide equivalent or more attractive consideration than the consideration to be provided by each party in the merger.

If the conditions to the merger are not met, the merger may not occur.

Even if the merger is approved by the stockholders of Mast and Savara, specified conditions must be satisfied or waived to complete the merger. These conditions are set forth in the Merger Agreement and described in the section entitled "The Merger Agreement — Conditions to the Completion of the Merger" in this proxy statement/prospectus/information statement. Mast and Savara cannot assure you that all of the conditions will be satisfied or waived. If the conditions are not satisfied or waived, the merger may not occur or will be delayed, and Mast and Savara each may lose some or all of the intended benefits of the merger.

The merger may be completed even though material adverse changes may result from the announcement of the merger, industry-wide changes and other causes.

In general, either Mast or Savara can refuse to complete the merger if there is a material adverse change affecting the other party between the date of the Merger Agreement, and the closing. However, certain types of changes do not permit either party to refuse to complete the merger, even if such change could be said to have a material adverse effect on Mast or Savara, including:

- any effect, change, event, circumstance or development in the conditions generally affecting the industries in which Savara and Mast operate or the United States or global economy or capital markets as a whole;
- any natural disaster or any acts of terrorism, sabotage, military action or war or any escalation of worsening thereof;
- any failure by Mast or Savara to meet internal projections or forecasts or third party revenue or earnings predictions for any period ending on or after January 6, 2017;
- any changes in GAAP or applicable legal requirements after January 6, 2017; or
- with respect to Mast, any change in the price or trading volume of Mast Common Stock.

If adverse changes occur and Mast and Savara still complete the merger, the combined organization stock price may suffer. This in turn may reduce the value of the merger to the stockholders of Mast, Savara or both.

Some Mast and Savara executive officers and directors have interests in the merger that are different from yours and that may influence them to support or approve the merger without regard to your interests.

Certain officers and directors of Mast and Savara participate in arrangements that provide them with interests in the merger that are different from yours, including, among others, the continued service as an officer or director of the combined organization, severance benefits, cash and equity bonuses contingent upon the closing of the merger, continued indemnification and the potential ability to sell an increased number of shares of common stock of the combined organization in accordance with Rule 144 under the Securities Act of 1933, as amended, or the Securities Act. For example, Mast previously entered into severance agreements with its named executive officers that provide them with cash severance payments, cash payments intended to cover certain health insurance costs and the acceleration of their outstanding equity awards in the event their employment is terminated without cause following a change of control of Mast. In addition, certain of Mast's directors and executive officers have options and RSUs, which RSUs shall vest immediately prior to the date the merger is consummated, and certain officers of Mast are eligible for a cash bonus award upon the closing of the merger. Two members of the Mast Board are expected to continue as directors of Mast upon the closing of the merger, and all of Mast's directors and executive officers are entitled to certain indemnification and liability insurance coverage pursuant to the terms of the Merger Agreement and coverage pursuant to insurance policies maintained by Mast.

Based on the terms of their respective severance agreements, outstanding equity awards and Mast's January 2017 incentive awards, Mast's named executive officers will be entitled to receive a total value of approximately $2.5 million (collectively, not individually) in connection with the consummation of the merger and the associated termination of their employment from Mast, based on data available as of February 2, 2017.

The market price of Mast common stock following the merger may decline as a result of the merger.

The market price of Mast common stock may decline as a result of the merger for a number of reasons including if:

- investors react negatively to the prospects of the combined organization's business and prospects from the merger;
- the effect of the merger on the combined organization's business and prospects is not consistent with the expectations of financial or industry analysts; or
- the combined organization does not achieve the perceived benefits of the merger as rapidly or to the extent anticipated by financial or industry analysts.

Mast and Savara stockholders may not realize a benefit from the merger commensurate with the ownership dilution they will experience in connection with the merger.

If the combined organization is unable to realize the full strategic and financial benefits currently anticipated from the merger, Mast and Savara stockholders will have experienced substantial dilution of their ownership interests in their respective companies without receiving any commensurate benefit, or only receiving part of the commensurate benefit to the extent the combined organization is able to realize only part of the strategic and financial benefits currently anticipated from the merger.

During the pendency of the merger, Mast and Savara may not be able to enter into a business combination with another party at a favorable price because of restrictions in the Merger Agreement, which could adversely affect their respective businesses.

Covenants in the Merger Agreement impede the ability of Mast and Savara to make acquisitions, subject to certain exceptions relating to fiduciaries duties, as set forth below, or complete other transactions that are not in the ordinary course of business pending completion of the merger. As a result, if the merger is not completed, the parties may be at a disadvantage to their competitors during that period. In addition, while the Merger Agreement is in effect, each party is generally prohibited from soliciting, initiating, encouraging or entering into certain extraordinary transactions, such as a merger, sale of assets or other business combination outside the ordinary course of business, with any third party, subject to certain exceptions described below. These restrictions apply even if such transactions could be favorable to such party's stockholders.

Certain provisions of the Merger Agreement may discourage third parties from submitting alternative takeover proposals, including proposals that may be superior to the arrangements contemplated by the Merger Agreement.

The terms of the Merger Agreement prohibit each of Mast and Savara from soliciting alternative takeover proposals or cooperating with persons making unsolicited takeover proposals, except in limited circumstances when such party's board of directors determines in good faith that an unsolicited alternative takeover proposal is or is reasonably likely to lead to a superior takeover proposal and is reasonably capable of being consummated and that failure to cooperate with the proponent of the proposal is reasonably likely to result in a breach of the board's fiduciary duties. In addition, if Mast or Savara terminate the Merger Agreement under certain circumstances, including terminating because of a decision of a board of directors to recommend a superior proposal, Mast would be required to pay a termination fee of $1.8 million to Savara or Savara would be required to pay a termination fee of $2.5 million to Mast, respectively. This termination fee may discourage third parties from submitting alternative takeover proposals to Mast or Savara or their stockholders, and may cause the respective boards of directors to be less inclined to recommend an alternative proposal.

Because the lack of a public market for Savara shares makes it difficult to evaluate the fairness of the merger, the stockholders of Savara may receive consideration in the merger that is less than the fair market value of the Savara shares and/or Mast may pay more than the fair market value of the Savara shares.

The outstanding capital stock of Savara is privately held and is not traded in any public market. The lack of a public market makes it extremely difficult to determine the fair market value of Savara. Because the percentage of Mast equity to be issued to Savara stockholders was determined based on negotiations between the parties, it is possible that the value of the Mast common stock to be received by Savara stockholders will be less than the fair market value of Savara, or Mast may pay more than the aggregate fair market value for Savara.

If the merger does not qualify as a tax-free reorganization, the receipt of Mast common stock pursuant to the merger could be fully taxable to all Savara stockholders.

Each of Mast and Savara intends the merger to qualify as a "reorganization" within the meaning of Section 368(a) of the Code. However, completion of the merger is not conditioned upon receipt of an opinion from counsel dated as of the closing date that the merger qualifies as a reorganization. The tax opinions received by Savara and Mast as of the effective date of this proxy statement/prospectus/information statement are based on representation letters delivered as of such date by Savara and Mast pertaining to factual matters and on certain factual assumptions, including with respect to the number of Savara shares held by, and the amount of consideration payable to, Savara stockholders, if any, that exercise dissenters' rights. If any of these assumptions or representations proves incorrect, for example, if there is a change in applicable law or if consideration paid to Savara stockholders exercising dissenters' rights is significant, the merger could be fully taxable to all Savara stockholders. See the section entitled "The Merger — Considerations with Respect to U.S. Federal Income Tax Consequences of the Merger" beginning on page [ ].

The exchange ratio is subject to an upward adjustment to the extent that Mast's net cash at the effective time of the merger is less than zero dollars and as a result, Mast securityholders could own less of the combined company.

The exchange ratio is subject to an upward adjustment to the extent that Mast's net cash at the effective time of the merger is less than zero dollars ($0.00) and, as a result, Mast securityholders could own less, and Savara securityholders could own more, of the combined company. Certain of Mast's outstanding warrants provide that, in the event of certain fundamental transactions, whereby a person or group of persons acquires more than 50% of Mast's common stock, then, holders of such outstanding warrants may elect and require Mast to purchase the warrants held by such holder by making a cash payment in an amount equal to the Black-Scholes Value of the remaining unexercised portion of such holder's warrants. Mast does not believe that any cash payment is required pursuant to the terms of the warrants as a result of the Merger; provided, however, that if Mast shall be required pursuant to the terms of the warrants to make any cash payments or otherwise settle the warrants prior to closing, the exchange ratio could be adjusted to adversely impact the ownership of Mast stockholders of the combined company.

Risks Related to Mast

Risks Related to Mast's Capital Requirements, Finances and Operations

Mast is a clinical-stage company with no drug products approved for commercial sale, Mast has incurred net losses since Mast's inception, Mast expects to incur substantial losses and negative operating cash flow for the foreseeable future, and Mast needs additional funding to continue to conduct its operations and advance development of its product candidates.

Mast is a clinical-stage biopharmaceutical company and has not generated sustainable revenue from operations or been profitable since inception, and it may never achieve profitability. Mast has devoted its resources to acquiring and developing proprietary product candidates, but such product candidates cannot be

marketed until clinical development is completed and governmental approvals have been obtained. None of its product candidates has been approved for sale by any regulatory agency or is available for commercial sale and each will require significant additional capital to advance their development toward regulatory approval for commercial sale.

For the year ended December 31, 2015 and the nine months ended September 30, 2016, Mast incurred losses from operations of $39.4 million and $28.2 million, respectively, and its net cash used in operating activities was $32.9 million and $29.9 million, respectively. At September 30, 2016, Mast had an accumulated deficit of $305.0 million, its cash, cash equivalents and investment securities were $27.0 million, and its working capital was $7.4 million. Mast expects to continue to incur substantial operating losses for the next several years as Mast advances its product candidates, which are in intermediary to early stages of development, through clinical studies and other development activities necessary to seek approval from the FDA and regulatory authorities outside of the U.S. to commercialize them. Accordingly, there is no current source of revenue from operations, much less profits, to sustain Mast's present activities. Further, no revenue from operations will likely be available until, and unless, one of Mast's product candidates is approved by the FDA or another regulatory agency and successfully marketed, or Mast enters into an arrangement that provides for licensing revenue or other partnering-related funding, outcomes which Mast may not achieve.

Mast estimates that its existing capital resources are sufficient to fund its current and planned operations into the second quarter of 2017. Mast implemented significant cost-saving measures during the fourth quarter of 2016 after the Phase 3 study of vepoloxamer did not meet its primary efficacy endpoint, including the wind-down of all vepoloxamer clinical development activities and an approximately 70% reduction in its workforce, and plans to continue to closely manage its operating expenses. However, Mast will need additional capital in the second quarter of 2017 to continue operations and execute on its current business strategy.

Mast cannot predict the extent of its future operating losses and accumulated deficit, and Mast may never generate sufficient revenues to achieve or sustain profitability. To become and remain profitable, Mast must succeed in developing and obtaining required regulatory approvals and commercializing its product candidates. This will require Mast to succeed in a range of challenging activities, and many aspects of drug development are inherently unpredictable. Mast may never succeed in obtaining the FDA's or another regulatory authority's approval to market its product candidates or otherwise generate revenues sufficient to achieve profitability.

There is substantial doubt as to Mast's ability to continue as a going concern.

At September 30, 2016, Mast's cash, cash equivalents and investment securities were $27.0 million and its working capital was $7.4 million. Mast continues to incur significant operating losses, it does not believe its capital resources as of September 30, 2016 will be sufficient to fund its planned operations for the next 12 months, and it may not be able to raise additional capital as and when needed. These uncertainties raise substantial doubt regarding Mast's ability to continue as a going concern.

As more fully discussed in Note 1 to the condensed consolidated financial statements included in this proxy statement/prospectus/information statement and "Mast's Management's Discussion and Analysis of Financial Condition and Results of Operations" of this report, if it is unable to complete the merger, Mast plans to raise additional capital through its ATM program and other equity or debt financings and continue to explore opportunities to strategically monetize its product candidates through collaborations, including licensing arrangements. Mast has historically been able to raise capital through equity offerings; however, there is no assurance that Mast will be successful in that regard in the future or that it will be able to obtain sufficient, or any, additional capital on acceptable terms, or at all. Further, Mast has based its estimated capital needs on assumptions that may prove to be wrong and cannot assure you that estimates and assumptions will not change. For example, Mast is currently assuming that the investigator-sponsored clinical studies of AIR001 it is supporting will be completed without its commitment of resources beyond what Mast's current agreements require. If Mast's estimated funding needs change and/or sufficient capital is not available, Mast may be required

to further reduce the scope of, delay, or eliminate its ongoing and planned product development activities, any of which could have a material adverse effect on Mast's business and may impair its intangible assets.

Due to the uncertainty of Mast's ability to raise additional capital required to continue to fund its future operations, if it is unable to complete the merger, the Mast Board will consider available strategic alternatives beyond financings, including other possible mergers and business combinations, a sale of part or all of Mast's assets, collaboration and licensing arrangements. There is no assurance that Mast would be able to successfully negotiate and consummate a transaction on a timely basis or at all. Any transaction Mast consummates may offer limited value for its existing product candidates and proprietary technology and may not enhance stockholder value or provide expected benefits. If Mast is unable to successfully complete a strategic transaction or otherwise secure additional capital on a timely basis and on terms that are acceptable, Mast may be required to further reduce the scope of or cease its operations altogether.

The condensed consolidated financial statements of Mast included in this proxy statement/prospectus/information statement have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The financial statements of Mast do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts of liabilities that may result from uncertainty related to Mast's ability to continue as a going concern.

Mast's product candidates are at intermediary to early stages of development, the success of Mast's business currently is dependent largely on its ability to advance development of AIR001 for the treatment of HFpEF, and if clinical studies of AIR001 are not successful, Mast's business, financial condition and results of operations may be materially adversely affected and the price of Mast's common stock may decline.

None of Mast's product candidates have been approved for sale by any regulatory agency or is available for commercial sale. Mast is focusing its resources primarily on the development of AIR001. Accordingly, the success of Mast's business currently is highly dependent on its ability, or that of a future partner, to successfully develop, obtain regulatory approval for and then successfully commercialize AIR001 and Mast's efforts, or those of a future partner, in this regard may prove unsuccessful. Ongoing clinical studies of AIR001 may not demonstrate the safety and efficacy necessary to support continued clinical development. In addition, continued development of AIR001 will require significant additional research, formulation and manufacture development, and extensive clinical testing prior seeking regulatory approval for commercial sale and will take several years. The drug development and regulatory approval process is subject to many risks, including the risks discussed in other risk factors below, and AIR001 may never receive marketing approval from the FDA or any regulatory agency. If the results or timing of Mast's clinical or nonclinical studies, regulatory filings, the regulatory process, regulatory developments, and other activities, actions or decisions related to AIR001 do not meet Mast's expectations or those of securities market participants, the market price of Mast's common stock could decline significantly. If any of Mast's product candidates is approved by the FDA or any foreign regulatory agency, Mast's ability to generate revenue will depend in substantial part on the extent to which that drug product is accepted by the medical community and reimbursed by third-party payers, as well as Mast's ability to market and sell the product and ensure that Mast's third-party manufacturers produce it in quantities sufficient to meet commercial demand, if any.

The terms of Mast's debt facility place restrictions on its operating and financial flexibility, and failure to comply with covenants or to satisfy certain conditions of the agreement governing the debt facility may result in acceleration of Mast's repayment obligations and foreclosure on its pledged assets, which could significantly harm Mast's liquidity, financial condition, operating results, business and prospects and cause the price of Mast's common stock to decline.

As of February 2, 2017, Mast had an outstanding principal balance of $3.1 million under its debt facility with Hercules Capital, Inc. and Hercules Technology III, L.P. (collectively referred to as Hercules) that is

secured by a lien covering substantially all of Mast's assets, excluding intellectual property, but including proceeds from the sale, licensing or disposition of Mast's intellectual property. The loan and security agreement governing the debt facility requires Mast to comply with a number of covenants (affirmative and negative), including restrictive covenants that limit Mast's ability to: incur additional indebtedness; encumber the collateral securing the loan; acquire, own or make investments; repurchase or redeem any class of stock or other equity interest; declare or pay any cash dividend or make a cash distribution on any class of stock or other equity interest; transfer a material portion of Mast's assets; acquire other businesses; and merge or consolidate with or into any other organization or otherwise suffer a change in control, in each case subject to exceptions. Mast's intellectual property also is subject to customary negative covenants. In addition, subject to limited exceptions, Hercules could declare an event of default upon the occurrence of any event that it interprets as having a material adverse effect upon Mast's business, operations, properties, assets, or financial condition or upon Mast's ability to perform or pay the secured obligations under the loan and security agreement or upon the collateral or Hercules' liens on the collateral under the agreement, thereby requiring Mast to repay the loan immediately, together with a prepayment charge of up to 2% of the then outstanding principal balance and end-of-term charge of $712,500, or renegotiate the terms of the agreement. Although, in and of itself, the occurrence of adverse results or delays in any clinical study or the denial, delay or limitation of approval of or taking of any other regulatory action by the FDA or another governmental entity will not constitute a material adverse effect under Mast's loan and security agreement with Hercules, Hercules may determine that such an event together with contemporaneous events or circumstances constitutes a material adverse effect upon Mast's business, operations, properties, assets, or financial condition or upon Mast's ability to perform or pay the secured obligations under the loan and security agreement. If Mast defaults under the facility, Hercules may accelerate all of Mast's repayment obligations and, if Mast is unable to access funds to meet those obligations or to renegotiate Mast's agreement, Hercules could take control of Mast's pledged assets and Mast could immediately cease operations. If Mast were to renegotiate its agreement under such circumstances, the terms may be significantly less favorable to Mast. If Mast were liquidated, Hercules' right to repayment would be senior to the rights of Mast's stockholders to receive any proceeds from the liquidation. Any declaration by Hercules of an event of default could significantly harm Mast's liquidity, financial condition, operating results, business, and prospects and cause the price of Mast's common stock to decline.

Under the loan and security agreement with Hercules, the merger would result in a change in control of Mast, 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). Mast plans to enter into an amendment to its agreement with Hercules to become effective contingent upon consummation of the merger whereby the merger would not trigger the Change in Control Repayment Provisions and the loan would remain in place upon its existing terms, including the January 1, 2019 scheduled maturity date. However, Mast and Hercules contemplate that the amendment will require the combined company to maintain (a) at least $4 million of cash unless and until Mast, Savara or the combined company raised $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, Savara or the combined company raised $20 million in net cash proceeds from equity and/or subordinated debt financings and/or certain research grant awards on or before August 31, 2017. Such an amendment to Mast's agreement with Hercules is a condition to Savara's obligation to consummate the merger. If Mast and Hercules do not enter into the contemplated amendment, Savara could elect not to complete the merger and Mast's financial condition, operating results, business and prospects could be significantly harmed. If Mast and Hercules enter into the contemplated amendment, the minimum cash requirement could restrict the combined company's ability to execute on its business strategy, which could adversely impact its financial condition, operating results, business and prospects.

Mast will need to obtain additional funding to pursue its current business strategy and continue as a going concern and Mast may not be able to obtain such funding on a timely basis, or on commercially reasonable terms, or at all. Any capital-raising transaction Mast is able to complete may result in substantial dilution to its existing stockholders, require Mast to relinquish significant rights, or restrict its operations.

As discussed above, based on its projected operating expenses and capital needs, Mast's cash, cash equivalents and investment securities as of September 30, 2016, Mast believes that its capital resources will be sufficient to fund its operations into the second quarter of 2017, but it will need additional capital to continue operations and execute on its current business strategy. In addition, Mast may utilize its current financial resources sooner than it currently expects if it incurs unanticipated expenses or the estimates and assumptions on which Mast has based its estimated capital needs prove to be wrong.

Although Mast was able to raise significant funds in the past through equity financings and a debt financing, the conditions of and Mast's access to capital markets are highly variable and adequate additional equity or debt financing may not be available to Mast in the future on acceptable terms, or on a timely basis, or at all. Further, each of these financing alternatives carries risks. Raising capital through the issuance of Mast's common stock, or securities convertible into or exercisable for Mast's common stock, may depress the market price of Mast's common stock and may substantially dilute Mast's existing stockholders. In addition, even if Mast were able to raise capital through the sale and issuance of its common stock, Mast may not have enough authorized common stock available to raise additional capital that would be sufficient to fund planned operations for the next 12 months. As of February 2, 2017, approximately 115 million of Mast's authorized shares of common stock were not outstanding or reserved for issuance under outstanding warrants and equity awards, equity incentive plans or other rights. Assuming a sale price of $0.13 per share, which was the closing price of Mast's common stock on February 2, 2017, gross proceeds from the sale of all 115 million available shares would be approximately $15 million, but any financing transaction available to Mast in the near-term likely would involve a sale price at a discount to market and/or significant warrant coverage. Assuming 100% warrant coverage and a sale price of $0.13 per unit, gross proceeds from the sale of all 115 million available shares would be approximately $7.5 million. If instead Mast seeks to raise capital through strategic transactions, such as licensing arrangements or sales of one or more of Mast's technologies or product candidates, Mast may be required to relinquish valuable rights and dilute the current and future value of Mast's assets. For example, any licensing arrangement likely would require Mast to share with its licensee a significant portion of any revenues generated by Mast's licensed technologies. Additionally, Mast's control over the development and/or marketing of any products or product candidates licensed or sold to third parties likely would be reduced and thus Mast may not realize the full value of any such products or product candidates. Debt financings would likely involve covenants and/or repayment provisions that would restrict Mast's operations. These restrictive covenants may include limitations on additional borrowing and specific restrictions on the use of Mast's assets, including requirements to maintain specified amounts of cash or restrictions on Mast's ability to license or sell Mast's intellectual property assets, as well as prohibitions on Mast's ability to create liens or make investments and may, among other things, preclude Mast from making distributions to its stockholders (either by paying dividends or redeeming stock) and taking other actions beneficial to its stockholders. In addition, investors could impose more one-sided investment terms and conditions on companies that have or are perceived to have limited remaining funds or limited ability to raise additional funds. The lower Mast's cash balance, the more difficult it is likely to be for it to raise additional capital on commercially reasonable terms, or at all.

Notwithstanding efforts on Mast's part to raise additional capital, adequate additional funding may not be available on acceptable terms, or on a timely basis, or at all. Mast may incur significant costs in pursuing, evaluating and negotiating particular capital-raising and/or strategic or partnering transactions, even if Mast's efforts prove unsuccessful.

Mast believes global economic conditions, such as volatility in the U.S. and international equity markets, may adversely impact its ability to raise additional capital. Mast's failure to raise capital as needed would have a material adverse effect on its financial condition and ability to pursue its business strategy and Mast potentially may be unable to continue as a going concern and required to liquidate its assets and dissolve the company.

If Mast is unable to raise sufficient additional capital as needed, Mast may be forced to delay, reduce or discontinue development of its product candidates, partner them or dispose of its assets at inopportune times or pursue less expensive but higher-risk and/or lower-return development paths.

If Mast is not able to raise sufficient additional capital as needed, Mast may be required to delay, reduce or discontinue one or more of its development programs, to seek collaborators or buyers at an earlier stage than otherwise would be desirable or on terms less favorable than might otherwise be available, or to liquidate its assets and dissolve the company. For example, if Mast does not have sufficient capital, it may determine to delay or suspend planned or ongoing clinical or nonclinical studies or other development activities and/or not to conduct other studies or activities intended to enhance its intellectual property position, improve the probability of regulatory approval, or expand the scope of a product candidate's clinical benefit and market potential. Delays in and/or reduction of development activities could impair Mast's ability to realize the full clinical and market potential of a product candidate and have a material adverse effect on Mast's business and financial condition. In addition, suspension or discontinuation of a development program may be viewed negatively, which could adversely affect the price per share of Mast's common stock.

To the extent it discontinues independent development of a product candidate, Mast may not realize any value from its investment in the discontinued program. Even if Mast pursues a strategic option, such as partnering, selling or exclusively licensing the program to a third party, such an option may not be available on acceptable terms or at all, and Mast may not realize any return on its investment in the program.

In addition, if Mast determines its financial resources are insufficient to fund its operations even after implementing additional cost saving measures and reducing the scope of its operations, Mast may be required to dispose of or liquidate its assets at values significantly less than what Mast believes their values to be and at which they are carried on Mast's financial statements.

The process of developing and seeking regulatory approval of, and ultimately commercializing, investigational new drug products requires expenditure of substantial resources, and Mast cannot estimate with reasonable certainty the duration of or costs to complete its development programs.

Mast's capital requirements for the foreseeable future will depend in large part on, and could increase significantly as a result of, Mast's expenditures on its development programs. Future expenditures on Mast's 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 Mast's drug development programs;
- the timing and terms of any collaborative or other strategic arrangement that Mast may establish;
- the number of clinical and nonclinical studies necessary to demonstrate acceptable evidence of the safety and efficacy of a product candidate in a particular indication;
- the number of patients who participate, the rate of enrollment, and the ratio of randomized to evaluable patients in each clinical study;
- 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 Mast increases its 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 Mast obtains regulatory approval for a product candidate and commercialize it without a partner;
- competing technologies and market developments; and
- the costs involved in establishing, enforcing or defending patent claims and other proprietary rights.

Mast may not be able to raise capital when needed or reduce other expenditures to offset expenditures on Mast's development programs, which could have a material adverse effect on its financial condition and ability to pursue its business strategy.

Mast's ability to raise capital may be limited by applicable laws and regulations.

Historically, Mast has raised capital primarily through the sale of its equity securities. In recent years, Mast has raised substantial funding through equity offerings conducted under "shelf" registration statements on Form S-3. Using a shelf registration statement on Form S-3 to raise additional capital generally takes less time and is less expensive than other means, such as conducting an offering under a Form S-1 registration statement. However, Mast's ability to raise capital using a shelf registration statement may be limited by, among other things, current SEC rules and regulations. Under current SEC rules and regulations, Mast must meet certain requirements to use a Form S-3 registration statement to raise capital without restriction as to the amount of the market value of securities sold thereunder. One such requirement is that the market value of Mast's outstanding common stock held by non-affiliates, or public float, be at least $75.0 million as of a date within 60 days prior to the date of filing the Form S-3. If Mast does not meet that requirement, then the aggregate market value of securities sold by Mast or on Mast's behalf under the Form S-3 in any 12-month period is limited to an aggregate of one-third of Mast's public float. Moreover, even if Mast meets the public float requirement at the time it files a Form S-3, SEC rules and regulations require that Mast periodically re-evaluate the value of its public float, and if, at a re-evaluation date, Mast's public float is less than $75.0 million, Mast would become subject to the one-third of public float limitation described above. If Mast's ability to utilize a Form S-3 registration statement for a primary offering of its securities is limited to one-third of Mast's public float, Mast may conduct such an offering pursuant to an exemption from registration under the Securities Act or under a Form S-1 registration statement, which Mast has done in the past, including in June 2013, and Mast would expect either of those alternatives to increase the cost of raising additional capital relative to utilizing a Form S-3 registration statement.

In addition, under current SEC rules and regulations, Mast's common stock must be listed and registered on a national securities exchange in order to utilize a Form S-3 registration statement (i) for a primary offering, if Mast's public float is not at least $75.0 million as of a date within 60 days prior to the date of filing the Form S-3, or a re-evaluation date, whichever is later, and (ii) to register the resale of Mast's securities by persons other than Mast (i.e., a resale offering). While currently Mast's common stock is listed on the NYSE MKT equities market, there can be no assurance that Mast will be able to maintain such listing. The NYSE MKT reviews the appropriateness of continued listing of any issuer that falls below the exchange's continued listing standards. For additional information regarding this risk, see the risk factor below titled "If Mast is unable to maintain compliance with NYSE MKT continued listing standards and policies, the NYSE MKT may commence proceedings to delist Mast's common stock, and in some cases, determine to suspend trading in Mast's common stock immediately without an opportunity to propose a plan that could enable Mast to regain compliance, which would likely cause the liquidity and market price of Mast's common stock to decline and you could lose your investment."

Mast's ability to timely raise sufficient additional capital also may be limited by the NYSE MKT's stockholder approval requirements for transactions involving the issuance of Mast's common stock or securities

convertible into its common stock. For instance, the NYSE MKT requires that Mast obtain stockholder approval of any transaction involving the sale, issuance or potential issuance by Mast of its common stock (or securities convertible into its common stock) at a price less than the greater of book or market value, which (together with sales by Mast's officers, directors and principal stockholders) equals 20% or more of Mast's then outstanding common stock, unless the transaction is considered a "public offering" by the NYSE MKT staff. Based on 254,746,933 shares of Mast's common stock outstanding as of February 2, 2017 and the closing price per share of its common stock on such date, which was $0.13, Mast could not raise more than approximately $6.6 million without obtaining stockholder approval, unless the transaction is deemed a public offering or does not involve the sale, issuance or potential issuance by Mast of its common stock (or securities convertible into its common stock) at a price less than the greater of book or market value. In addition, certain prior sales by Mast may be aggregated with any offering it may propose in the future, further limiting the amount Mast could raise in any future offering that is not considered a public offering by the NYSE MKT staff and involves the sale, issuance or potential issuance by Mast of its common stock (or securities convertible into its common stock) at a price less than the greater of book or market value. The NYSE MKT also requires that Mast obtain stockholder approval if the issuance or potential issuance of additional shares will be considered by the NYSE MKT staff to result in a change of control of Mast.

Obtaining stockholder approval is a costly and time-consuming process. If Mast is required to obtain stockholder approval for a potential transaction, Mast would expect to spend substantial additional money and resources. In addition, seeking stockholder approval would delay Mast's receipt of otherwise available capital, which may materially and adversely affect Mast's ability to execute its current business strategy, and there is no guarantee Mast's stockholders ultimately would approve a proposed transaction. A public offering under the NYSE MKT rules typically involves broadly announcing the proposed transaction, which often times has the effect of depressing the issuer's stock price, as occurred following Mast's issuance of a press release on February 9, 2016 announcing a proposed underwritten public offering. Accordingly, the price at which Mast could sell its securities in a public offering may be less, and the dilution existing stockholders experience may in turn be greater, than if Mast were able to raise capital through other means.

Mast has significant goodwill and IPR&D and impairment of goodwill and IPR&D may have a significant adverse impact on Mast's future financial condition and results of operations.

Mast's goodwill and IPR&D assets, which resulted from its acquisitions of SynthRx and Aires Pharmaceuticals in 2011 and 2014, respectively, represent a significant portion of Mast's total assets. As of September 30, 2016, Mast had goodwill and IPR&D of approximately $11.6 million, representing approximately 29% of Mast's total assets. 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. Mast tests its 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 exists, Mast 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 Mast's 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 Mast's 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 Mast's use or development of vepoloxamer or AIR001, 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 Mast's IPR&D in an arm's-length transaction being less than the carrying value of Mast's IPR&D, and other market and economic environment changes or trends. Approximately $6.5 million of Mast's IPR&D, or approximately 77% of Mast's total acquired IPR&D, relates to the fair value of Mast's vepoloxamer program as of the date Mast acquired SynthRx. Mast evaluated goodwill and its acquired IPR&D related to vepoloxamer for potential impairment as of September 30, 2016 in light of the

negative efficacy results in the Phase 3 study of vepoloxamer in sickle cell disease. As discussed in Note 4 “Goodwill and IPR&D” to Mast’s condensed consolidated financial statements included in this proxy statement/prospectus/information statement, Mast tested for vepoloxamer-related IPR&D impairment based on a fair value assessment of vepoloxamer in ischemic stroke and determined that no impairment charge was required. Although Mast determined there was no impairment of its goodwill and IPR&D as of September 30, 2016, Mast’s fair value assessments are based on significant assumptions that may prove to be wrong. In addition, events or changes in circumstances may lead to significant impairment charges on Mast’s goodwill and/or IPR&D in the future, which could materially adversely affect Mast’s financial condition and results of operations.

Loss of personnel, through reductions in force or otherwise, could adversely impact Mast’s ability to successfully manage its business.

Mast began restructuring its organization during the fourth quarter of 2016 and has reduced its workforce by more than 70% since such time, and as of February 2, 2017, Mast had only seven full-time and three part-time employees. As a result, remaining employees may have to take on substantially more responsibility, resulting in greater workload demands and potential diversion of attention away from key areas of Mast’s business. Discontinuation of the vepoloxamer clinical development programs and implementation of other cost-saving measures, including reductions in force, create uncertainty and can negatively affect staff morale, which may lead remaining employees to seek different employment. All of Mast’s employment relationships are at-will and Mast may lose employees not affected by reductions in force at any time if they choose to terminate their employment with Mast. Loss of a significant proportion of Mast’s employees and/or loss of key employees could not only serve as a distraction to remaining employees but could also cause some loss of institutional knowledge and divert significant management time and attention, which could negatively affect business strategy and execution, and Mast’s results of operations and financial condition could suffer as a result.

Replacing key employees may be a difficult, costly and protracted process, and Mast may not have other personnel with the capacity to assume all of the responsibilities of a key employee upon his/her departure. Transition periods can be difficult to manage and may cause disruption to Mast’s business. In addition, there may be intense competition from other companies and organizations for qualified personnel. Other companies and organizations with which Mast competes for personnel may have greater financial and other resources and different risk profiles than Mast does, and a history of successful development and commercialization of their product candidates, which may make them more attractive employers. Mast’s ability to compete for qualified personnel also may be adversely affected by Mast’s highly volatile stock price. The value of equity awards Mast may offer to candidates to induce their employment and to Mast’s employees to retain and incentivize them is significantly affected by movements in Mast’s stock price that Mast cannot control and may at any time be insufficient to counteract more lucrative offers from other companies. If Mast cannot attract and retain skilled personnel, as needed, Mast may not achieve its development and other goals.

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

Mast expends substantial resources to comply with laws and regulations relating to public companies, and any failure to maintain compliance could subject Mast to regulatory scrutiny and cause investors to lose confidence in Mast, which could harm Mast’s business and have a material adverse effect on its stock price.

Laws and regulations affecting public companies, including provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the Sarbanes-Oxley Act of 2002, or SOX, and the related rules

and regulations adopted by the SEC and by the NYSE MKT have resulted in, and will continue to result in, significant costs to Mast as it evaluates the implications of these rules and respond to their requirements. For example, compliance with Section 404 of SOX, including performing the system and process documentation and evaluation necessary to issue Mast's annual report on the effectiveness of Mast's internal control over financial reporting and, if applicable, obtain the required attestation report from Mast's independent registered public accounting firm, requires Mast to incur substantial expense and expend significant management time. Further, Mast has in the past discovered, and may in the future discover, areas of internal controls that need improvement. If Mast identifies deficiencies in its internal controls that are deemed to be material weaknesses, Mast could become subject to scrutiny by regulatory authorities and lose investor confidence in the accuracy and completeness of its financial reports, which could have a material adverse effect on Mast's stock price. Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations, including the possibility of human error and circumvention by collusion or overriding of controls. Accordingly, even an effective internal control system may not prevent or detect material misstatements on a timely basis, or at all. Also, previously effective controls may become inadequate over time as a result of changes in Mast's business or operating structure, and Mast may fail to take measures to evaluate the adequacy of and update these controls, as necessary, which could lead to a material misstatement. For example, loss of staff and other resources in Mast's accounting department as a result of cost-saving measures or otherwise, could negatively impact its ability to maintain adequate internal control over financial reporting and/or disclosure controls and procedures and the accuracy and timeliness of Mast's financial reporting. Consequently, investor confidence in Mast's financial reports may be adversely affected, which could negatively impact its stock price.

In addition, new laws and regulations could make it more difficult or more expensive for Mast to obtain certain types of insurance, including director and officer liability insurance, and Mast may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the coverage that is the same or similar to its current coverage. The impact of these events could also make it more difficult for Mast to attract and retain qualified persons to serve on the board of directors or board committees, and as executive officers. Mast cannot predict or estimate with any reasonable accuracy the total amount or timing of the costs Mast may incur to comply with these laws and regulations.

Mast's business and operations would suffer in the event of computer system failures, cyber-attacks on its systems or deficiency in its cyber security.

Despite the implementation of security measures, Mast's internal computer systems, and those of third parties on which it relies, are vulnerable to damage from computer viruses, unauthorized access, malware, natural disasters, fire, terrorism, war and telecommunication, electrical failures, cyber-attacks or cyber-intrusions over the Internet, attachments to emails, persons inside Mast's organization, or persons with access to systems inside its organization. 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, Mast's systems or those of third parties on which Mast relies safeguard important confidential personal data regarding Mast's employees and patients enrolled in its clinical trials. If a disruption event were to occur and cause interruptions in Mast's operations, it could result in a disruption of its drug development programs. For example, the loss of clinical trial data from completed, ongoing or planned clinical trials could result in delays in Mast's regulatory approval efforts and significantly increase Mast's costs to recover or reproduce the data. To the extent that any disruption or security breach results in a loss of or damage to Mast's data or applications, or inappropriate disclosure of confidential or proprietary information, Mast could incur liability and development of its product candidates could be delayed.

Mast's 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 Mast and harm Mast's reputation.

Mast is exposed to the risk that its 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 that Mast establish, 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 Mast. The misconduct of Mast's employees and others Mast engages to provide services to it could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to Mast's reputation. Mast maintains a code of business conduct and ethics for its directors, officers and employees, but it is not always possible to identify and deter such misconduct, and the precautions Mast takes to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting Mast 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 Mast, and Mast is not successful in defending ourselves or asserting Mast's rights, those actions could have a significant impact on Mast's business and results of operations, including the imposition of significant fines or other sanctions.

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

Mast's corporate headquarters are located in a single commercial facility in San Diego, California. Important documents and records, including copies of Mast's regulatory documents and other records for Mast's product candidates, are located at Mast's facilities and Mast depends on its facilities for the continued operation of its business. Natural disasters and other catastrophic events, such as wildfires and other fires, earthquakes and extended power interruptions, which have impacted San Diego businesses in the past, and terrorist attacks or severe weather conditions, could significantly disrupt Mast's operations and result in additional, unplanned expense. As a small company with limited resources, Mast has not prepared or implemented a formal business continuity or disaster recovery plan and any natural disaster or catastrophic event could disrupt Mast's business operations and result in setbacks to Mast's development programs. Even though Mast believes it carries commercially reasonable insurance, Mast might suffer losses that are not covered by or exceed the coverage available under these insurance policies.

Risks Related to Mast's Drug Development and Commercialization

Mast depends on the successful completion of clinical studies of its product candidates and positive results in prior clinical studies do not ensure that ongoing or future clinical studies will be successful.

Human pharmaceutical products generally are subject to rigorous nonclinical testing and clinical studies and other approval procedures mandated by the FDA and foreign regulatory authorities. Before obtaining regulatory approval for the commercial sale of a product candidate, Mast must demonstrate through additional clinical studies that the drug product is safe and effective for use in the target indication.

Clinical studies are expensive, difficult to design and implement, 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. 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 Mast does, resulting in delay or failure to obtain marketing approval for a product candidate.

If Mast licenses rights to develop its product candidates to independent third parties or otherwise permits such third parties to evaluate its product candidates in clinical studies, Mast may have limited control over those clinical studies. For example, AIR001 is being evaluated in investigator-sponsored clinical studies over which Mast has limited or no control over the study design or implementation and Mast cannot provide assurance that any of those studies will be completed on anticipated timelines or at all. Any safety or efficacy concern identified in a third-party sponsored study could adversely affect Mast's or another licensee's development of Mast's product candidate and prospects for its regulatory approval, even if the data from that study are susceptible to varying interpretations and analyses.

There is significant risk that ongoing and future clinical studies of Mast's product candidates are unsuccessful. Negative or inconclusive results could cause the FDA and other regulatory authorities to require that Mast repeat or conduct additional clinical studies, which could significantly increase the time and expense associated with development of that product candidate or cause Mast to elect to discontinue one or more clinical programs. For example, in September 2016, Mast announced that its Phase 3 clinical study of vepoloxamer in sickle cell disease did not achieve its primary or secondary efficacy endpoints. Shortly thereafter and as a result, Mast decided to discontinue its clinical development programs for vepoloxamer in sickle cell disease and heart failure. Failure to complete a clinical study of a product candidate or an unsuccessful completion of a clinical study of a product candidate could have a material adverse effect on Mast's business and/or stock price.

All ongoing and currently planned clinical studies of Mast's lead product candidate, AIR001, are investigator-sponsored studies over which Mast have limited or no control.

AIR001 is Mast's lead product candidate and is being evaluated in multiple, investigator-sponsored Phase 2 clinical studies for the treatment of patients with HFpEF. As a result, Mast believes its capital requirements for advancing development of AIR001 in HFpEF are significantly less than if Mast were to conduct this Phase 2 clinical testing itself. However, because Mast is not the sponsor of these studies, Mast has limited or no control over the study design or execution, including whether the study will enroll a sufficient number of subjects or be completed on schedule, if at all. As a result, successful completion of these studies is largely outside of Mast's control.

Delays in commencement and completion of clinical studies are common and have many causes. Delays in clinical studies of Mast's product candidates could increase overall development costs and jeopardize Mast's 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, if necessary, 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 institutional review board, or IRB, 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 and/or delivery of sufficient quantities of clinical trial material or drug administration devices from Mast's CMOs and other vendors to initiate or continue a clinical study;

- delays on the part of Mast's 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;
- delays caused by subjects dropping out of a clinical study due to side effects, difficulties in adhering to the study protocol, or otherwise;
- delays in having subjects complete participation in a clinical study, including returning for post-treatment follow-up;
- delays resulting from study sites dropping out of a trial or providing inadequate staff support for the study;
- Mast's 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 subject population, the proximity of patients to clinical sites, the eligibility criteria for the study, the design of the clinical study, competing clinical studies and clinicians' and patients' perceptions as to the potential advantages of the drug being studied in relation to available alternatives, including therapies being investigated by other companies. Further, completion of a clinical study and/or its results may be adversely affected by failure to retain subjects who enroll in a study but withdraw due to adverse side effects, perceived lack of efficacy, improvement in condition before treatment has been completed, or for personal issues or by subjects 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 Mast anticipates and may be more costly than Mast anticipates for a variety of reasons, including one or more of those described above. The length of time necessary to complete clinical studies varies significantly and is difficult to predict accurately. Mast may make statements regarding anticipated timing for completion of enrollment in and/or availability of results from its 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. In addition, in the case of AIR001, Mast is supporting but is not sponsoring the ongoing Phase 2 clinical studies and, as a result, the continuation and completion of and receipt of data from those studies may be largely outside of Mast's control. If Mast experiences 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 Mast's product candidate may be harmed and Mast's ability to generate product revenue will be delayed. In addition, any delays in completing Mast's clinical studies likely will increase its 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 Mast is able to ultimately commercialize Mast's product candidates, other therapies for the same indications may be introduced to the market in the interim and establish a competitive advantage or diminish the need for Mast's 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 generally is very expensive, takes many years to complete and failure can occur at any stage of clinical testing. Mast estimates that clinical development of its 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, Mast is unable to estimate the actual funds required to complete research and development and commercialize Mast's product candidates. Mast will need significant additional capital to continue to advance AIR001 for the treatment of HFpEF.

Failure at every stage of clinical testing is not uncommon and Mast may encounter problems that would require additional, unplanned studies or cause Mast to abandon a clinical development program. For example, Mast determined to discontinue clinical development of vepoloxamer in sickle cell disease based upon the top-line results of the Phase 3 study of vepoloxamer in sickle cell disease. If results of ongoing investigator-sponsored clinical studies of AIR001 in HFpEF are negative or inconclusive, Mast may determine not to pursue additional clinical studies in HFpEF or any other indication.

In addition, a clinical study may be suspended or terminated by Mast, 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 Mast may need to amend study protocols to reflect these changes, or Mast may amend study protocols for other reasons. Amendments may require Mast to resubmit protocols to IRBs for reexamination or renegotiate terms with CROs, study sites and investigators, all of which may adversely impact the costs or timing of or Mast's 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 Mast's product candidates and related manufacturing processes are required, and regulatory approval may be conditioned, delayed or denied, which could delay or prevent Mast from successfully marketing Mast's product candidates and substantially harm its business.

Human 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 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.

Mast expects its MAST platform to accelerate development of vepoloxamer as compared to other new molecular entities for therapeutic use in humans. For example, Mast considers vepoloxamer "Phase 2 ready" for clinical development in ischemic stroke. However, this expectation is predicated on the belief that regulatory authorities, such as the FDA, will consider clinical and nonclinical studies of vepoloxamer and poloxamer 188 conducted by prior sponsors and/or conducted in other diseases or conditions supportive of clinical development of vepoloxamer in stroke, which may not be the case for a variety of reasons. If regulatory agencies take the

position that prior-sponsor studies of vepoloxamer and poloxamer 188 do not support the safety and efficacy of Mast's vepoloxamer-based product candidates, they may require additional testing of Mast's product candidates prior to allowing Mast to proceed with proposed clinical studies or ultimately prior to granting marketing approval, which could require Mast to expend substantial additional resources and significantly extend the timeline for clinical development of vepoloxamer in stroke.

Significant uncertainty exists with respect to the regulatory approval process for any investigational new drug, including Mast's lead product candidate, AIR001. Regardless of guidance the FDA may give a drug's sponsor during its development, the FDA retains complete discretion in deciding whether to accept a NDA for filing or, if accepted, approve an NDA. There are many components to an NDA submission in addition to clinical study data. For example, the FDA will review Mast's internal systems and processes, as well as those of Mast's CROs, CMOs and other vendors, related to development of its product candidate, including those pertaining to Mast's clinical studies and manufacturing processes. Before accepting an NDA for review or before approving the NDA, the FDA may request that Mast provide additional information that may require significant resources and time to generate and there is no guarantee that Mast's product candidate will be approved for any indication for which Mast may apply. The FDA 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 Mast's product candidate. 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 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 an 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 its competitors may bring products to market before Mast, which could impair its ability to generate revenues from the product and have a material adverse effect Mast's business, financial condition and results of operations.

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

Even if the FDA grants approval, the conditions or scope of the approval may limit successful commercialization of the product and impair Mast's ability to generate substantial sales revenue. For example, the FDA may not approve the labeling claims for Mast's products that Mast requests and believes are necessary or desirable for successful commercialization, or may grant marketing approval contingent on the performance of costly post-approval clinical trials or subject to warnings or contraindications. Additionally, even after granting approval, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and recordkeeping for its 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 for all of its clinical development and for any clinical studies that Mast conducts post-approval. The FDA 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 Mast's 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, Mast may have to discontinue commercialization of the product, limit its sales and marketing efforts, and/or conduct post-approval studies, which in turn could result in significant expense and delay or limit Mast's ability to generate sales revenues.

Mast does not have, and does not have plans to establish, any manufacturing facilities and are dependent on third parties for the manufacture and supply of its clinical trial materials, and the loss of any of these vendors or their failure to provide Mast with an adequate supply of clinical trial material in a timely manner and on commercially acceptable terms, or at all, could harm Mast's business.

Mast does not have, and does not have plans to establish, its own manufacturing facilities. For clinical trial material, Mast entered into supply agreements with third parties for both API and finished drug product, but Mast's agreements may not cover all of its clinical trial material needs and Mast may need to negotiate new or amended agreements with these CMOs and other vendors or rely on individual proposals or statements of work, which inherently involves uncertainty as to ongoing supply and may result in delays in the completion of ongoing clinical studies or initiation of new studies. In addition, as development of Mast's product candidates progress, Mast will need to negotiate agreements for commercial supply; however, Mast may not be able to reach agreement on acceptable terms. If Mast fails to maintain relationships with its current CMOs and other vendors, Mast may not be able to complete development of its product candidates, or market them, if approved, on a timely basis, or at all, which would have a material and adverse effect on its business.

In addition, in connection with terminating its clinical development of vepoloxamer, Mast also terminated its agreements with its vepoloxamer-related CMOs and other vendors. Consequently, if Mast were to determine to restart clinical development of vepoloxamer it would have to establish new CMO relationships.

Third-party manufacturers and suppliers may not perform as agreed or may terminate their agreements with Mast. For example, because these third parties provide manufacturing services to a number of other pharmaceutical companies, they may experience capacity constraints or choose to prioritize one or more of their other customers over Mast. Any significant problem that Mast's manufacturers or suppliers experience could delay or interrupt its supply of clinical trial material or commercial product until the manufacturer or supplier cures the problem or until Mast locate, negotiate for and validate an alternative source of supply, if one is available.

In addition to Mast's reliance on third parties to manufacture clinical trial material, Mast relies on them to conduct or assist in conducting 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 successfully in a timely manner, whether for technical, financial or other reasons, Mast may be unable to secure clinical trial material, which likely would delay the initiation, conduct or completion of its clinical studies, which, in turn, likely would have a material and adverse effect on Mast's business.

All manufacturers of Mast's clinical trial material and, as applicable, commercial product, including API 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 Mast's clinical trial material may be unable to comply with these cGMP requirements and with other FDA, state and foreign regulatory requirements. While Mast or its representatives generally monitor and audit Mast's manufacturers' systems, Mast has little control over their ongoing compliance with these regulations. Failure to comply with these requirements may result in fines and civil penalties, suspension of production, suspension or delay in product approval, product seizure or recall, or withdrawal of product approval.

Currently, Mast does not have alternative sources to backup Mast's primary sources of clinical trial material. Identification of and discussions with other vendors may be protracted and/or unsuccessful. Therefore, if Mast's primary sources become unable or unwilling to perform, Mast could experience protracted delays or interruptions in the supply of clinical trial material and, ultimately, product for commercial sale, which could materially and adversely affect Mast's development programs, commercial activities, operating results and financial condition. In addition, the FDA may require that Mast has an alternate manufacturer of a drug product

before approving it for marketing and sale in the U.S. 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 API, 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 such product or ingredients. The FDA may require Mast 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 Mast could distribute products from that manufacturer or supplier or revised process. For example, if Mast were to engage a third party other than Mast's current CMOs to supply drug product for future clinical trial material or commercial product, the FDA may require Mast to conduct additional clinical and nonclinical studies to ensure comparability of the drug substance manufactured by Mast's current CMOs to drug substance manufactured by the new supplier. In addition to the potential for such requirements to result in significant interruption to development and commercialization of its product candidates, Mast likely would incur substantial additional costs to comply with the additional requirements.

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. None of Mast's product candidates has been manufactured at the scale Mast believe will be necessary to maximize its commercial value and, accordingly, Mast may encounter difficulties in attempting to scale-up production and may not succeed in that effort on a timely basis or at all, including as a result of delaying activities necessary to establish commercial-scale production due to capital constraints. In addition, the FDA or other regulatory authorities may impose additional requirements as Mast scale-up initial production capabilities, which may delay Mast's scale-up activities or add expense.

If Mast's manufacturers encounter any of these difficulties or otherwise fail to comply with their contractual obligations or Mast delays in entering into commercial supply agreements due to capital constraints, Mast 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 Mast's product candidates could delay the completion of its clinical studies, increase the costs associated with Mast's development programs and, depending upon the period of delay, require Mast 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. Mast cannot provide assurance that manufacturing or quality control problems will not arise in connection with the manufacture of Mast's 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, vepoloxamer currently is manufactured outside the U.S. and, as a result, Mast may experience interruptions in supply due to shipping or customs difficulties or regional instability. Any of the above factors could cause Mast to delay or suspend anticipated or ongoing trials, regulatory submissions or commercialization of Mast's product candidates, entail higher costs or result in its being unable to effectively commercialize its products. Mast's dependence upon third parties for the manufacture of its clinical trial material may adversely affect its future costs and its ability to develop and commercialize product candidates on a timely and competitive basis.

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

Mast does not employ personnel or possess the facilities necessary to conduct many of the activities associated with its programs. Mast engages consultants, advisors, CROs, CMOs and others to assist in the design and conduct of nonclinical and clinical studies of Mast's product candidates, with interpretation of the results of those studies and with regulatory activities, and Mast expects to continue to outsource a significant amount of such activities. As a result, many important aspects of Mast's development programs are and will continue to be outside its direct control, and Mast's third-party service providers may not perform as required or expected. Further, such third parties may not be as committed to the success of Mast's programs as employees and, therefore, may not devote the same time, thoughtfulness or creativity to completing projects or problem-solving as would an employee. To the extent Mast is unable to successfully manage the performance of third-party service providers, its business may be adversely affected.

The CROs that Mast engages to execute its clinical studies play a significant role in the conduct of the studies, including the collection and analysis of study data, and Mast 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 its product candidates. Individuals working at the CROs with which Mast contract, as well as investigators at the sites at which its studies are conducted, are not Mast's employees, and Mast has limited control over the amount or timing of resources that they devote to its programs. As discussed above, with respect to Mast's AIR001 program, because it is not the sponsor of the ongoing clinical studies of AIR001, Mast's control over these studies is further limited. If Mast's CROs, study investigators, and/or third-party sponsors fail to devote sufficient time and resources to studies of its product candidates, if they do not comply with all regulatory and contractual requirements, or if their performance is substandard, it may delay commencement and/or completion of these studies, submission of applications for regulatory approval, regulatory approval, and commercialization of Mast's product candidates. Failure of CROs to meet their obligations to Mast could adversely affect development of its product candidates. For example, in 2006, Mast engaged a CRO to assist with the primary conduct of Mast's bioequivalence study of Exelbine, including monitoring participating clinical sites to ensure compliance with regulatory requirements. FDA guidance recommends that clinical sites randomly select and retain reserve samples of study drugs used in bioequivalence studies. However, the clinical sites that participated in Mast's bioequivalence study of Exelbine failed to do so. In August 2011, Mast received a complete response letter from the FDA stating that the authenticity of the study drugs used in that bioequivalence study could not be verified and, consequently, the study would need to be repeated to address that deficiency.

In addition, CROs Mast engages may have relationships with other commercial entities, some of which may compete with Mast. If they assist Mast's competitors at Mast's expense, it could harm Mast's competitive position. Moreover, if a CRO fails to perform during a clinical study, Mast 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 when a new CRO commences work. These challenges could result in delays in the commencement or completion of its clinical studies, which could materially impact Mast's ability to meet its desired development timelines and have a material adverse impact on Mast's business and financial condition.

Mast's product candidates may cause undesirable side effects or have other properties that could delay or prevent their clinical development, regulatory approval or commercialization.

Undesirable side effects caused by Mast's 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 Mast from commercializing its product candidates.

If any of Mast's product candidates receive marketing approval and Mast or others later identify undesirable side effects caused by the product or, if applicable, the reference product:

- regulatory authorities may require the addition of labeling statements, such as a "black box" warning or a contraindication;
- regulatory authorities may withdraw their approval of the product;
- Mast may be required to change the way the product is administered, conduct additional clinical studies or change the labeling of the product; and
- Mast's reputation may suffer.

Any of these events could prevent Mast 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 Mast from generating significant revenue from its sale.

Mast may not achieve its projected development goals in the time frames Mast announces.

Mast set goals for and make public statements regarding its estimates of the timing for accomplishing certain objectives material to successful development of its product candidates. The actual timing of these events can vary, sometimes dramatically, due to many factors, including delays or failures in Mast's nonclinical testing, clinical studies and manufacturing and regulatory activities and the uncertainties inherent in the regulatory approval process. From time to time Mast provides estimates for the completion of enrollment of or announcement of data from clinical studies of its product candidates. However, predicting the rate of enrollment or the time from completion of enrollment to announcement of data for any clinical study requires Mast to make a number of significant assumptions that may prove to be incorrect. In addition, for studies sponsored by independent third parties, Mast has even less control over whether the study meets anticipated timelines. If, as a clinical study progresses, Mast gains reliable information that materially impacts its assumptions, Mast will adjust its estimates. Even so, as discussed in other risk factors above, Mast's 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 Mast estimates. In addition, even if Mast completes enrollment as expected, it may take longer than anticipated to prepare the data for review and then to review, analyze and announce the data, as was the case with Mast's Phase 3 study of vepoloxamer in sickle cell disease. Such delays may adversely affect Mast's financial condition and results of operations.

Even if Mast completes a clinical study with successful results, Mast may not achieve its projected development goals in the time frames it initially anticipates or announces. If a development plan for a product candidate becomes more extensive and costly than anticipated, Mast may determine that the associated time and cost are not financially justifiable and, as a result, discontinue development in a particular indication or of the product candidate as a whole. Any such action may be viewed negatively, which could adversely affect Mast's stock price.

In addition, 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. A change in regulatory policy that is not formalized or publicly announced may result in Mast's submission of an NDA that the FDA or a foreign regulatory agency deems insufficient to support product approval, which could substantially increase the time and cost associated with seeking regulatory approval of a product candidate.

Throughout development, Mast must provide adequate assurance to the FDA and other regulatory authorities that Mast can consistently produce Mast's product candidates in conformance with cGMP and other regulatory standards. As discussed above, Mast relies on CMOs for the manufacture of clinical, and future commercial, quantities of Mast's product candidates. If future FDA or other regulatory authority inspections identify cGMP compliance issues at these third-party facilities, production of Mast's clinical trial material or, in the future, commercial product, could be disrupted, causing potentially substantial delay in development or commercialization of Mast's product candidates.

Even if Mast receives regulatory approval for a product candidate, Mast may face development and regulatory difficulties that could materially and adversely affect its business, financial condition and results of operations and cause Mast's stock price to decline.

Even if initial regulatory approval is obtained, or 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. Mast's 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 Mast, including requiring withdrawal of the product from the market. If Mast 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 Mast's product from reimbursement under government healthcare programs, including Medicaid or Medicare;
- impose restrictions or affirmative obligations on Mast's or Mast's 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 product candidates for which Mast receives regulatory approval fails to achieve significant market acceptance among the medical community, patients or third-party payers, the revenue Mast generates from its sales will be limited and Mast's business may not be profitable.

Mast's success will depend in substantial part on the extent to which Mast's 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 its approved products, if any, will depend upon a number of factors, including:

- the safety and efficacy of Mast's product demonstrated in clinical studies;
- acceptance in the medical and patient communities of Mast's product as a safe and effective treatment;
- the perceived advantages of Mast's 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 Mast's product is approved;
- claims or other information (including limitations or warnings) in Mast's product's approved labeling;
- reimbursement and coverage policies of government and other third-party payers;

- pricing and cost-effectiveness of Mast's product relative to alternative treatments;
- availability of alternative treatments;
- the prevalence of off-label substitution of chemically equivalent products or alternative treatments; and
- the resources Mast devotes to marketing its product and restrictions on promotional claims Mast can make with respect to the product.

Mast 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 Mast's products. If Mast's product candidates are approved but do not achieve an adequate level of acceptance by these parties, Mast may not generate sufficient revenue to become or remain profitable. In addition, Mast's efforts to educate the medical community and third-party payers regarding benefits of its products may require significant resources and may never be successful.

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

Even if Mast receives regulatory approval to market one or more of its product candidates in the U.S., Mast may never receive approval or commercialize its products outside of the U.S., which would limit Mast's ability to realize the full commercial potential of its product candidates.

In order to market any products outside of the U.S., Mast must establish and comply with 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 might differ 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 U.S., 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 U.S. As described above, such effects include the risks that Mast's product candidates may not be approved for all indications requested, which could limit the uses of Mast's 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.

Risks Related to Mast's Intellectual Property

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

Mast's success will depend in part on its ability to:

- obtain and maintain patent and other exclusivity with respect to Mast's products and their use;
- prevent third parties from infringing upon Mast's 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 U.S. 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 Mast has 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 Mast develops or has developed or that is used by Mast, Mast's CMOs or its other service providers. In addition, any patents that are issued to Mast may be limited in scope or challenged, invalidated, infringed or circumvented, including by Mast's competitors, and rights Mast have under issued patents may not provide competitive advantages to Mast. If competitors can develop and commercialize technology and products similar to ours, Mast's ability to successfully commercialize Mast's technology and products may be impaired.

Patent applications in the U.S. 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, Mast cannot be certain that the inventors listed in any patent or patent application owned by Mast 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 its patent rights and limit the number of patents Mast can obtain, which could permit others to use its discoveries or to develop and commercialize Mast's technology and products without any compensation to Mast.

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

Mast also intends to rely on regulatory exclusivity for protection of its 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 Mast expects for its product candidates, if approved, could affect Mast's decision on whether to market the products in a particular country or countries or could otherwise have an adverse impact on its revenue or results of operations. For AIR001, which is administered via nebulization, Mast may rely on regulatory exclusivity for the combination of AIR001 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 Mast's AIR001 product and its delivery system, if approved, will benefit from this type of market protection.

Mast may rely on trademarks, trade names and brand names to distinguish its products, if approved for commercial sale, from the products of its competitors. However, Mast's trademark applications may not be approved. Third parties may also oppose Mast's trademark applications or otherwise challenge its use of the trademarks in which case Mast may expend substantial resources to defend its trademarks and may enter into agreements with third parties that may limit Mast's use of its trademarks. In the event that its trademarks are successfully challenged, Mast could be forced to rebrand its product, which could result in loss of brand recognition and could require Mast to devote significant resources to advertising and marketing these new brands. Further, Mast's competitors may infringe its trademarks or Mast may not have adequate resources to enforce its trademarks.

Mast's success depends in large part on its ability to prevent competitors from duplicating or developing and commercializing equivalent versions of Mast's product candidates, but patent protection may be difficult to obtain and any issued claims may be limited.

The potential use and therapeutic benefits of inorganic nitrite, such as sodium nitrite (the API in AIR001) 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, Mast's ability to find novel and non-obvious uses of AIR001 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 AIR001 in a particular indication, the subsequent use of AIR001 in that indication may be unpatentable.

Mast has filed for patent protection in the U.S. and other countries to cover various methods of therapeutic use of its product candidates, including the use of inhaled inorganic nitrite for treating HFpEF. However, Mast's pending patent applications may not issue as patents, and any issued patents may not provide Mast with significant competitive advantages, because the validity or enforceability of any of those patents may be challenged and, if instituted, one or more of the challenges may be successful. Patents may be challenged in the U.S. under post-grant review proceedings, *inter partes* reexamination, *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. 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 Mast's patents, such as by using pre-existing or newly developed technology, in which case competitors may not infringe Mast's issued claims and may be able to market and sell products that compete directly with ours before Mast's patents expire. In addition, Mast's pending patent applications to cover use of AIR001 for treating HFpEF are jointly owned with an independent research and educational institution and until and unless Mast obtains an exclusive license to that co-owner's rights, it may license its rights to another third-party, which could negatively affect the value of its product candidate.

The patent prosecution process is expensive and time-consuming. Mast and any future licensors and licensees may not apply for or prosecute patents on certain aspects of Mast's product candidates at a reasonable cost, in a timely fashion, or at all. Mast may not have the right to control the preparation, filing and prosecution of some patent applications related to its 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 Mast. It is also possible that Mast 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 Mast's 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 its 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 Mast's technologies or methods, or design around the patented aspects of Mast's products, technologies or methods. Any of these circumstances could impair Mast's ability to protect its products, if approved, in ways which may have an adverse impact on its business, financial condition and operating results.

Furthermore, the issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and Mast's 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 its ability to stop others from using or commercializing similar or identical products or technology, or limit the duration of the patent protection of Mast's 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, Mast's owned and licensed patent portfolio may not provide Mast with sufficient rights to exclude others from commercializing drugs similar or identical to ours.

Enforcement of intellectual property rights in countries outside the U.S., 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 Mast's patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and Mast's 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 U.S. Patent and Trademark Office, or USPTO, and various governmental patent agencies outside of the U.S. 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 Mast's products, if approved, infringe on their proprietary rights and may challenge the approved use or uses of a product or Mast's patents rights through litigation or administrative proceedings, and defending such actions may be costly and time consuming, divert management attention away from Mast's business, and result in an unfavorable outcome that could have an adverse effect on its business.

Mast's commercial success depends on its ability and the ability of its CMOs and component suppliers to develop, manufacture, market and sell Mast's 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 Mast is or may be developing products. As the industries in which Mast operates (biopharmaceutical, specialty pharmaceutical, biotechnology and pharmaceutical) expand and more patents are issued, the risk increases that Mast will be subject to claims that its products or product candidates, or their use or manufacture, infringe the rights of others. Because patent applications can take many years to publish and issue, there currently may be pending applications, unknown to Mast, that may later result in issued patents that Mast's products, product candidates or technologies infringe, or that the process of manufacturing its products or any of their respective component materials, or the component materials themselves, infringe, or that the use of Mast's products, product candidates or technologies infringe.

Mast or its CMOs or component material suppliers may be exposed to, or threatened with, litigation by third parties alleging that Mast's products, product candidates and/or technologies infringe their patents and/or other intellectual property rights, or that one or more of the processes for manufacturing its products or any of their respective component materials, or the component materials themselves, or the use of Mast's products, product candidates or technologies, infringe their patents and/or other intellectual property rights. If a third-party patent or other intellectual property right is found to cover Mast's products, product candidates, technologies or their uses, or any of the underlying manufacturing processes or components, Mast could be required to pay damages and could be unable to commercialize its products or use its technologies or methods unless Mast is able to obtain a license to the patent or intellectual property right. A license may not be available to Mast 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 Mast from making, using, selling or importing its products, technologies or methods.

There generally is a substantial amount of litigation involving patent and other intellectual property rights in the industries in which Mast operate and the cost of such litigation may be considerable. Mast can provide no

assurance that its product candidates or technologies will not infringe patents or rights owned by others, licenses to which might not be available to Mast in a timely manner or on acceptable terms, or at all. If a third party claims that Mast or Mast's CMOs or component material suppliers infringe its intellectual property rights, Mast 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 Mast's management's time and attention from its core business;
- substantial damages for infringement, including the potential for treble damages and attorneys' fees, which Mast 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 Mast from selling or licensing the product unless the third-party licenses its intellectual property rights to Mast, which it may not be required to do;
- if a license is available from the third party, Mast may have to pay substantial royalties, fees and/or grant cross-licenses to the third party; and
- redesigning Mast's 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 Mast's products, product candidates or technology or those of Mast's CMOs or component material suppliers or the use of its products, product candidates or technologies. Because of the large number of patents issued and patent applications filed in the industries in which Mast operates, there is a risk that third parties may allege they have patent rights encompassing Mast's products, product candidates or technologies, or those of Mast's CMOs or component material suppliers, or uses of its products, product candidates or technologies. With regard to AIR001, Mast is aware of issued patents and pending patent applications with claims related to compositions of sodium nitrite and therapeutic uses of sodium nitrite and/or inorganic nitrite. Mast does not believe that use of inhaled AIR001 to treat HFpEF, if approved, would infringe on issued patents. However, if AIR001 is approved for commercial sale, the third-party owners of patents issued currently or in the future may allege that Mast's product infringes on their patents, in which case Mast may become involved in costly and time consuming litigation and/or administrative proceedings to defend the manufacture and/or use of its product, or Mast may agree to pay substantial amounts to obtain licenses from such parties, which could negatively affect Mast's business prospects, operating results and financial condition.

In the future, it may be necessary for Mast to enforce its 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 Mast is unsuccessful, adversely affect its rights. In these proceedings, a court or administrative body could determine that Mast's claims, including those related to enforcing patent rights, are not valid or that an alleged infringer has not infringed its 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 Mast's business prospects, operating results and financial condition.

Risks Related to Mast's Industry

Mast expects intense competition in the marketplace for Mast's product candidates, should any of them receive regulatory approval.

The industries in which Mast operates (biopharmaceutical, specialty pharmaceutical, biotechnology and pharmaceutical) are highly competitive and subject to rapid and significant change. Mast is aware of many other organizations developing drug products and other therapies intended to treat or cure the diseases or conditions in which Mast is developing or plan to develop its product candidates. Developments by others may render potential

application of any of Mast's 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, Mast expects its product candidates will face intense competition. Mast may not be able to compete successfully against organizations with competitive products, particularly large pharmaceutical companies. Many of Mast's potential competitors have significantly greater financial, technical and human resources than Mast does, 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. 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 Mast's programs. Competitive products may be more effective, or more effectively marketed and sold, than ours, which would have a material adverse effect on Mast's ability to generate revenue.

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

The unavailability or inadequacy of third-party payer coverage and reimbursement could negatively affect the market acceptance of its product candidates and the future revenues Mast may expect to receive from those products. The commercial success of Mast's 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. These 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. If these third-party payers do not consider Mast's products to be cost-effective compared to other therapies, they may not cover its products after approval as a benefit under their plans or, even if they do, the level of payment may not be sufficient to allow Mast to sell its products on a profitable basis. In the case of products administered in an inpatient hospital setting, a level of payment that is inadequate to cover the cost to hospitals of providing and administering Mast's products to patients, could delay market acceptance of or limit its ability to penetrate the markets for its products.

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 Mast to provide scientific and clinical support for the use of its 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 its products may be adversely affected if the amount of payment for Mast's products proves to be unprofitable for healthcare providers or less profitable than alternative treatments or if administrative burdens make Mast's products less desirable to use. Third-party payer reimbursement to providers of Mast's products, if approved, may be subject to a bundled payment that also includes the procedure of administering Mast's products. To the extent there is no separate payment for Mast's product(s), there may be further uncertainty as to the adequacy of reimbursement amounts.

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

- Mast's ability to set an appropriate price for its products;

- the rate and scope of adoption of Mast's products by healthcare providers;
- Mast's ability to generate revenue or achieve or maintain profitability;
- the future revenue and profitability of Mast's potential customers, suppliers and collaborators; and
- Mast's access to additional capital.

Mast's ability to successfully commercialize its products will depend in part on the extent to which governmental authorities, private health insurers and other organizations establish what Mast believes are appropriate coverage and reimbursement for its products. The containment of healthcare costs has become a priority of federal and state governments 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. Mast expects that federal, state and local governments in the U.S. 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 its 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 its ability to generate revenue, attain profitability or commercialize Mast's product candidates.

Mast faces potential product liability exposure and, if successful claims are brought against it, Mast may incur substantial liability for a product or product candidate and may have to limit its commercialization. In the future, Mast anticipates that it 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.

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

- decreased demand for Mast's products and loss of revenue;
- impairment of Mast's business reputation;
- delays in enrolling patients to participate in Mast's 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 Mast's products and product candidates.

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

Mast expects that it will expand its insurance coverage to include the sale of commercial products if Mast obtains marketing approval of any of its product candidates, but Mast 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 Mast 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 Mast could cause its stock price to fall and, if judgments exceed Mast's insurance coverage, could decrease Mast's cash and adversely affect Mast's business.

Risks Related to Mast's Common Stock

If Mast is unable to maintain compliance with NYSE MKT continued listing standards and policies, the NYSE MKT may commence proceedings to delist Mast's common stock, and in some cases, determine to suspend trading in Mast's common stock immediately without an opportunity to propose a plan that could enable Mast to regain compliance, which would likely cause the liquidity and market price of its common stock to decline and you could lose your investment.

Mast's common stock is listed on the NYSE MKT ("NYSE MKT" or the "Exchange"). The NYSE MKT retains substantial discretion to, at any time and without notice, suspend dealings in or remove from any security from listing. The NYSE MKT has adopted continued listing standards related to an issuer's financial condition, operating results, disposal of assets, reduction in operations, compliance with listing agreements and SEC requirements, and the extent of public distribution and market value of the issuer's listed security, and the Exchange will consider suspending dealings in, or delisting, securities of an issuer that does not meet those standards. For example, the NYSE MKT will consider suspending dealings in, or delisting, securities of an issuer that has stockholders' equity of less than $6 million if that issuer has sustained losses from continuing operations and/or net losses in its five most recent fiscal years. Mast has had a loss from operations and net loss in each of its five most recent fiscal years and Mast expects to incur a loss from operations and net loss for 2016. As of September 30, 2016, Mast's stockholders' equity was $13.2 million. If Mast's stockholders' equity falls below $6 million, the Exchange may determine that Mast is no longer suitable for listing and may commence delisting proceedings pursuant Section 1003(a)(iii) of the NYSE MKT Company Guide.

The NYSE MKT will also normally consider suspending dealings in, or removing from the list, a common stock selling for a substantial period of time at a low price per share if the issuer fails to effect a reverse split of the stock within a reasonable time after being notified that the Exchange deems such action to be appropriate under the circumstances. Mast understands NYSE MKT policy to be that, if the 30-day average closing price of an issuer's common stock is less than $0.20 per share, the Exchange will alert the issuer to the fact that it may have a low selling price deficiency if, in six months, the 30-day average closing price of the issuer's common stock is still, or again, less than $0.20 per share. If, in six months, the 30-day average closing price of the issuer's common stock is in fact less than $0.20 per share, the issuer should expect to receive a deficiency letter from the Exchange notifying the issuer that it is below the continued listing criteria set forth in Section 1003(f)(v) of the NYSE MKT Company Guide and the issuer would have to submit a plan to the Exchange to regain compliance with its listing standards, have that plan accepted by the Exchange, and subsequently perform against that plan, otherwise the Exchange would commence delisting proceedings. The market price for Mast's common stock historically has been highly volatile, and Mast expects it will continue to be highly volatile in the foreseeable future. If the 30-day average closing price of Mast's common stock falls below $0.20 per share, Mast may, in six months from that time, be considered by the Exchange to be out of compliance with Section 1003(f)(v) of the NYSE MKT Company Guide and the Exchange may require Mast to effect a reverse split of its common stock within a reasonable time to regain compliance or otherwise commence delisting proceedings.

In addition, Mast is aware of a NYSE MKT policy that, if an issuer's common stock trades below $0.06 per share, the staff of the Exchange will determine that issuer's stock is no longer suitable for listing on the NYSE MKT and will halt trading in and commence proceedings to delist that stock from the Exchange immediately. The issuer may appeal the delisting, but the issuer's stock will continue to be suspended from trading on the Exchange during the appeal process and the appeal may be unsuccessful.

There is no assurance that Mast will be able to maintain compliance with NYSE MKT continued listing standards and/or policies. The delisting of its common stock from the NYSE MKT likely would reduce the trading volume and liquidity in Mast's common stock, may lead to decreases in the trading price of Mast's common stock, and may also materially impair Mast's stockholders' ability to buy and sell shares. In addition, the delisting of its common stock could significantly impair its ability to raise additional capital, which may be necessary for to execute on Mast's business strategy.

If Mast's common stock were delisted and determined to be a "penny stock," a broker-dealer may find it more difficult to trade Mast's common stock and an investor may find it more difficult to acquire or dispose of Mast's common stock in the secondary market.

If Mast's common stock was removed from listing with the NYSE MKT, it may be subject to the so-called "penny stock" rules. The SEC has adopted regulations that define a "penny stock" to be any equity security that has a market price per share of less than $5.00, subject to certain exceptions, such as any securities listed on a national securities exchange. For any transaction involving a "penny stock," unless exempt, the rules impose additional sales practice requirements on broker-dealers, subject to certain exceptions. If Mast's common stock were delisted and determined to be a "penny stock," a broker-dealer may find it more difficult to trade Mast's common stock and an investor may find it more difficult to acquire or dispose of Mast's common stock on the secondary market.

The market price of Mast's common stock historically has been and likely will continue to be highly volatile.

The market price for Mast's common stock historically has been highly volatile, and the market for its common stock has from time to time experienced significant price and volume fluctuations, based both on Mast's operating performance and for reasons that appear to Mast unrelated to its operating performance. For instance, based on closing prices, the market price for its common stock dropped approximately 45% following Mast's announcement of an underwritten public offering of equity securities on February 9, 2016, and it dropped approximately 80% following Mast's announcement of top-line results of Mast's Phase 3 clinical study of vepoloxamer in sickle cell disease on September 20, 2016. Conversely, the market price for Mast's common stock increased by more than 55% during one trading day in January 2014, in the absence of any news release by Mast or rumors of which Mast was aware. The market price of its common stock may fluctuate significantly in response to a number of factors, including:

- the level of Mast's financial resources;
- announcements of entry into or consummation of a financing or strategic transaction;
- results from a clinical study of a product candidate;
- delays in the completion of Mast's clinical studies or termination of a clinical study, including due to difficulties with patient enrollment or safety issues or inability to produce sufficient quantities of clinical trial material;
- FDA or international regulatory actions and regulatory developments in the U.S. and foreign countries;
- announcements of new products or technologies, commercial relationships or other events (including clinical study results and regulatory events and actions) by Mast or its competitors;
- announcements of difficulties or delays in commercial manufacture or supply of Mast's drug products;
- market conditions in the pharmaceutical, biopharmaceutical, specialty pharmaceutical and biotechnology sectors;
- developments concerning intellectual property rights generally or those of Mast or Mast's competitors;
- changes in securities analysts' estimates of Mast's financial performance or deviations in Mast's business and the trading price of its common stock from the estimates of securities analysts;

- events affecting any future collaborations, commercial agreements and grants;
- fluctuations in stock market prices and trading volumes of similar companies;
- sales of large blocks of its common stock, including sales by significant stockholders, Mast's executive officers or directors or pursuant to shelf or resale registration statements that register shares of Mast's common stock that may be sold by Mast or certain of its current or future stockholders;
- discussion of Mast or its stock price by the financial and scientific press and in online investor communities;
- commencement of delisting proceedings by the NYSE MKT;
- additions or departures of key personnel; and
- changes in third-party payer coverage or reimbursement policies.

As evidenced by the September 2016 decline, the realization of any of the foregoing could have a dramatic and adverse impact on the market price of Mast's common stock. In addition, class action litigation has often been instituted against companies whose securities have experienced a substantial decline in market price. Moreover, regulatory entities often undertake investigations of investor transactions in securities that experience volatility following an announcement of a significant event or condition. Any such litigation brought against Mast or any such investigation involving its investors could result in substantial costs and a diversion of management's attention and resources, which could harm Mast's business, operating results and financial condition.

Mast's stock price could decline significantly based on progress with and results of its clinical studies and regulatory agency decisions affecting development of its product candidates.

Mast expects announcements of progress with and results of clinical studies of its product candidates and regulatory decisions (by Mast, the FDA, or another regulatory agency) to affect Mast's stock price. Stock prices of companies in its industry have declined significantly when such results and decisions were unfavorable or perceived to be negative or discouraging or when a product candidate did not otherwise meet expectations, and, as discussed above, the price of Mast's common stock dropped significantly following its September 20, 2016 announcement that Mast's Phase 3 clinical study of vepoloxamer in sickle cell disease did not meet the primary efficacy endpoint. If progress in clinical studies or study results are not viewed favorably by Mast or third parties, including investors, analysts, potential collaborators, the academic and medical communities and regulators, its stock price could decline significantly and you could lose your investment in Mast's common stock.

Mast may report top-line or interim clinical and nonclinical study data from time to time, which is based on preliminary analysis of then-available data. Such preliminary findings and conclusions are subject to change following a more comprehensive review of the study data and, in the case of interim data, completion of the study. In addition, results of clinical and nonclinical studies often are subject to different interpretations. Mast may interpret or weigh the importance of study data differently than third parties, including those noted above. Others may not accept or agree with its analysis of study data, which could impact the approvability of Mast's product candidates and/or the value of Mast's development programs and company in general.

Sales of substantial amounts of Mast's common stock or the perception that such sales may occur could cause the market price of its common stock to decline significantly, even if Mast's business is performing well.

The market price of Mast's common stock could decline as a result of sales by, or the perceived possibility of sales by, Mast or its existing stockholders of shares of Mast's common stock. Sales by Mast's existing stockholders might also make it more difficult for Mast to sell equity securities at a time and price that Mast deems appropriate. Under Mast's existing ATM program, as of December 31, 2016, Mast may sell up to approximately $18 million of additional shares of Mast's common stock. The shelf registration statement on

Form S-3 under which the ATM program is registered may be used to register the sale and issuance of more than $99 million of additional securities, subject to limitations if Mast's public float is less than $75 million described above. In addition, as of February 2, 2017, Mast has outstanding warrants to purchase approximately 80.7 million additional shares of its common stock. All of those warrants have an exercise price of less than $1.00 per share; however, based on the closing price of Mast's common stock on February 2, 2017, no outstanding warrants are in-the-money. Collectively, the ATM program, the shelf registration statement and any in-the-money warrants, may increase the likelihood of sales of substantial amounts of Mast's shares, or the perception that substantial sales may occur, by Mast or its existing securityholders from time to time, which could cause the market price of Mast's common stock to decline significantly.

Anti-takeover provisions in Mast's charter documents and under Delaware law may make an acquisition of Mast, which may be beneficial to its stockholders, more difficult, which could depress Mast's stock price.

Mast is incorporated in Delaware. Certain anti-takeover provisions of Delaware law and Mast's charter documents as currently in effect may make a change in control of Mast's company more difficult, even if a change in control would be beneficial to Mast's stockholders. Mast's bylaws limit who may call a special meeting of stockholders and establish advance notice requirements for nomination of individuals for election to its board of directors or for proposing matters that can be acted upon at stockholders' meetings. Delaware law also prohibits corporations from engaging in a business combination with any holders of 15% or more of their capital stock until the holder has held the stock for three years unless, among other possibilities, the board of directors approves the transaction. The Mast Board may use these provisions to prevent changes in the management and control of Mast. Also, under applicable Delaware law, Mast's board of directors may adopt additional anti-takeover measures in the future. In addition, provisions of certain compensatory contracts with its management, such as equity award agreements, may have an anti-takeover effect by resulting in accelerated vesting of outstanding equity securities held by Mast's executive officers.

Because Mast does not expect to pay dividends with respect to Mast's common stock in the foreseeable future, you must rely on stock appreciation for any return on your investment.

Mast has paid no cash dividends on any of its common stock to date, and Mast currently intends to retain its future earnings, if any, to fund the development and growth of its business. As a result, with respect to its common stock, Mast does not expect to pay any cash dividends in the foreseeable future, and payment of cash dividends, if any, will also depend on Mast's financial condition, results of operations, capital requirements and other factors and will be at the discretion of Mast's board of directors. Furthermore, Mast is subject to various laws and regulations that may restrict its ability to pay dividends and Mast may in the future become subject to contractual restrictions on, or prohibitions against, the payment of dividends. Currently, Mast's debt facility with Hercules prohibits Mast from declaring and paying any cash dividend on any class of stock or other equity interest. Due to Mast's intent to retain any future earnings rather than pay cash dividends on its common stock and applicable laws, regulations and contractual obligations that may restrict its ability to pay dividends on its common stock, the success of your investment in Mast's common stock will likely depend entirely upon any future appreciation and Mast's common stock may not appreciate.

If Mast were to issue shares of its common stock or preferred stock that are available for issuance, Mast's stock price could decline.

Mast has 500,000,000 shares of authorized common stock and, as of February 2, 2017, approximately 115 million of such authorized shares were not outstanding or reserved for issuance under outstanding warrants, options, equity incentive plans or other rights. Subject to applicable securities laws and stock exchange listing requirements, the Mast Board is authorized under its charter documents to sell and issue Mast's authorized, but unissued, common stock without stockholder approval and may do so to satisfy Mast's capital requirements or finance the expansion of Mast's product pipeline. The Mast Board also is authorized to issue and sell up to 1,000,000 shares of preferred stock without stockholder approval, at a purchase price approved by the board. The

preferred stock may have rights that are superior to the rights of the holders of its common stock. The sale or the proposed sale of substantial amounts of Mast's common stock, preferred stock and/or securities convertible into shares of Mast's common or preferred stock in the public markets may adversely affect the market price of Mast's common stock. Mast's stockholders may also experience substantial dilution.

Risks Related to Savara

Risks Related to Savara's Capital Requirements and Financial Condition

Savara has a limited operating history and has incurred significant losses since inception, and expects that it will continue to incur losses for the foreseeable future, which makes it difficult to assess Savara's future viability.

Savara is a clinical development-stage biopharmaceutical company with a limited operating history upon which to evaluate its business and prospects. Savara has not been profitable since it commenced operations in 2008, and may not achieve profitability. In addition, Savara has limited history as an organization and has 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, Savara has not obtained any regulatory approvals for any of its product candidates, commercialized any of its product candidates or generated any product revenue. Savara has devoted significant resources to research and development and other expenses related to its ongoing clinical trials and operations, in addition to acquiring product candidates.

For the year ended December 31, 2015 and the nine months ended September 30, 2016, Savara incurred losses from operations of $5.9 million and $6.9 million, respectively, and net cash used in operating activities was $4.8 million and $6.2 million, respectively. At September 30, 2016, Savara had an accumulated deficit of $34.4 million, its cash, cash equivalents and investment securities were $15.5 million, and its working capital was $14.6 million. Savara expects to continue to incur substantial operating losses for the next several years as it advances its product candidates through clinical development, global regulatory approvals, and commercialization. No revenue from operations will likely be available until, and unless, one of its product candidates is approved by the FDA or another regulatory agency and successfully marketed, or Savara enters into an arrangement that provides for licensing revenue or other partnering-related funding, outcomes which Savara may not achieve.

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

Since inception, most of Savara's resources have been dedicated to the development and acquisition of its product candidates, AeroVanc and Molgradex. Savara believes that its existing capital resources will be sufficient to fund its operations for up to 12 months. Savara may raise additional capital from its existing investors prior to the closing of the Merger and may raise additional capital from new investors following the closing of the Merger. Savara will require significant additional capital to continue operations and execute on its current business strategy to develop AeroVanc and Molgradex through to regulatory approval. Savara cannot estimate with reasonable certainty the actual amounts necessary to successfully complete the development and commercialization of its product candidates and there is no certainty that Savara will be able to raise the necessary capital on reasonable terms or at all.

Savara's capital requirements for the foreseeable future will depend in large part on, and could increase significantly as a result of, its expenditures on its development programs. Future expenditures on its 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 its drug development programs;

- the timing and terms of any collaborative or other strategic arrangement that Savara may establish;
- the number of clinical and nonclinical studies necessary to demonstrate acceptable evidence of the safety and efficacy of its 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 Savara increases its 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 Savara obtains regulatory approval for a product candidate and commercializes 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 Savara needs it, on terms that are acceptable to it or at all. If adequate funds are not available to Savara on a timely basis, it will be required to delay, limit, reduce or terminate its establishment of sales and marketing, manufacturing or distribution capabilities, development activities or other activities that may be necessary to commercialize its product candidates, conduct preclinical or clinical studies, or other development activities.

If Savara raises additional capital through marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, it may have to relinquish certain valuable rights to its product candidates, technologies, future revenue streams or research programs or grant licenses on terms that may not be favorable. If Savara raises additional capital through public or private equity offerings, the ownership interest of its stockholders will be diluted and the terms of any new equity securities may have preferential rights over its common stock. If Savara raises additional capital through debt financing, it may be subject to covenants limiting or restricting its 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 its ability to develop and commercialize its product candidates or operate as a business.

Risks Related to Savara's Business Strategy and Operations

Savara is substantially dependent upon the clinical, regulatory and commercial success of its two product candidates, AeroVanc and Molgradex. 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 Savara's clinical trials may fail to adequately demonstrate to the satisfaction of regulatory authorities the safety and efficacy of its two product candidates.

The success of Savara's business is dependent on its 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). The AeroVanc Phase 3 study is scheduled to start in the United States and Canada in Q3 2017 and the Molgradex Phase 2/3 clinical study (IMPALA) is ongoing in Europe and Japan. Savara expects 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 Savara's clinical trials can occur at any time during the clinical trial process. The results of preclinical studies and early clinical trials of Savara's 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 Savara cannot be certain that it will not face similar setbacks. Even if Savara's clinical trials are completed, the results may not be sufficient to obtain regulatory approval for its product candidates.

Given the development nature of Savara's product candidates, Savara is subject to risks associated with initiating, completing and achieving positive outcomes from its 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;
- requirements for additional clinical studies based on inconclusive clinical results or changes in market, standard of care, and/or regulatory requirements;

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

- FDA rejection of Savara's NDA submissions for its 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 Savara's future sales organization or its potential commercialization partners to effectively sell the product candidates;
  - Savara's lack of success in educating physicians and patients about the benefits, administration and use of its 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 its product candidates;
- Savara's inability to enforce its intellectual property rights in and to its product candidates; and
- reduction in the safety profile of its product candidates following approval.

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

If Savara fails to attract and retain senior management and key scientific personnel, it may be unable to successfully develop and commercialize its product candidates.

Savara has 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. Savara's success depends in part on its continued ability to attract, retain and motivate highly qualified management, clinical and scientific personnel. Savara's future success is highly dependent upon the contributions of its senior management, as well as its senior scientists and other members of its senior management team. The loss of services of any of these individuals, who all have at-will employment arrangements with Savara, could delay or prevent the successful development of its product pipeline, completion of its planned clinical trials or the commercialization of its product candidates.

Replacing key employees may be a difficult, costly and protracted process, and Savara 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 its business. In addition, there may be intense competition from other companies and organizations for qualified personnel. Other companies and organizations with which Savara competes for personnel may have greater financial and other resources and different risk profiles than Savara, and a history of successful development and commercialization of its product candidates. If Savara cannot attract and retain skilled personnel, as needed, Savara may not achieve its development and other goals.

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

Savara does not have, and does not have plans to establish manufacturing facilities. Savara completely relies on third parties for the manufacture and supply of its 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 Savara 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 its business.

Savara outsources the manufacture of its product candidates and does not plan to establish its own manufacturing facilities. To manufacture Savara's product candidates, Savara has made numerous custom modifications at CMOs, making Savara highly dependent on these CMOs. For clinical and commercial supplies, if approved, Savara has supply agreements with third party CMOs for drug substance, finished drug product, drug delivery devices and other necessary components of its product candidates. While Savara has secured long-term commercial supply agreements with many of the third party CMOs, Savara would need to negotiate agreements for commercial supply with several important CMOs, and Savara may not be able to reach agreement on acceptable terms. In addition, Savara relies on these third parties to conduct or assist Savara 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, Savara may be unable to secure clinical trial material, or commercial supply material if approved, which likely would delay the initiation, conduct or completion of its clinical studies or prevent Savara from having enough commercial supply material for sale, which would have a material and adverse effect on its business.

All manufacturers of Savara's 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 Savara's clinical trial material may be unable to comply with these cGMP requirements and with other FDA, state and foreign regulatory requirements. While Savara or its representatives generally monitor and audit its manufacturers' systems, Savara does not have full control over their ongoing compliance with these regulations. And while the responsibility to maintain cGMP compliance is shared between Savara and the third-party manufacturer, Savara bears ultimately responsibility for its 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, Savara does not have alternative vendors to back up its 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 its primary vendors become unable or unwilling to perform their required activities, Savara 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 its development programs, commercial activities, operating results and financial condition. In addition, the FDA or regulatory authorities outside of the United States may require that Savara 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 Savara. The FDA or foreign regulatory agency may require Savara 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 Savara could distribute products from that manufacturer or supplier or revised process. For example, if Savara were to engage a third party other than its 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 Savara to conduct additional clinical and nonclinical studies to ensure comparability of the drug substance or drug product manufactured by its current CMOs to that manufactured by the new supplier. Changing of suppliers or equipment is particularly challenging for companies like Savara, 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 Savara's product candidates have not been manufactured at the scale Savara believes will be necessary to maximize its commercial value and, accordingly, Savara 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 Savara scales-up initial production capabilities, which may delay its scale-up activities and/or add expense.

If Savara's 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, Savara 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 its product candidates could delay the completion of its clinical studies, increase the costs associated with its development programs and, depending upon the period of delay, require Savara 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. Savara cannot provide assurance that manufacturing or quality control problems will not arise in connection with the manufacture of its 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, Savara 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 Savara to delay or suspend anticipated or ongoing trials, regulatory submissions or commercialization of its product candidates, entail higher costs or result in Savara being unable to effectively commercialize its products. Savara's dependence upon third parties for the manufacture of its clinical trial material may adversely affect its future costs and its ability to develop and commercialize its product candidates on a timely and competitive basis.

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

Savara does not employ personnel or possess the facilities necessary to conduct many of the activities associated with its programs. Savara engages consultants, advisors, CROs, CMOs and others to assist in the

design and conduct of nonclinical and clinical studies of its product candidates, with interpretation of the results of those studies and with regulatory activities, and Savara expects to continue to outsource all or a significant amount of such activities. As a result, many important aspects of its development programs are and will continue to be outside its direct control, and its 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 Savara's responsibility to ensure. Further, such third parties may not be as committed to the success of Savara's programs as Savara's own employees and, therefore, may not devote the same time, thoughtfulness or creativity to completing projects or problem-solving as Savara's own employees would. To the extent Savara is unable to successfully manage the performance of third-party service providers, its business may be adversely affected.

The CROs that Savara engages to execute its clinical studies play a significant role in the conduct of the studies, including the collection and analysis of study data, and Savara 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 its product candidates. Individuals working at the CROs with which it contracts, as well as investigators at the sites at which its studies are conducted, are not Savara's employees, and Savara has limited control over the amount or timing of resources that they devote to their programs. If Savara's CROs, study investigators, and/or third-party sponsors fail to devote sufficient time and resources to studies of its product candidates, if Savara and/or its CROs do not comply with all GLP and GCP regulatory and contractual requirements, or if their performance is substandard, it may delay commencement and/or completion of these studies, submission of applications for regulatory approval, regulatory approval, and commercialization of its product candidates. Failure of CROs to meet their obligations to Savara could adversely affect development of its product candidates.

In addition, CROs Savara engages may have relationships with other commercial entities, some of which may compete with Savara. Through intentional or unintentional means, Savara's competitors may benefit from lessons learned on the Savara project that could ultimately harm Savara's competitive position. Moreover, if a CRO fails to properly, or at all, perform its activities during a clinical study, Savara 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 Savara's clinical studies, which could materially impact its ability to meet its desired and/or announced development timelines and have a material adverse impact on its business and financial condition.

Savara currently has limited marketing capabilities and no sales organization. If Savara is unable to establish sales and marketing capabilities on its own or through third parties, it will be unable to successfully commercialize its products, if approved, or generate product revenue.

To commercialize Savara's products, if approved, in the United States and other jurisdictions it seeks to enter, Savara must build its marketing, sales, managerial and other non-technical capabilities or make arrangements with third parties to perform these services, and it may not be successful in doing so. If Savara's products receive regulatory approval, it expects to market such products in the United States through a focused, specialized sales force, which will be costly and time consuming. Savara has 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 its 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, Savara may consider collaboration arrangements. If Savara is unable to enter into such arrangements on acceptable terms or at all, it may not be able to successfully commercialize its products in certain markets. Any failure or delay in the development of its internal sales, marketing and distribution capabilities would adversely impact the commercialization of its products. If Savara is not successful in commercializing its products, either on its own or through collaborations with one or more third parties, its future product revenue will suffer and it would incur significant additional losses.

Savara is the process of integrating the systems, people and contracts from the recent acquisition of Serendex and the complete scope and impact of the integration is unknown.

Savara's acquisition of the assets of Serendex Pharmaceuticals A/S on July 15, 2016 has inherent risks, including risks associated with the integration of operations, systems and personnel. Savara has devoted its resources towards the successful integration of the companies, but there is potential exposure to unknown or contingent liabilities of the acquired company, the possible loss of key employees, liability associated with the assumption of legacy agreements, and many other such risks typical for such acquisitions.

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

As of December 31, 2016, Savara had 15 full-time employees, including 10 employees engaged in research and development. As Savara advances its product candidates through the development process and to commercialization, it will need to continue to expand its development, regulatory, quality, managerial, sales and marketing, operational, finance and other resources to manage its operations and clinical trials, continue its development activities and commercialize its product candidates, if approved. As its operations expand, Savara expects that it will need to manage additional relationships with various manufacturers and collaborative partners, suppliers and other organizations.

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

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

Undesirable side effects or adverse events caused by Savara's 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 Savara from commercializing its 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 its business.

If any of its product candidates receive marketing approval and Savara 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;
- Savara may be required to change the way the product is administered, conduct additional clinical studies or change the labeling of the product; and
- its reputation may suffer.

Any of these events could prevent Savara 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 Savara from generating significant revenue from its sale.

Savara may not achieve its projected development goals in the time frames Savara has announced.

Savara has set goals for accomplishing certain objectives material to the successful development of its product candidates. The actual timing of these events may vary due to many factors, including delays or failures in its nonclinical testing, clinical studies and manufacturing and regulatory activities and the uncertainties inherent in the regulatory approval process. From time to time Savara creates estimates for the completion of enrollment of or announcement of data from clinical studies of its product candidates. However, predicting the rate of enrollment or the time from completion of enrollment to announcement of data for any clinical study requires Savara to make significant assumptions that may prove to be incorrect. As discussed in other risk factors above, its 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 Savara estimates. Such delays may adversely affect its financial condition and results of operations.

Even if Savara completes a clinical study with successful results, Savara may not achieve its projected development goals in the time frames Savara initially anticipates or announces. If a development plan for a product candidate becomes more extensive and costly than anticipated, Savara 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 its financial condition.

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

Savara's 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 Savara and harm its reputation.

Savara is exposed to the risk that its 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 Savara 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 its employees and other Savara 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 its reputation. Savara intends to adopt a code of business ethics and conduct, but it is not always possible to identify and deter such misconduct, and the precautions Savara takes to detect and prevent this activity, such as the implementation of a quality system which

entails vendor audits by quality experts, may not be effective in controlling unknown or unmanaged risks or losses or in protecting Savara 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 Savara is not successful in defending itself or asserting its rights, those actions could have a significant impact on its business and results of operations, including the imposition of significant fines or other sanctions. For example, if one of its manufacturing partners was placed under a consent decree, Savara may be hampered in its ability to manufacture clinical or commercial supplies.

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

Savara relies 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, Savara could incur business disruption if its access to the internet is compromised and Savara is 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, Savara relies on those third parties to safeguard important confidential personal data regarding its employees and patients enrolled in its 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 its drug development programs. For example, the loss of clinical trial data from completed, ongoing or planned clinical trials could result in delays in its regulatory approval efforts and significantly increase its costs to recover or reproduce the data. To the extent that any disruption or security breach results in a loss of or damage to its data or applications, or inappropriate disclosure of confidential or proprietary information, Savara could incur liability and development of its product candidates could be delayed, or could fail.

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

Savara's corporate headquarters is located in a single commercial facility in Austin, Texas, USA. Savara maintains a second office in a single commercial facility in Denmark where many of Savara's product development staff are located. Important documents and records, including copies of its regulatory documents and other records for its product candidates, are located both at a secure offsite document storage facility as well at its own facilities and Savara depends on its facilities for the continued operation of its 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 its operations and result in additional, unplanned expense. As a small company with limited resources, Savara has not prepared or implemented a formal business continuity or disaster recovery plan and any natural disaster or catastrophic event could disrupt its business operations and result in setbacks to its development programs. Even though Savara believes it carries commercially reasonable insurance, Savara might suffer losses that are not covered by or exceed the coverage available under these insurance policies.

Risks Related to Drug Development and Commercialization

Savara depends on the successful completion of clinical studies of its 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 Savara licenses rights to develop its product candidates to independent third parties or otherwise permit such third parties to evaluate its product candidates in clinical studies, Savara may have limited control over those clinical studies. Any safety or efficacy concern identified in a third-party sponsored study could adversely affect its or another licensee's development of its 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 its product candidates are unsuccessful. Negative or inconclusive results could cause the FDA and other regulatory authorities to require Savara to repeat or conduct additional clinical studies, which could significantly increase the time and expense associated with development of that product candidate or cause Savara 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 its business.

Both of Savara's product candidates 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 Savara is 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 Savara, thus preventing Savara from marketing one or more of its 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 Savara's product candidates. If Savara is prevented from marketing one or more product candidates due to a competitor's Orphan Drug exclusivity, this would have a material adverse effect on its business.

Delays in commencement and completion of clinical studies are common and have many causes. Delays in clinical studies of Savara's product candidates could increase overall development costs and jeopardize its 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 its 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 its 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 Savara, with a limited number of qualifying patients and the lack of clinical sites with the necessary expertise and experience to conduct Savara's 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 Savara anticipates and may be costlier than Savara anticipates 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. Savara may make statements regarding anticipated timing for completion of enrollment in and/or availability of results from its 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 Savara experiences 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 its product candidates may be harmed and its ability to generate product revenue will be delayed. In addition, any delays in completing its clinical studies likely will increase its 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 Savara ultimately commercializes its 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 Savara or diminish the need for Savara's 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. Savara estimates that clinical development of its 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, Savara is unable to estimate the exact funds required to complete research and development, obtain regulatory approval and commercialize all of its product candidates. Savara will need significant additional capital to continue to advance its products as per current business plans.

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

In addition, a clinical study may be suspended or terminated by Savara, 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 Savara may need to amend study protocols to reflect these changes, or Savara may amend study protocols for other reasons. Amendments may require Savara to resubmit protocols to IRBs for reexamination and approval or renegotiate terms with CROs, study sites and investigators, all of which may adversely impact the costs or timing of or its 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 its 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 Savara from successfully marketing its product candidates and substantially harm its 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.

Savara is 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 Savara to expend substantial additional resources and could significantly extend the timeline for clinical development prior to market approval. Additionally, Savara is 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, Savara plans 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 Savara 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 Savara to expend substantial additional resources and significantly extend the timeline for clinical development of Molgradex in PAP.

Savara is 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 Savara deems unfeasible, preventing Savara to reach agreement with the FDA, which may result in delay or failure to complete the development of Molgradex in the US.

Significant uncertainty exists with respect to the regulatory approval process for any investigational new drug, including AeroVanc and Molgradex. 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 its CROs, CMOs and other vendors, related to development of its product candidates, including those pertaining to its 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 Savara provide additional information that may require significant resources and time to generate and there is no guarantee that its product candidates will be approved for any indication for which Savara 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 its 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 its competitors may bring products to market before Savara, which could impair its 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 Savara's business, financial condition and results of operations.

Further, development of Savara's product candidates and/or regulatory approval may be delayed for reasons beyond its 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 Savara's ability to progress development of its product candidates or obtain regulatory approval for its product candidates.

Even if the FDA or foreign regulatory agencies grant approvals for Savara's product candidates, the conditions or scope of the approval(s) may limit successful commercialization of the product candidates and impair Savara's 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 or Molgradex 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 its 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 its clinical development and for any clinical studies that Savara conducts 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 its 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, Savara may have to discontinue commercialization of the product, limit its 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 its 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 Savara's products.

Even if Savara receives regulatory approval for a product candidate, Savara may face regulatory difficulties that could materially and adversely affect its 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. Its 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 Savara, including requiring withdrawal of the product from the market. If Savara or a CMO of Savara's 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 its product from reimbursement under government healthcare programs, including Medicaid or Medicare;
- impose restrictions or affirmative obligations on Savara's or its 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 Savara's product candidates for which Savara receive regulatory approval fails to achieve significant market acceptance among the medical community, patients or third-party payers, the revenue Savara generates from its sales will be limited and its business may not be profitable.

Savara's success will depend in substantial part on the extent to which its 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 its approved products, if any, will depend upon a number of factors, including:

- the safety and efficacy of its products as demonstrated in clinical studies;
- acceptance in the medical and patient communities of its 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 its 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 its product is approved;
- claims or other information (including limitations or warnings) in its product's approved labeling;
- reimbursement and coverage policies of government and other third-party payers;
- pricing and cost-effectiveness of its 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 Savara devotes to marketing its product and restrictions on promotional claims Savara can make with respect to the product.

Savara 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 its products, if approved. If its product candidates are approved but do not achieve an adequate level of acceptance by these parties, Savara may not generate sufficient revenue to become or remain profitable. In addition, its efforts to educate the medical community and third-party payers regarding benefits of its products may require significant resources and may never be successful.

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

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

In order to market products outside of the United States, Savara 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 its product candidates may not be approved for all indications requested, which could limit the uses of its 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, Savara 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, Savara does 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.

Savara 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 Savara is 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 Savara must comply. Savara faces 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 Savara's developmental and commercialization efforts.

Risks Related to Savara's Intellectual Property

Savara's success will depend in part on obtaining and maintaining effective patent and other intellectual property protection for its 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. Savara has no patent protection for Molgradex for the treatment of PAP, and primarily relies on the Orphan Drug exclusivity as its 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. However, Savara's success will depend in part on its ability to:

- obtain and maintain patent and other exclusivity with respect to Savara's products and its uses;
- prevent third parties from infringing upon its 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 Savara has 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 Savara develops or have developed or that is used by Savara, its CMOs or its other service providers. In addition, any patents that are issued to Savara may be limited in scope or challenged, invalidated, infringed or circumvented, including by its competitors, and rights Savara have under issued patents may not provide competitive advantages to Savara. If competitors can develop and commercialize technology and products similar to Savara's, its ability to successfully commercialize its 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, Savara cannot be certain that the inventors listed in any patent or patent application owned by Savara 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 Savara's patent rights and limit the number of patents Savara can obtain, which could permit others to use its discoveries or to develop and commercialize Savara's technology and products without any compensation to Savara.

Savara's 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.

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

Savara also intends to rely on regulatory exclusivity for protection of its 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 Savara expects for its product candidates, if approved, could affect its decision on whether to market the products in a particular country or countries or could otherwise have an adverse impact on its revenue or results of operations. For Molgradex, which is administered via nebulization, Savara may rely on regulatory exclusivity for the combination of Molgradex and its delivery system. However, there is no assurance that its Molgradex product and its delivery system, if approved, will benefit from this type of market protection.

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

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

Savara has filed for patent protection in the United States and other countries to cover the formulation of AeroVanc and was granted a notice of allowance in the United States, its primary market. However, this patent may not provide Savara 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* reexamination, *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 Savara's patents, such as by using pre-existing or newly developed technology, in which case competitors may not infringe Savara's issued claims and may be able to market and sell products that compete directly with Savara's before and after its patents expire.

The patent prosecution process is expensive and time-consuming. Savara and any future licensors and licensees may not apply for or prosecute patents on certain aspects of its product candidates at a reasonable cost, in a timely fashion, or at all. Savara may not have the right to control the preparation, filing and prosecution of some patent applications related to its 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 Savara. It is also possible that Savara 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 Savara's 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 its 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 its technologies or methods, or design around the patented aspects of its products, technologies or methods. Any of these circumstances could impair Savara's ability to protect its products, if approved, in ways which may have an adverse impact on Savara's business, financial condition and operating results.

Furthermore, the issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and Savara's 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 Savara's ability use its patents to stop others from using or commercializing similar or identical products or technology, or limit the duration of the patent protection of its 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, Savara's owned and licensed patent portfolio may not provide Savara with sufficient rights to exclude others from commercializing drugs similar or identical to those of Savara once Orphan Drug and Qualified Infectious Disease Product exclusivities have expired. See the section entitled "Risks Related to Savara's 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 Savara's 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 Savara's 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 Savara's business, and result in an unfavorable outcome that could have an adverse effect on Savara's business.

Savara's commercial success depends on its ability and the ability of its 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 Savara is or may be developing products. Because patent applications can take many years to publish and issue, there currently may be pending applications, unknown to Savara, 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.

Savara or its CMOs or component material suppliers may be exposed to, or threatened with, litigation by third parties alleging that Savara's 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 its products, product candidates, technologies or its uses, or any of the underlying manufacturing processes or components, Savara could be required to pay damages and could be unable to commercialize its products or use its technologies or methods unless Savara is able to obtain a license to the patent or intellectual property right. A license may not be available to Savara 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 Savara from making, using, selling or importing its products, technologies or methods.

There generally is a substantial amount of litigation involving patent and other intellectual property rights in the industries in which Savara operates and the cost of such litigation may be considerable. Savara can provide no assurance that its product candidates or technologies will not infringe patents or rights owned by others, licenses to which might not be available to Savara in a timely manner or on acceptable terms, or at all. If a third party claims that Savara or its CMOs or component material suppliers infringe its intellectual property rights, Savara 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 Savara's core business;
- substantial damages for infringement, including the potential for treble damages and attorneys' fees, which Savara 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 Savara from selling or licensing the product unless the third-party licenses its intellectual property rights to Savara, which it may not be required to do;
- if a license is available from the third party, Savara may have to pay substantial royalties, fees and/or grant cross-licenses to the third party; and
- redesigning Savara's 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 Savara's products, product candidates or technology or those of its CMOs or

component material suppliers or the use of its products, product candidates or technologies. Because of the large number of patents issued and patent applications filed in the industries in which Savara operates, there is a risk that third parties may allege they have patent rights encompassing Savara's products, product candidates or technologies, or those of its CMOs or component material suppliers, or uses of its products, product candidates or technologies.

In the future, it may be necessary for Savara to enforce its 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 Savara is unsuccessful, adversely affect its rights. In these proceedings, a court or administrative body could determine that its claims, including those related to enforcing patent rights, are not valid or that an alleged infringer has not infringed its 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 its business prospects, operating results and financial condition.

Risks Related to Savara's Industry

Savara expects competition in the marketplace for its 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) Savara is 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

The industries in which Savara operates (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 its 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, Savara expects its product candidates will face competition. Savara may not be able to compete successfully against organizations with competitive products, particularly large pharmaceutical companies. Many of its potential competitors have significantly greater financial, technical and human resources than Savara, 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 Savara and prevent Savara 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 Savara's 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 Savara's ability to generate revenue.

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

The unavailability or inadequacy of third-party payer coverage and reimbursement could negatively affect the market acceptance of its product candidates and the future revenues Savara may expect to receive from those products. The commercial success of its 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 Savara since its products are targeted for a small number of patients (those suffering from orphan diseases) thus requiring Savara to charge very high prices in order to recover development costs and achieve a profit on its revenue. If these third-party payers do not consider its products to be cost-effective compared to other therapies, Savara may not obtain coverage for its products after approval as a benefit under the third-party payers' plans or, even if Savara does, the level of coverage or payment may not be sufficient to allow Savara to sell its 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 Savara to provide scientific and clinical support for the use of its 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 its products may be adversely affected if the amount of payment for its products proves to be unprofitable for healthcare providers or less profitable than alternative treatments or if administrative burdens make its products less desirable to use. Third-party payer reimbursement to providers of its products, if approved, may be subject to a bundled payment that also includes the procedure of administering its products or third-party payers may require providers to perform additional patient testing to justify the use of its products. To the extent there is no separate payment for its 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:

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

Savara's ability to successfully commercialize its products will depend in part on the extent to which governmental authorities, private health insurers and other organizations establish what Savara believes are appropriate coverage and reimbursement for its 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 US President has stated that reducing drug pricing is a priority for his administration. Savara 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 its 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 its ability to generate revenue, attain profitability or commercialize its product candidates, especially in light of Savara's plans to price its product candidates at a high level.

Furthermore, Savara expects 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 its operations and financial position is uncertain, but may result in more rigorous coverage criteria, lower reimbursement, and additional downward pressure on the price Savara 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 Savara from being able to generate revenue, attain profitability or commercialize its products, if approved.

Savara faces potential product liability exposure and, if successful claims are brought against it, Savara may incur substantial liability for a product or product candidate and may have to limit its commercialization. In the future, Savara anticipates that it 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.

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

- decreased demand for its products and loss of revenue;
- impairment of its business reputation;
- delays in enrolling patients to participate in its 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 its products and product candidates.

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

Savara expects that it will expand its insurance coverage to include the sale of commercial products if it obtains marketing approval for any of its product candidates, but Savara 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 Savara 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 Savara, if judgments exceed its insurance coverage, could decrease its cash and adversely affect its business.

Risks Related to the Combined Organization

In determining whether you should approve the merger, the issuance of shares of Mast common stock and other matters related to the merger, as the case may be, you should carefully read the following risk factors in addition to the risks described above.

The stock price of the combined company is expected to be volatile, and the market price of its common stock may drop following the merger.

The market price of the combined company's common stock following the merger could be subject to significant fluctuations following the merger. 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 of the combined company to fluctuate include:

- the ability of the combined organization to obtain regulatory approvals for its product candidates, and delays or failures to obtain such approvals;
- failure of any of the combined organization's product candidates, if approved, to achieve commercial success;
- failure to maintain its existing third party license and supply agreements;
- failure by Savara or Mast or its licensors to prosecute, maintain, or enforce its intellectual property rights;
- changes in laws or regulations applicable to its product candidates;
- any inability to obtain adequate supply of its product candidates or the inability to do so at acceptable prices;
- adverse regulatory authority decisions;
- introduction of new products, services, or technologies by its competitors;
- failure to meet or exceed financial and development projections the combined company 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 its business, or if they issue an adverse or misleading opinions regarding its 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 the combined company or its competitors;
- disputes or other developments relating to proprietary rights, including patents, litigation matters, and its ability to obtain patent protection for its 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 its common stock by the combined company or its stockholders in the future;
- trading volume of its 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 the combined organization's 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 the combined organization's common stock.

In the past, following periods of volatility in the market price of a company's 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 the combined organization's profitability and reputation.

The combined organization will incur costs and demands upon management as a result of complying with the laws and regulations affecting public companies.

The combined organization will incur significant legal, accounting and other expenses that Savara did not incur as a private company, including costs associated with public company reporting requirements. The combined organization 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 the NYSE MKT. These rules and regulations are expected to increase the combined organization's legal and financial compliance costs and to make some activities more time-consuming and costly. For example, the combined organization's management team will consist of certain officers of Savara 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 the combined organization to obtain directors' and officers' liability insurance. As a result, it may be more difficult for the combined organization to attract and retain qualified individuals to serve on the combined organization's board of directors or as executive officers of the combined organization, which may adversely affect investor confidence in the combined organization and could cause the combined organization's business or stock price to suffer.

The combined company does not expect to pay any cash dividends in the foreseeable future.

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

Future sales of shares by existing stockholders could cause the combined organization's stock price to decline.

If existing stockholders of Mast or Savara sell, or indicate an intention to sell, substantial amounts of the combined organization's common stock in the public market after legal restrictions on resale and the lock-up

agreements discussed in this proxy statement/prospectus/information statement lapse, the trading price of the common stock of the combined organization could decline. Based on shares outstanding as of December 31, 2016 and shares expected to be issued upon completion of the merger, the combined organization is expected to have outstanding a total of approximately [●] million shares of common stock (after giving effect to the proposed reverse stock split) immediately following the completion of the merger. Approximately [●] million of such shares of common stock will be freely tradable, without restriction, in the public market. Approximately [●] million of such shares will be held be subject to lock-up restrictions as described on page [ ]. If substantial additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of the combined organization common stock could decline.

Because the merger will likely result in an ownership change under Section 382 of the Code for Mast, Mast's 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 of Savara and of the combined company 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 will likely result in an ownership change for Mast and, accordingly, Mast's net operating loss carryforwards and certain other tax attributes will be subject to limitations on their use after the merger. The merger may also result in an ownership change for Savara, in which case, Savara's 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 Mast's, Savara's and the combined organization's net operating loss carryforwards. Consequently, even if the combined organization achieves profitability, it may not be able to utilize a material portion of Mast's, Savara's or the combined organization's net operating loss carryforwards and other tax attributes, which could have a material adverse effect on cash flow and results of operations.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus/information statement and the documents incorporated by reference into this proxy statement/prospectus/information statement contain forward-looking statements. These forward-looking statements are based on current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially from expectations. These forward-looking statements should not be relied upon as predictions of future events as Mast and Savara cannot assure you that the events or circumstances reflected in these statements will be achieved or will occur. You can identify forward-looking statements by the use of forward-looking terminology including "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "pro forma," "estimates," or "anticipates" or the negative of these words and phrases or other variations of these words and phrases or comparable terminology. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. For example, forward-looking statements include, but are not limited to statements about:

- the expected benefits of and potential value created by the merger for the stockholders of Mast and Savara;
- any statements of the plans, strategies and objectives of management for future operations, including the execution and timing of integration plans;
- likelihood of the satisfaction of certain conditions to the completion of the merger and whether and when the merger will be consummated;
- statements of the plans, strategies and objectives of management with respect to the approval and closing of the merger, and the ability of Mast and Savara to solicit a sufficient number of proxies or written consents, as applicable, to approve matters related to the consummation of the merger;
- any statements concerning proposed new products, services or developments;
- any statements regarding future economic conditions or performance; and
- statements of belief and any statement of assumptions underlying any of the foregoing.

For a discussion of the factors that may cause Mast, Savara or the combined organization's actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied in such forward-looking statements, or for a discussion of risk associated with the ability of Mast and Savara to complete the merger and the effect of the merger on the business of Mast, Savara and the combined organization, see "Risk Factors" beginning on page [ ].

Additional factors that could cause actual results to differ materially from those expressed in the forward-looking statements are discussed in reports filed with the SEC by Mast. See "Where You Can Find More Information" beginning on page [ ].

If any of these risks or uncertainties materializes or any of these assumptions proves incorrect, the results of Mast, Savara or the combined organization could differ materially from the forward-looking statements. All forward-looking statements in this proxy statement/prospectus/information statement are current only as of the date on which the statements were made. Mast and Savara do not undertake any obligation to publicly update any forward-looking statement to reflect events or circumstances after the date on which any statement is made or to reflect the occurrence of unanticipated events.

THE SPECIAL MEETING OF MAST STOCKHOLDERS

Date, Time and Place

The special meeting of Mast stockholders will be held on [●], 2017, at 3611 Valley Center Drive, Suite 500, San Diego, California 92130 commencing at local time. Mast is sending this proxy statement/prospectus/information statement to its stockholders in connection with the solicitation of proxies by the Mast Board for use at the Mast special meeting and any adjournments or postponements of the special meeting. This proxy statement/prospectus/information statement is first being furnished to stockholders of Mast on or about [●], 2017.

Purposes of the Mast Special Meeting

The purposes of the Mast special meeting are:

1. To consider and vote upon a proposal to approve the merger and the issuance of Mast common stock in the merger pursuant to the Agreement and Plan of Merger and Reorganization, dated as of January 6, 2017, by and among Mast, Merger Sub and Savara, a copy of which is attached as Annex A to this proxy statement/prospectus/information statement;

2. To approve the amendment and restatement of the amended and restated certificate of incorporation of Mast to effect a reverse stock split of Mast common stock, at a ratio of one new share for every [●] shares outstanding, in the form attached as Annex D to this proxy statement/prospectus/information statement;

3. To approve the amendment and restatement of the amended and restated certificate of incorporation of Mast to change the name “Mast Therapeutics, Inc.” to “Savara Inc.” in the form attached as Annex D to this proxy statement/prospectus/information statement;

4. To consider and vote upon a proposal to approve, on a non-binding advisory vote basis, compensation that will or may become payable by Mast to its named executive officers in connection with the merger;

5. To consider and vote upon an adjournment of the Mast special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of Mast Proposal Nos. 1, 2, 3 and 4; and

6. To transact such other business as may properly come before the Mast special meeting or any adjournment or postponement thereof.

Recommendation of the Mast Board

The Mast Board has determined and believes that the merger and the issuance of shares of Mast common stock pursuant to the merger is in the best interests of, Mast and its stockholders and has approved such items. The Mast Board recommends that Mast stockholders vote “FOR” Mast Proposal No. 1 to approve the merger and the issuance of shares of Mast common stock in the merger.

The Mast Board has determined and believes that it is advisable to, and in the best interests of, Mast and its stockholders to approve the amendment and restatement of the amended and restated certificate of incorporation of Mast effecting the proposed 1-for-[●] reverse stock split, as described in this proxy statement/prospectus/information statement. The Mast Board recommends that Mast stockholders vote “FOR” Mast Proposal No. 2 to approve the amendment and restatement of the amended and restated certificate of incorporation of Mast effecting the proposed 1-for-[●] reverse stock split, as described in this proxy statement/prospectus/information statement.

The Mast Board has determined and believes that the amendment and restatement of the amended and restated certificate of incorporation of Mast to change the name of Mast to “Savara Inc.” is advisable to, and in the best interests of, Mast and its stockholders and has approved such name change. The Mast Board recommends that Mast stockholders vote “FOR” Mast Proposal No. 3 to approve the name change.

The Mast Board has determined and believes that the compensation that will or may become payable by Mast to its named executive officers in connection with the merger is appropriate, and accordingly recommends that the Mast stockholders vote "FOR" Mast Proposal No. 4 to approve, on a non-binding advisory vote basis, such compensation.

The Mast Board has determined and believes that adjourning the Mast special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of Mast Proposal Nos. 1, 2, 3 and 4 is advisable to, and in the best interests of, Mast and its stockholders and has approved and adopted the proposal. The Mast Board recommends that Mast stockholders vote "FOR" Mast Proposal No. 5 to adjourn the Mast special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of Mast Proposal Nos. 1, 2, 3 and 4.

Record Date and Voting Power

Only holders of record of Mast common stock at the close of business on the record date, [●], 2017, are entitled to notice of, and to vote at, the Mast special meeting. At the close of business on the record date, shares of Mast common stock were issued and outstanding. Each share of Mast common stock entitles the holder thereof to one vote on each matter submitted for stockholder approval. See the section entitled "Principal Stockholders of Mast" in this proxy statement/prospectus/information statement for information regarding persons known to the management of Mast to be the beneficial owners of more than 5% of the outstanding shares of Mast common stock.

Voting and Revocation of Proxies

The proxy accompanying this proxy statement/prospectus/information statement is solicited on behalf of the Mast Board for use at the Mast special meeting.

If you are a stockholder of record of Mast as of the record date referred to above, you may vote in person at the Mast special meeting or vote by proxy using the enclosed proxy card. Whether or not you plan to attend the Mast special meeting, Mast urges you to vote by proxy to ensure your vote is counted. You may still attend the Mast special meeting and vote in person if you have already voted by proxy. As a stockholder of record, you have the right:

- to vote in person, come to the Mast special meeting and Mast will give you a ballot when you arrive.
- to vote using the proxy card, simply mark, sign and date your proxy card and return it promptly in the postage-paid envelope provided. If you return your signed proxy card to Mast before the Mast special meeting, Mast will vote your shares as you direct.
- to vote on the Internet, go to the website on the proxy card or voting instruction form to complete an electronic proxy card. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by [●], 2017, Pacific Time to be counted.

If your Mast shares are held by your broker as your nominee, that is, in "street name," the enclosed voting instruction card is sent by the institution that holds your shares. Please follow the instructions included on that proxy card regarding how to instruct your broker to vote your Mast shares. If you do not give instructions to your broker, your broker can vote your Mast shares with respect to "discretionary" items but not with respect to "non-discretionary" items. Discretionary items are proposals considered routine under the rules of the NYSE MKT on which your broker may vote shares held in "street name" in the absence of your voting instructions. On non-discretionary items for which you do not give your broker instructions, the Mast shares will be treated as broker non-votes. It is anticipated that Mast Proposal No. 1 will be a non-discretionary item.

All properly executed proxies that are not revoked will be voted at the Mast special meeting and at any adjournments or postponements of the Mast special meeting in accordance with the instructions contained in the

proxy. If a holder of Mast common stock executes and returns a proxy and does not specify otherwise, the shares represented by that proxy will be voted "FOR" Mast Proposal No. 1 to approve the merger and the issuance of shares of Mast common stock in the merger; "FOR" Mast Proposal No. 2 to approve the amendment and restated of the amended and restated certificate of incorporation of Mast effecting the proposed 1-for-[●] reverse stock split; "FOR" Mast Proposal No. 3 to approve the amendment and restated of the amended and restated certificate of incorporation of Mast to change the name of "Mast Therapeutics, Inc." to "Savara Inc."; "FOR" Mast Proposal No. 4 to approve, on a non-binding advisory vote basis, compensation that will or may become payable by Mast to its named executive officers in connection with the merger; and "FOR" Mast Proposal No. 5 to adjourn the Mast special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of Mast Proposal Nos. 1, 2, 3 and 4 in accordance with the recommendation of the Mast Board.

Mast stockholders of record, other than those Mast stockholders who have executed support agreements, may change their vote at any time before their proxy is voted at the Mast special meeting in one of three ways. First, a stockholder of record of Mast can send a written notice to the Secretary of Mast stating that the stockholder would like to revoke its proxy. Second, a stockholder of record of Mast can submit new proxy instructions either on a new proxy card or via the Internet or telephone. Third, a stockholder of record of Mast can attend the Mast special meeting and vote in person. Attendance alone will not revoke a proxy. If a Mast stockholder of record or a stockholder who owns Mast shares in "street name" has instructed a broker to vote its shares of Mast common stock, the stockholder must follow directions received from its broker to change those instructions.

Required Vote

The presence, in person or represented by proxy, at the Mast special meeting of the holders of a majority of the shares of Mast common stock outstanding and entitled to vote at the Mast special meeting is necessary to constitute a quorum at the meeting. Abstentions and broker non-votes will be counted towards a quorum. Approval of Mast Proposal Nos. 1, 4 and 5 requires the affirmative vote of the holders of a majority of the shares of Mast common stock having voting power present in person or represented by proxy at the Mast special meeting. Approval of Mast Proposal Nos. 2 and 3 requires the affirmative vote of holders of a majority of the Mast common stock having voting power outstanding on the record date for the Mast special meeting. **Each of Proposal Nos. 1, 2 and 3 are conditioned upon each other. Therefore, the merger cannot be consummated without the approval of Proposal Nos. 1, 2 and 3.**

Votes will be counted by the inspector of election appointed for the meeting, who will separately count "FOR" and "AGAINST" votes, abstentions and broker non-votes. Abstentions will be counted towards the vote total for each proposal and will have the same effect as "AGAINST" votes. Broker non-votes will have the same effect as "AGAINST" votes for Mast Proposal Nos. 2 and 3. For Mast Proposal Nos. 1, 4 and 5, broker non-votes will have no effect and will not be counted towards the vote total, but will be used to determine whether a quorum is present at the Mast special meeting.

As of December 31, 2016, the directors and executive officers of Mast owned less than one percent of the outstanding shares of Mast common stock entitled to vote at the Mast special meeting. The directors and executive officers of Mast owning these shares are subject to voting agreements. Each stockholder that entered into a voting agreement has agreed to vote all shares of Mast common stock owned such stockholder as of the record date in favor of the merger and the issuance of Mast common stock in the merger pursuant to the Merger Agreement, the adoption of the Merger Agreement if submitted for adoption, the approval of any proposal to adjourn or postpone the meeting to a later date, if there are not sufficient votes for the merger and the issuance of Mast common stock in the merger pursuant to the Merger Agreement on the date on which such meeting is held, and any other matter necessary to consummate the transactions contemplated by the Merger Agreement that are considered and voted upon by Mast's stockholders and against any "acquisition proposal," as defined in the Merger Agreement. As of September 30, 2016, Mast is not aware of any affiliate of Savara owning any shares of Mast common stock entitled to vote at the Mast special meeting.

Solicitation of Proxies

In addition to solicitation by mail, the directors, officers, employees and agents of Mast may solicit proxies from Mast stockholders by personal interview, telephone, telegram or otherwise. Arrangements will also be made with brokerage firms and other custodians, nominees and fiduciaries who are record holders of Mast common stock for the forwarding of solicitation materials to the beneficial owners of Mast common stock. Mast will reimburse these brokers, custodians, nominees and fiduciaries for the reasonable out-of-pocket expenses they incur in connection with the forwarding of solicitation materials. Mast has retained Advantage Proxy to assist it in soliciting proxies using the means referred to above. Mast will pay the fees of Advantage Proxy, which Mast expects to be approximately $10,000, plus reimbursement of out-of-pocket expenses.

Other Matters

As of the date of this proxy statement/prospectus/information statement, the Mast Board does not know of any business to be presented at the Mast special meeting other than as set forth in the notice accompanying this proxy statement/prospectus/information statement. If any other matters should properly come before the Mast special meeting, it is intended that the shares represented by proxies will be voted with respect to such matters in accordance with the judgment of the persons voting the proxies.

THE MERGER

This section and the section entitled "The Merger Agreement" in this proxy statement/prospectus/information statement describe the material aspects of the merger, including the Merger Agreement. While Mast and Savara believe that this description covers the material terms of the merger and the Merger Agreement, it may not contain all of the information that is important to you. You should read carefully this entire proxy statement/prospectus/information statement for a more complete understanding of the merger and the Merger Agreement, including the Merger Agreement, and the other documents to which you are referred herein. See the section entitled "Where You Can Find More Information" in this proxy statement/prospectus/information statement.

Background of the Merger

Mast is currently focused on the development of its lead product candidate, AIR001. Mast had previously devoted substantially all of its research, development and clinical efforts and financial resources toward the development of vepoloxamer. Vepoloxamer was previously in clinical development in sickle cell disease and heart failure, but following negative top-line results of the Phase 3 study in sickle cell disease known as EPIC in September 2016, Mast determined to discontinue clinical development of vepoloxamer and wind down all of the clinical studies.

As a consequence of the negative results from the vepoloxamer trial and concerns over the difficulty in raising additional funds to further development of AIR001, the Mast Board began evaluating its strategic opportunities to maximize stockholder value, including the possibility of seeking a merger, a sale of the company or all or some of its assets, and/or a liquidation. Mast's management provided the Mast Board with management's preliminary assessment of a variety of strategic alternatives that Mast could pursue to maximize stockholder value, including engaging in a reverse merger process, a sale of some or all of Mast's assets, or distributing some or all of Mast's remaining cash through either a dividend or a liquidation of Mast.

On September 20, 2016, Mast announced its intent to implement significant cost-saving measures to its vepoloxamer development programs immediately and to continue development of AIR001, in particular by supporting ongoing, investigator-sponsored Phase 2 clinical studies of AIR001 in heart failure with preserved ejection fraction.

On September 21, 2016, the Mast Board held a meeting with representatives of management and Mast's corporate counsel, DLA Piper LLP (US) ("DLA") in attendance. DLA was generally invited to attend all Mast Board and Mast Board committee meetings. After a representative from DLA described the Mast Board's fiduciary duties in connection with a strategic process, the Mast Board discussed Mast's strategic options. Brian Culley, Mast's Chief Executive Officer, led a discussion regarding business strategy and planning, cash management, potential strategic and financing opportunities, and NYSE MKT continued listing requirements. Mr. Culley reviewed potential timing and financial implications of a hypothetical reverse merger transaction with a private company, for planning purposes, as well as an overview regarding various potential transactions being explored, primarily with biotechnology companies.

On September 23, 2016, the Mast Board held a telephonic meeting with representatives of management and DLA in attendance. Mr. Culley led a discussion regarding Mast's business strategy and planning, including proposing the termination of the vepoloxamer program and focus on development of AIR001 program, significant reductions in operating expenses and potential financing and partnering opportunities. The Mast Board discussed public communication of Mast's proposed focus and strategy.

On September 25, 2016, the Mast Board held a telephonic meeting with representatives of management and DLA in attendance. Management discussed a revised forecast and budget assuming the termination of all vepoloxamer program and related operating expenses. The Mast Board approved the revised forecast, including

the corresponding reduction in workforce. Mr. Culley led a discussion regarding Mast's alternatives for raising capital to fund operations, including its AIR001 program.

On September 26, 2016, Mast confirmed its previously announced plans to prioritize its AIR001 program with continued support for three separate, ongoing, investigator-sponsored Phase 2 clinical studies of AIR001 and suspend further research or development of its vepoloxamer program and announced that it was initiating a process to evaluate partnership opportunities for its assets.

Beginning in September 2016 and continuing into December 2016, Mast conducted a process of identifying and evaluating potential strategic combinations. In its review, Mast focused primarily on biotechnology companies possessing (i) product development candidates with the potential for significant value appreciation, (ii) resources sufficient to achieve potentially meaningful development milestones, including resources that might be obtained through financing activities consummated prior to the effectiveness of a combination with Mast as well as the resources that would result from a combination with Mast, (iii) an ability to enter into an agreement in the near-term for a combination with a public company and thereafter proceed in an orderly manner toward implementing the combination, and (iv) a management team with the breadth and skills to accomplish the foregoing. Working with Roth Capital Partners, LLC ("Roth"), Mast's financial advisor, Mast identified and screened approximately 35 companies and set management calls and meetings with 32 companies. These activities resulted in indications of interest in a potential combination with 7 companies. In evaluating these indications of interest, including in certain cases through discussions and diligence activities with potential counterparties (see in this regard the discussion below with respect to Mast's engagement with Parties A, B, C, D, E, G and I), Mast ultimately concluded in each instance (except for Savara) that (x) one or more desired elements were missing from a potential combination, (y) the terms expected to be available to Mast and its stockholders in a potential combination, including as represented by the potential share of the combined company that might be owned by the pre-combination Mast stockholders immediately following a combination and any concurrent financing, would likely not maximize value for the pre-combination Mast stockholders because the parties making the proposals did not adequately value Mast's AIR001 candidate, and/or (z) Mast should pursue a combination with Savara to the exclusion of other possibilities. In the course of its process, Savara was the only party with which Mast ultimately reached a mutual understanding on deal terms, including the potential share of the combined company that would be owned by the pre-combination Mast stockholders immediately following a combination and any concurrent financing, and moved forward with negotiating a definitive merger agreement.

On September 29, 2016, Mr. Culley met informally with a representative of a potential counterparty to a business combination transaction. On September 30, 2016, Mr. Culley exchanged messages with representatives of such party regarding a potential business combination. On October 5, 2016, Mr. Culley met informally with a representative of such counterparty. Such counterparty indicated that it would not pursue a business combination at this time.

On September 30, 2016, Mr. Culley contacted the chief executive officer of Party A. The parties had previously executed a confidentiality agreement on February 25, 2016. The parties discussed their respective companies and the potential for a business combination. The parties agreed to have a formal meeting at Party A's offices.

On October 5, 2016, Mr. Culley met informally with a representative of a potential counterparty to a business combination transaction. Following discussion, the representative indicated that the counterparty was not interested in pursuing a combination with Mast at such time.

On October 6, 2016, Mr. Culley received a telephone call from a representative of Party A during which the parties discussed, among other things, their respective companies and the potential for a business combination. Also on October 6, 2016, Mr. Culley met informally with a representative of a potential counterparty to a business combination transaction. Following discussion, the representative indicated that the counterparty was not interested in pursuing a combination with Mast at such time.

On October 10, 2016, Brandi Roberts, Mast's Chief Financial Officer, met informally with the chairman of the board of directors of Party B. They discussed, among other things, updates on their respective businesses. The representative of Party B expressed an interest in pursuing a business combination and provided Mast with information relating to Party B's business.

On October 13, 2016, Mr. Culley discussed with representatives of Roth potential counterparties to a business combination. The parties discussed the current interest and status of ongoing discussions.

On October 14, 2016, Mr. Culley and Ms. Roberts met informally with the chairman of the board of directors of Party B. They discussed, among other things, updates on their respective businesses and mutual interest in a potential business combination. Also on October 14, 2016, Mr. Culley made a telephone call to a representative of a potential counterparty to a business combination transaction. Following discussion, the representative indicated that the counterparty was not interested in pursuing a combination with Mast at such time.

On October 17 to October 18, 2016, representatives of Mast met with representatives of Party A at Party A's offices. The parties discussed their respective businesses, strategic plans for Party A's clinical studies and a potential business combination. Representatives of Mast also toured Party A's facilities and were presented the opportunity to ask follow-up diligence questions. Following the meeting, the parties exchanged messages and calls continuing to discuss matters relating to their respective businesses and a potential business combination.

On October 18, 2016, the Mast Board held a telephonic meeting with representatives of management and DLA present. Mr. Culley provided an update regarding the nature and status of various companies being explored as possible counterparties for a potential combination with Mast, including Party A and Party B, as well as the expressed interest by certain possible counterparties in such a combination. The Mast Board also discussed the reduction in workforce, which reduction had previously discussed and approved on September 25, 2016, and approved management's proposed timing for additional reductions.

Also on October 18, 2016, Mr. Culley was provided an introduction to Party D. Party D provided to Mast a proposed confidentiality agreement in order to conduct diligence into a potential businession combination transaction.

On October 24, 2016, representatives of Mast hosted a representative of Party A at Mast's offices to conduct due diligence for a potential business combination.

Also on October 24, 2016, Mast executed an engagement letter with Roth as its exclusive financial advisor in connection with a potential merger, reorganization or other business combination transaction or potential alternatives thereto.

On October 24, 2016, Mr. Culley met informally with a representative of a potential counterparty to a business combination transaction. Following discussion, the representative indicated that the counterparty was not interested in pursuing a combination with Mast at such time.

From October 20 to October 26, 2016, representatives of Mast exchanged a series of messages and calls with representatives of Party C has discussions via telephone conference during which the parties discussed, among other things, updates on their respective businesses and mutual interest in a potential business combination. On October 27, 2016, Mast entered into a mutual confidentiality agreement with Party C and provided preliminary diligence information to Party C.

On October 27, 2016, Mr. Culley was provided an introduction to Party E. The parties exchanged messages and arranged for a teleconference the following day. On October 28, 2016, Mr. Culley and representatives of Party E had discussions via telephone conference during which the parties discussed, among other things, updates on their respective businesses and mutual interest in a potential business combination.

On October 28, 2016, representatives of Mast met with representatives of Party B at Party B's offices. The parties discussed their respective businesses and a potential business combination. Representatives of Mast also toured Party B's facilities and were offered the opportunity to ask follow-up diligence questions.

Also on October 28, 2016, Mast entered into a confidentiality agreement with Party D.

Also on October 28, 2016, Mr. Culley met informally with a representative of a potential counterparty to a business combination transaction. Following discussion, the representative indicated that the counterparty was not interested in pursuing a combination with Mast at such time. In addition, on October 28, 2016, Mr. Culley made a telephone call to a representative of a potential counterparty to a business combination transaction. Following discussion, the representative indicated that the counterparty was not interested in pursuing a combination with Mast at such time.

On October 31, 2016, Mast announced a workforce reduction as part of its previously described strategic focus on AIR001 and plan to significantly reduce operating costs, which reduction had been approved by the Mast Board on October 18, 2016. The reduction brought the aggregate reductions since the beginning of October to approximately 38% of Mast's workforce. Mast also announced plans to implement additional cost control measures in the fourth quarter of 2016 to further reduce its expenditures.

On November 1, 2016, Mr. Culley and a representative of Party C had discussions via telephone during which the parties discussed, among other things, updates on their respective businesses and mutual interest in a potential business combination. Also, on November 1 and November 2, 2016, Mr. Culley held a series of telephone calls with a representative of a potential counterparty to a business combination transaction. Following discussion, the representative indicated that the counterparty was not interested in pursuing a combination with Mast at such time.

On November 1, 2016, representatives of Party A notified representatives of Mast that Party A was no longer interested in pursuing a potential business combination with Mast at this time.

On November 1, 2016, Mast entered into a mutual confidentiality agreement with Party E and provided preliminary diligence information to Party E.

On November 3, 2016, the Mast Board held a telephonic meeting with representatives of management and DLA present. Mr. Culley provided an update on the ongoing diligence and discussions with possible counterparties for a potential combination. Also on November 3, 2016, representatives of Roth, on behalf of Mast, had discussions via telephone with representatives of Party B regarding a proposal for a business combination with Mast.

On November 4, 2016, representatives of Mast met with representatives of Party E at Mast's offices. The parties discussed their respective businesses, strategic plans for Party E's clinical studies and a potential business combination. Later that day, Mr. Culley met with representatives of Party B to conduct additional due diligence.

Also on November 4, 2016, Mr. Culley exchanged a series of messages and calls with representatives of Party D discussing, among other things, updates on the respective companies' businesses and conducting further due diligence.

In addition, on November 4, 2016, representatives of Roth provided representatives of Mast a preliminary business overview of Party F.

On November 7, 2016, Mr. Culley and a representative of Party E had discussions via telephone during which the parties discussed, among other things, updates on their respective businesses and mutual interest in a potential business combination. Also on November 7, 2016, Mr. Culley indicated to Party D that, at this time,

based on a review of Party D's business, Mr. Culley did not believe that Party D met the Mast Board's criteria of a potential counterparty to a potential business combination, however, the parties agreed to meet informally to further discuss a potential combination.

On November 8 to November 9, 2016, representatives of Mast met with representatives of Party E at Party E's offices. The parties discussed their respective businesses, strategic plans for Party E's clinical studies and a potential business combination. Representatives of Mast also toured Party E's offices and were offered the opportunity to ask follow-up diligence questions.

On November 9, 2016, representatives of Mast met with representatives of Party E. The parties discussed follow up diligence questions from the previous meeting as well as a potential business combination. Mr. Culley informed Party E that the Mast Board would review any formal proposal presented. Following the meeting, on November 10, 2016, Mr. Culley spoke with representatives of Party E, discussing additional matters relating to their respective businesses.

On November 11, 2016, Mr. Culley spoke with a representative of Canaccord, Savara's financial advisor, to discuss Savara as a potential counterparty to a business combination with Mast. Also on November 11, 2016, Mr. Culley received a written indication of interest from Party E. Mr. Culley promptly communicated receipt of the proposal to the Mast Board.

On November 15, 2016, Mr. Culley had discussions via telephone with representatives of Party C during which the parties discussed, among other things, Party C's interest in submitting an indication of interest for a business combination with Mast. Mr. Culley indicated that the Mast Board would review any offer formally submitted. Following the call, Party C submitted a non-binding preliminary indication of interest to Mr. Culley. Mr. Culley promptly communicated receipt of the proposal to the Mast Board. Also on November 15, 2016, Mr. Culley met informally with a representative of Party B during which the parties discussed, among other things, a potential business combination.

On November 16, 2016, the Savara Board held a meeting with representatives of management, Canaccord and Wilson Sonsini Goodrich & Rosati, P.C. ("WSGR") present. Management provided an overview of the potential benefits and risks of a transaction with Mast as well as potential financing transactions. As a result of this meeting, the Savara Board authorized management to engage in discussions with Mast and to conduct due diligence. Following the Savara Board meeting, Mast entered into a mutual confidentiality agreement with Savara.

In addition, on November 16, 2016, Party G submitted a non-binding preliminary indication of interest to Mr. Culley. Mr. Culley promptly communicated receipt of the proposal to the Mast Board. Also on November 16, 2016, Mast entered into a mutual confidentiality agreement with Party B and provided preliminary diligence information to Party B.

On November 17 and November 18, 2016, Mr. Culley and Robert Neville, Chief Executive Officer of Savara, held a series of telephone meetings to discuss their respective businesses and Savara's interest in potential business combination. Mr. Culley indicated that he would present any formal proposal to the Mast Board.

On November 17 and 18, 2016, representatives of Mast exchanged various emails and calls with Party F regarding, among other things, updates and overviews of the respective parties' businesses, due diligence matters, and a potential business combination.

On November 18, 2016, Savara submitted a non-binding preliminary indication of interest to Mast through Canaccord.

On November 18, 2016, the Mast Board held a telephonic meeting with representatives of management, Roth and DLA present. Mr. Culley provided an update on the ongoing diligence and discussions with possible

counterparties for a potential combination, as well as the interest expressed by certain possible counterparties in such a combination. Mr. Culley promptly communicated receipt of the proposal to the Mast Board. Also on November 18, 2016, Mast entered into a confidentiality agreement with Party G.

On November 21, 2016, Mast announced that it had received several written indications of interest in a reverse merger business combination and was continuing to review its strategic alternatives to maximize stockholder value. Following the announcement, a representative of Roth, at the instruction of the Mast Board, sent a bid process letter and a draft merger agreement to Savara and Parties B, C, E, F, G and two other parties, each of whom had expressed an interest in a business combination with Mast. Roth's letter requested any bids be submitted by November 28, 2016. Following circulation of the bid process letter and draft merger agreement, a representative of Mast and a representative of Party G discussed certain due diligence information, including a discussion of their respective businesses, backgrounds and experience. In addition, following circulation of the bid process letter, representatives of Party F notified representatives of Mast that Party F was not interested in pursuing a business combination with Mast at this time.

Also on November 21, 2016, representatives of Mast met at Mast's offices with representatives of Party E in order to conduct additional diligence for a potential business combination. Later on November 21, 2016, Mast and Party G provided access to their respective virtual data rooms containing certain business and financial data to the other party. Also on November 21, 2016, Mast and Savara provided access to their respective virtual data rooms containing certain business and financial data to the other party. In addition, on November 21, 2016, Mast provided access of its virtual data rooms containing certain business and financial data to Party B.

On November 22, 2016, representatives of Mast held a due diligence call with representatives of Party E, discussing their respective businesses, and a potential business combination.

Also on November 22, 2016, representatives of Mast met at Mast's offices with representatives of Party G in order to conduct additional diligence for a potential business combination. In addition, on November 22, 2016, Mr. Culley held a series of telephonic conversations with representatives of Party G, during which the parties discussed, among other thing, the bid process and the potential business combination transaction. Mr. Culley indicated that he would present any formal proposal to the Mast Board.

On November 22, 2016, Mr. Culley was provided an introduction to representatives of Party H. The parties exchanged messages regarding preliminary due diligence and on November 23, 2016, Mast entered into a confidentiality agreement with Party H.

On November 23, 2016, Mr. Culley and Mr. Neville discussed the bid process and a potential business combination.

On November 28, 2016, Mr. Neville submitted a response letter to Mast through Roth detailing certain discussion items with respect to the draft merger agreement. Following submission of Savara's proposal, representatives of Savara and representatives of Mast exchanged messages on November 28, 2016 to November 29, 2016 regarding due diligence matters with respect to each respective company's product candidates. Also on November 28, 2016, representatives of Parties C, E and G submitted a proposal for a business combination to representatives of Roth which was promptly transmitted to representatives of Mast. Mr. Culley promptly transmitted the proposals to the Mast Board.

In addition, on November 28, 2016, representatives of Mast met with representatives of Party H at Mast's offices. The parties discussed their respective businesses and a potential business combination. Following the meeting, Mr. Culley had discussions with a representative with Party H where they discussed the bid process and follow up diligence questions. At this point, management instructed Roth to provide Party H with the bid process letter.

On November 29, 2016, representatives of Party B submitted a proposal for a business combination to representatives of Mast and Roth. Party B then provided access to its virtual data rooms containing certain business and financial data to Mast. Following receipt of the proposal, representatives of Mast and representatives of Roth discussed the indications of interest received to date. Following the discussion, Mr. Culley promptly communicated the indication of interest to the Mast Board and arranged for a telephonic meeting the following day to discuss Mast's response.

On November 30, 2016, representatives of Mast met with representatives of Savara at Mast's offices to conduct additional due diligence relating to the respective companies' businesses, including the status of Savara's clinical studies for its product candidates, Savara's capital structure, Mast's lead product candidate, and a potential business combination. Following the meeting, the Mast Board held a telephonic meeting, with management, Roth and DLA present. After a representative from DLA described the Mast Board's fiduciary duties in connection with various indications of interest, the Mast Board discussed each proposal in detail. Management indicated that it was still in discussions with other possible counterparties. Following review of the proposals received to date and management's discussion of the ongoing process, the Mast Board determined that the current proposals did not adequately reflect the value of Mast and directed management to work with Roth in responding to the proposals and to determine whether the possible counterparties would improve their respective proposals. Following the meeting, Roth communicated with each party who submitted an indication of interest that the Mast Board had reviewed all proposals and determined that the submitted proposals did not adequately reflect the value of Mast and invited the parties to submit improved proposals for a business combination by December 5, 2016. In addition, Roth informed management that they submitted the bid process letter to Party I, who Roth believed may have an interest in a business combination with Mast.

Also on November 30, 2016, representatives of Mast met with representatives of Party E to discuss the clinical operations of the respective companies.

On December 1, 2016, representatives of Mast held a due diligence meeting with representatives of Party E to discuss, among other things and their respective businesses, a potential business combination. Following the meeting, on December 2, 2016, representatives of Mast, including Roth, exchanged messages with representatives of Party E regarding the status of the diligence process as well as a discussion of the bid process. Party E indicated it would review the potential business combination internally and determine whether it would submit an improved proposal for a business combination.

On December 1, 2016, Party D submitted to Mr. Culley, an unsolicited proposal, which Mr. Culley communicated to and discussed with the Chair of the Mast Board and Roth, concluding that Party D's proposal did not meet the criteria of the Mast Board. Also on December 1, 2016, Party I submitted to Mr. Culley a proposal. Following review, Mr. Culley indicated that Party I would need to improve its proposal for Mast to consider a business combination with Party I. Party I indicated that it would not improve its proposal at this time.

On December 3, 2016, representatives of Party B submitted to representatives of Mast, including Roth, an updated proposal. Mr. Culley promptly communicated the updated proposal to the Mast Board.

On December 5, 2016, Mr. Culley visited Savara's offices in Austin, Texas. Both Savara and Mast continued the due diligence relating to the respective companies' businesses and programs, and discussed the potential merger terms, process and timing.

Also on December 5, 2016 representatives of Parties C, E, G and Savara submitted to representatives of Mast, including Roth, updated proposals. In addition, Savara submitted a draft exclusivity agreement and a revised response to the draft merger agreement. Later on December 5, 2016, Party D re-submitted to representatives of Mast its unsolicited proposal previously submitted on December 1, 2016. Each proposal was promptly communicated to the Mast Board.

On December 6, 2016, the Mast Board met, with representatives of management, Roth and DLA present, to discuss the status of the bid process. After a representative from DLA described the Mast Board's fiduciary duties in connection with evaluating the various indications of interest, the Mast Board discussed the proposals. At this time, the Mast Board formed a strategic transactions committee (the "Committee"), comprised of four independent directors, Matthew Pauls, Howard C. Dittrich, Peter Greenleaf and David A. Ramsay, to be kept apprised of developments and consulted between full board meetings and make recommendations as appropriate to the full board for its consideration. After reviewing all proposals received to date and discussing each in detail with management and Roth and considering Mast's limited resources and the value of proceeding expeditiously to an outcome, the Mast Board determined to proceed in discussions with two of the possible counterparties whose indications of interest they believed yielded the best opportunities for Mast stockholders to maximize value, Savara and Party G, and directed Roth and Mast's management to ask those parties to submit improved proposals for a business combination and to present company overviews to the Mast Board. Following the meeting, representatives of Mast, including Roth, communicated to each party who had submitted proposals of the Mast Board's determination, and communicated with Savara and Party G regarding their presentation to the Mast Board.

On December 8, 2016, representatives of Mast, including Roth and DLA, and representatives of Savara, including Canaccord and Savara's legal counsel, WSGR, exchanged messages regarding open issues for a possible business combination.

On December 9, 2016, Party G and Savara each separately presented their company overview to the Mast Board. Also on December 9, 2016, representatives of Mast, including Roth and DLA, received an unsolicited updated proposal for a business combination from Party E. After Savara's and Party G's respective presentations and after a representative from DLA described the Mast Board's fiduciary duties in connection with evaluating the proposals, the Mast Board discussed each proposal with members of management and representatives of Roth.

On December 12, 2016, WSGR provided comments to the draft merger agreement to DLA. From December 12 to December 13, 2016, DLA reviewed and revised the draft merger agreement. On December 13, 2016, DLA provided comments to the draft merger agreement to WSGR.

On December 12, 2016, the Committee held a telephonic meeting. After discussing the proposals, the Committee directed management and Roth to negotiate the terms of an exclusivity agreement with Savara. Following negotiation, representatives of Mast and Savara agreed to an exclusivity period expiring December 22, 2016. Mast and Savara entered into the exclusivity agreement on December 13, 2016. Following entry into the exclusivity agreement, Mast made available additional diligence material to Savara in its virtual data room.

From December 13, 2016 until the execution of the definitive merger agreement on January 6, 2017, the companies and their respective advisors exchanged numerous drafts of the merger agreement and numerous messages and calls regarding due diligence matters and engaged in negotiations and discussions regarding the terms and conditions of the merger agreement. Significant areas of negotiation included the scope of representations and warranties and interim operating covenants, the conditions to closing, the treatment of Mast and Savara outstanding equity instruments, required net cash at closing, the definition of net cash, and the amount and triggers for the possible reimbursement of expenses and the payment of termination fees.

Concurrent with these discussions, representatives of management of each of the companies, WSGR, DLA and the companies' respective other representatives continued to have numerous discussions by teleconference to review and discuss, among other things, due diligence, the terms of the merger agreement and the timeline for the potential transaction.

On December 15, 2016, the Savara Board held a meeting with representatives of management and WSGR present. Management provided an update on the status of negotiations on the merger agreement and the results of

the due diligence investigation of Mast. The Savara Board provided guidance on key merger agreement terms and authorized Savara management to continue negotiations and due diligence with Mast.

On December 16, 2016, management from Mast and Savara and representatives of DLA and WSGR, exchanged messages regarding open issues in the merger agreement, including treatment of Mast's outstanding debt obligations, closing cash expectations and treatment of interim capital raising transactions, if any, by Savara and Mast. Also on December 16, 2016, representatives from Mast and Savara held a due diligence teleconference during which they discussed, among other thing, diligence relating to the respective parties' clinical programs, financial background and corporate structure.

On December 18, 2016, WSGR provided comments to the draft merger agreement to DLA. From December 18 to December 23, 2016, DLA reviewed and revised the draft merger agreement.

From December 18 to December 20, 2016, management from Mast and Savara and representatives of DLA and WSGR participated in a series of discussions via teleconference to discuss and negotiate, among other things, terms relating to closing cash balances and projected interim expenses, the amount of termination fees and triggers for payment of such fees, financial and accounting issues, and treatment of outstanding equity instruments.

On December 22, 2016, the Committee held a telephonic meeting, with members of management and representatives from Roth and DLA present. The Committee discussed, among other things, the progress of negotiations with Savara, open issues and the potential timeline to execution of a definitive agreement. Following the discussion, the Committee authorized management to extend exclusivity with Savara until December 28, 2016. On December 23, 2016, Mast and Savara entered into an amendment to the exclusivity agreement extending exclusivity until December 28, 2016.

On December 23, 2016, DLA provided comments to the draft merger agreement to WSGR. From December 23 to December 28, 2016, Savara, Mast and their respective representatives continued to negotiate the terms of a definitive merger agreement and conducted various due diligence conference calls regarding the parties' respective businesses.

On December 29, 2016, the Committee held a telephonic meeting, with members of management and representatives from Roth and DLA present. The Committee discussed, among other things, the progress of negotiations with Savara, open issues and potential timeline to execution of a definitive agreement. Following the discussion, the Committee authorized management to extend exclusivity with Savara until January 6, 2017. The Committee directed management to inform Savara that the Committee would not consider any further extensions of the exclusivity period. Following the meeting, Mast and Savara entered into a second amendment to the exclusivity agreement extending exclusivity until January 6, 2017.

Also on December 29, 2016, management from Mast and Savara and representatives of DLA and WSGR participated in a series of discussions to negotiate remaining open issues in the merger agreement and conduct additional due diligence relating to the parties' respective intellectual property.

Also on December 29, 2016, Mast announced an additional workforce reduction as part of its previously described strategic focus on AIR001 and plan to significantly reduce operating costs.

On January 2, 2017, representatives of DLA and WSGR participated in a series of discussions via teleconference to discuss and negotiate remaining open issues in the merger agreement. The parties agreed to review the open items with their respective clients and participate in a call the following day to discuss the open issues.

On January 3, 2017, management from Mast and Savara and representatives of DLA and WSGR participated in a series of discussions via teleconference to discuss and negotiate remaining open issues in the merger agreement.

On January 4, 2017, the Committee held a telephonic meeting, with members of management and representatives from Roth and DLA present. Prior to the meeting, the Committee received a marked copy of the current draft merger agreement reflecting changes from the last draft reviewed, drafts of the lock-up and voting agreements, and written summaries from representatives of Mast of due diligence on Savara. The Committee discussed, among other things, the progress of negotiations with Savara, open issues and potential timeline to execution of a definitive agreement.

On January 4, 2017, the Savara Board held a telephonic meeting with management and representatives of WSGR present to discuss the terms of the proposed transaction and the negotiated merger agreement, a copy of which had been distributed in advance of the meeting, and the developments since the previous draft and meeting. Management provided an update to the Savara Board on the results of its due diligence investigation of Mast. Management and legal counsel updated the Board on the negotiations with Mast since the previous meeting and reviewed the material terms of the merger agreement. The Savara Board also considered the factors described below under "The Merger — Recommendation of the Board; Reasons for the Merger", as well as the process of SEC review and the various risks, such as non-consummation of the merger, arising in connection with the proposed transaction. Following discussion, the Board unanimously (i) approved the merger agreement and consummation of the merger upon the terms and subject to the conditions set forth in the merger agreement, (ii) determined that the terms of the merger agreement and the transactions contemplated by the merger agreement, including the merger, are fair to, advisable and in the best interests of Savara and its stockholders, (iii) directed that the merger agreement be submitted to Savara's stockholders for adoption, and (iv) recommended that Savara stockholders adopt the merger agreement and approve the transactions contemplated by the merger agreement, including the merger. The Savara Board instructed management to finalize the transaction documents and enter into the merger agreement consistent with its instructions.

On January 5, 2017, management from Mast and Savara and representatives of DLA and WSGR exchanged messages to discuss and finalize the draft merger agreement.

Later on January 5, 2017, the Committee held a telephonic meeting, with members of management and representatives from Roth and DLA present. Prior to the meeting, the Committee received a marked copy of the current draft merger agreement reflecting changes from the last draft reviewed. The Committee discussed, among other things, the progress of negotiations with Savara, open issues and potential timeline to execution of a definitive agreement.

On January 6, 2017, the Committee held a telephonic meeting to discuss the terms of the proposed transaction and the fully negotiated merger agreement, a marked copy of which reflecting changes since the last draft reviewed had been distributed in advance of the meeting, and the developments since the previous draft and meeting. Together with management and Mast's external financial and legal advisors, the Committee reviewed the results of Roth's financial analysis and the terms of the proposed transaction. Representatives of DLA updated the Committee on the negotiations with Savara since the previous Committee meeting and reviewed with the Committee the material terms of the merger agreement. Representatives of Roth reviewed with the Committee Roth's financial analysis of the transaction and merger consideration, and later rendered to the Mast Board an oral opinion, which was subsequently confirmed by delivery of a written opinion dated January 6, 2017 and based upon and subject to various assumptions made, procedures followed, matters considered, and qualifications and limitations upon the review undertaken in preparing its opinion, the merger consideration pursuant to the merger agreement was fair, from a financial point of view, to Mast's stockholders. For a detailed discussion of Roth's opinion, please refer to the section entitled "The Merger — Opinion of Roth Capital Partners and Mast's Financial Advisor" beginning on page [●]. The Committee also considered the factors described below under "The Merger — Recommendation of the Mast Board; Reasons for the Merger", as well as the process of SEC review and the various risks, such as non-consummation of the merger, arising in connection with the proposed transaction. Following extensive discussion of all of the foregoing by the Committee, the Committee unanimously recommended that the Mast Board (i) approve the merger agreement and consummation of the merger upon the terms and subject to the conditions set forth in the merger agreement, (ii) determine that

the terms of the merger agreement and the transactions contemplated by the merger agreement, including the merger, are fair to, advisable and in the best interests of Mast and its stockholders, (iii) direct that the merger agreement be submitted to Mast's stockholders for adoption at the special meeting, (iv) approve the filing of a registration statement for the shares to be issued to Savara pursuant to the merger agreement, and (v) recommend that Mast's stockholders adopt the merger agreement and approve the transactions contemplated by the merger agreement, including the merger. Following the Committee meeting, the Mast Board held a meeting at which the foregoing was presented and discussed. Following an extensive discussion of the foregoing, the Mast Board unanimously (A) approved the merger agreement and consummation of the merger upon the terms and subject to the conditions set forth in the merger agreement, (B) determined that the terms of the merger agreement and the transactions contemplated by the merger agreement, including the merger, are fair to, advisable and in the best interests of Mast and its stockholders, (C) directed that the merger agreement be submitted to Mast's stockholders for adoption at a special meeting, (D) approved the filing of a registration statement for the shares to be issued to Savara pursuant to the merger agreement, and (E) recommended that Mast's stockholders adopt the merger agreement and approve the transactions contemplated by the merger agreement, including the merger. The Mast Board then instructed management to finalize the transaction documents and enter into the merger agreement consistent with its instructions.

Later on January 6, 2017, each of Savara, Mast, and Merger Sub executed and delivered the merger agreement, effective as of January 6, 2017.

On January 7, 2017, Savara and Mast issued a joint press release announcing the execution of the merger agreement and the proposed transaction.

Mast Reasons for the Merger

The Mast Board considered the following factors in reaching its conclusion to approve and adopt the Merger Agreement and the transactions contemplated thereby and to recommend that the Mast stockholders approve the merger, adopt the Merger Agreement and approve the other transactions contemplated by the Merger Agreement, including the issuance of shares of Mast common stock in the merger, all of which the Mast Board viewed as supporting its decision to approve the business combination with Savara:

- The Mast Board believes, based in part on the judgment, advice and analysis of Mast management with respect to the potential strategic, financial and operational benefits of the merger (which judgment, advice and analysis was informed in part on the business, technical, financial, accounting and legal due diligence investigation performed with respect to Savara), that:
  - the combined organization will be a clinical-stage company with a diversified development portfolio;
  - Savara has two product candidates in late stage clinical trials: AeroVanc and Molgradex;
  - the combined organization will be led by experienced senior management from Savara and a board of directors of five members designated by Savara and two members designated by Mast;
  - Savara has delivered voting agreements from its officers, directors and certain of its affiliated stockholders, representing approximately 30% of Savara's outstanding capital stock, in which each such individual or entity has agreed to vote in favor of the Merger Agreement and the related transactions; and
  - the combined company's ability to maintain Mast's listing on the NYSE MKT.
- The Mast Board also reviewed with the management of Mast the current plans of Savara for developing its product candidates to confirm the likelihood that the combined organization would possess sufficient financial resources to allow the management team to focus initially on the continued development of its product candidates. The Mast Board also considered the possibility that the combined organization would be able to take advantage of the potential benefits resulting from the combination of Mast and Savara to raise additional funds in the future.

- The Mast Board considered the opportunity as a result of the merger for Mast stockholders to participate in the potential value that may result from development of the Savara product candidate portfolio and the potential increase in value of the combined organization following the merger.
- The Mast Board concluded that the merger would provide the existing Mast stockholders with a significant opportunity to participate in the potential increase in value of the combined organization following the merger.
- The Mast Board considered the analyses of Roth, and its opinion to the Mast Board as to the fairness to Mast, from a financial point of view and as of the date of such opinion, of the exchange ratio for the conversion of Savara capital stock into Mast common stock, as more fully described below under the caption "The Merger — Opinion of the Mast Financial Advisor."
- The Mast Board also reviewed various factors impacting the financial condition, results of operations and prospects for Mast, including:
    - the strategic alternatives of Mast to the merger, including potential transactions that could have resulted from discussions that Mast's management conducted with other potential merger partners;
    - the consequences of the negative results from the vepoloxamer clinical trial, and the likelihood that the resulting circumstances for the company would not change for the benefit of the Mast stockholders in the foreseeable future on a stand-alone basis;
    - Mast's prospects to raise the significant amount of funds it would require to continue to complete the required development and clinical trials for its AIR001 product candidate would not change for the benefit of the Mast stockholders in the foreseeable future on a stand-alone basis;
    - the risks associated with, and the uncertain value, timing and costs to stockholders of, liquidating Mast or effecting a sale of all or some of its assets and thereafter distributing the proceeds;
    - the risks of continuing to operate Mast on a stand-alone basis, including Mast's current financial situation, the need to rebuild the company's product candidate development programs, infrastructure and management to continue its operations; and
    - the risks associated with Mast's inability to maintain its NYSE MKT listing without completing the merger.

The Mast Board also reviewed the terms and conditions of the proposed Merger Agreement and associated transactions, as well as the safeguards and protective provisions included therein intended to mitigate risks, including:

- the fact that immediately following the consummation of the merger, Savara stockholders, warrantholders and optionholders will own approximately 76% of the fully-diluted common stock of Mast, with Mast stockholders, optionholders and warrantholders, whose shares of Mast stock will remain outstanding after the merger, holding approximately 24% of the fully-diluted common stock of Mast;
- the final exchange ratio used to establish the number of shares of Mast common stock to be issued in the merger is based upon Mast's capitalization numbers immediately prior to the consummation of the merger; however, the estimated exchange ratio contained in this proxy statement/prospectus/information statement is based upon Mast's capitalization numbers immediately prior to the date of this proxy statement/prospectus/information statement, and will be adjusted to account for the issuance of any additional shares of Mast common stock prior to the consummation of the merger and Mast's net cash at closing;
- the limited number and nature of the conditions to the Savara obligation to consummate the merger, including the absence of any financing contingency, and the limited risk of non-satisfaction of such conditions as well as the likelihood that the merger will be consummated on a timely basis;

- the respective rights of, and limitations on, Mast and Savara under the Merger Agreement to consider certain unsolicited acquisition proposals under certain circumstances should Mast or Savara receive a superior proposal;
- the reasonableness of the potential termination fee payable by Mast under certain circumstances of $1.8 million or the reasonableness of the potential termination fee payable by Savara under certain circumstances of $2.5 million;
- the voting agreements, pursuant to which certain directors, officers and affiliated stockholders of Savara agreed, solely in their capacity as stockholders, to vote all of their shares of Savara capital stock in favor of adoption of the Merger Agreement; and
- the belief that the terms of the Merger Agreement, including the parties' representations, warranties and covenants, and the conditions to their respective obligations, are reasonable under the circumstances.

In the course of its deliberations, the Mast Board also considered a variety of risks and other countervailing factors related to entering into the merger, including:

- the $1.8 million termination fee that may be payable to Savara upon the occurrence of certain events, and the potential effect of such termination fee or reimbursement of transaction expenses in deterring other potential acquirers from proposing an alternative transaction that may be more advantageous to Mast stockholders;
- the risk that if Mast's debt at the closing exceeds its net cash at the closing, the allocation of 24% ownership to Mast stockholders, optionholders and warrantholders of the outstanding common stock of Mast immediately following the consummation of the merger will be reduced;
- the substantial expenses to be incurred in connection with the merger;
- the possible volatility, at least in the short term, of the trading price of the Mast common stock resulting from the merger announcement;
- the risk that the merger might not be consummated in a timely manner or at all and the potential adverse effect of the public announcement of the merger or on the delay or failure to complete the merger on the reputation of Mast;
- the risk to Mast's business, operations and financial results in the event that the merger is not consummated;
- the strategic direction of the continuing entity following the completion of the merger, which will be determined by a board of directors, a majority of which will initially designated entirely by Savara;
- the fact that the merger would give rise to substantial limitations on the utilization of Mast's NOLs; and
- various other risks associated with the combined organization and the merger, including those described in the section entitled "Risk Factors" in this proxy statement/prospectus/information statement.

The foregoing information and factors considered by the Mast Board are not intended to be exhaustive but are believed to include all of the material factors considered by the Mast Board. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the Mast Board did not find it useful to attempt, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In considering the factors described above, individual members of the Mast Board may have given different weight to different factors. The Mast Board conducted an overall analysis of the factors described above, including thorough discussions with, and questioning of, the Mast management team and the legal and financial advisors of Mast, and considered the factors overall to be favorable to, and to support, its determination.

Savara Reasons for the Merger

In the course of reaching its decision to approve the merger, the Savara Board consulted with Savara's senior management, financial advisor and legal counsel, reviewed a significant amount of information and considered a number of factors, including, among others:

- that the combined company will have a pipeline of novel inhalation therapies for the treatment of serious or life-threatening rare respiratory diseases featuring three product candidates, each in advanced clinical development including Savara's AeroVanc and Molgradex programs and Mast's AIR001 program;
- the expectation that the merger with Mast would be a more effective means to access capital through the public markets or other transactions compared to other alternatives considered, including an initial public offering which Savara had considered pursuing;
- the potential to provide its current stockholders with greater liquidity by owning stock in a public company;
- that the shares of Mast common stock issued to Savara stockholders will be registered pursuant to a Form S-4 registration statement by Mast and will become freely tradable (subject to the terms of applicable lock-up agreements) for Savara's stockholders who are not affiliates of Savara;
- the likelihood that the merger will be consummated on a timely basis;
- the terms and conditions of the Merger Agreement including the following:
    - the determination that an exchange ratio that is fixed and not subject to adjustment based on trading prices is appropriate to reflect the expected relative percentage ownership of Mast securityholders and Savara securityholders, in the judgment of the Savara Board;
    - the expectation that the merger should be treated as a reorganization for U.S. federal income tax purposes, with the result that the Savara stockholders generally will not recognize taxable gain or loss for U.S. federal income tax purposes;
- the limited number and nature of the conditions of the obligation of Mast to consummate the merger and the limited risk of non-satisfaction of such conditions;
- the rights of Savara under the Merger Agreement to consider certain unsolicited acquisition proposals under certain circumstances should Savara receive a superior proposal; and
- the conclusion of Savara's board of directors that the potential termination fee of $1.8 million, or in some situations the reimbursement of certain transaction expenses incurred in connection with the merger of up to $250,000, payable by Mast to Savara and the circumstances when such fee may be payable, were reasonable.

The Savara Board also considered a number of uncertainties and risks in its deliberations concerning the merger and the other transactions contemplated by the Merger Agreement, including the following:

- the possibility that the merger might not be completed and the potential adverse effect of the public announcement of the merger on the reputation of Savara and the ability of Savara to obtain financing in the future in the event the merger is not completed;
- the termination fee of $2.5 million or in some situations the reimbursement of certain transaction expenses incurred in connection with the merger of up to $250,000, payable by Savara to Mast upon the occurrence of certain events, and the potential effect of such termination fee in deterring other potential acquirers from proposing an alternative transaction that may be more advantageous to Savara's stockholders;
- the limited cash resources of the combined organization expected to be available at the closing of the merger and the risk that the combined company would not be able to raise sufficient funds following the closing of the merger to continue clinical development of its development programs;

- the risk that the merger might not be consummated in a timely manner or at all;
- the transaction expenses and operating expenses to be incurred in connection with the merger and related administrative challenges associated with combining the companies;
- the additional public company expenses and obligations that Savara's business will be subject to following the merger that it has not previously been subject to; and
- various other risks associated with the combined organization and the merger, including the risks described in the section entitled "Risk Factors" in this proxy statement/prospectus/information statement.

The foregoing information and factors considered by the Savara Board are not intended to be exhaustive but are believed to include all of the material factors considered by the Savara Board. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the Savara Board did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In considering the factors described above, individual members of the Savara Board may have given different weight to different factors. The Savara Board conducted an overall analysis of the factors described above, including discussions with, and questioning of, Savara's management and Savara's legal and financial advisors, and considered the factors overall to be favorable to, and to support, its determination.

Opinion of Roth Capital Partners as Mast's Financial Advisor

The Mast Board retained Roth on October 24, 2016 to render an opinion as to the fairness to Mast, from a financial point of view, of merger consideration to be paid by Mast to the holders of shares of Savara common stock, or consideration, in the Merger pursuant to the Merger Agreement.

On January 6, 2017, Roth rendered its oral opinion to the Mast Board (which was subsequently confirmed in writing by delivery of Roth's written opinion dated the same date) to the effect that, based upon and subject to the assumptions, factors, qualifications and limitations set forth in the written opinion described herein, as of January 6, 2017, the consideration to be paid by Mast in the Merger was fair, from a financial point of view, to Mast.

Roth's opinion was prepared solely for the information of the Mast Board and only addressed the fairness, from a financial point of view, to Mast of the consideration to be paid by Mast in the Merger. Roth was not requested to opine as to, and Roth's opinion does not address, the relative merits of the Merger or any alternatives to the Merger, Mast's underlying decision to proceed with or effect the Merger, or any other aspect of the Merger. Roth's opinion does not address the fairness of the Merger to the holders of any class of securities, creditors or other constituencies of Mast and is not a valuation of Mast or Savara or their respective assets or any class of their securities. Roth did not express an opinion about the fairness of the amount or nature of any compensation payable or to be paid to any of the officers, directors or employees, of Savara, whether or not relative to the Merger.

The summary of Roth's opinion in this proxy statement is qualified in its entirety by reference to the full text of its written opinion, which is included as Annex B to this proxy statement solicitation and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Roth in preparing its opinion. Roth's opinion was prepared solely for the information of the Mast Board for its use in connection with its consideration of the Merger. Neither Roth's written opinion nor the summary of its opinion and the related analyses set forth in this prospectus/proxy statement are intended to be, and they do not constitute, advice or a recommendation to any stockholder as to how such stockholder should act or vote with respect to any matter relating to the Merger or any other matter.

The terms of the Merger, the consideration to be paid in the Merger, and the related transactions were determined through arm's length negotiations between Mast and Savara and were approved unanimously by the

Mast Board. Roth did not determine the consideration to be paid by Mast in connection with the Merger. For purposes of its opinion, management of Mast advised Roth and, with the consent of the Mast Board, Roth assumed without independent verification that (i) the "Net Cash Adjustment Amount" specified in the Merger Agreement will be $2,000,000, (ii) the final exchange ratio determined in accordance with the Merger Agreement will be 46.92 shares of Mast common stock for each share of Savara common stock, and (iii) 1,018,747,837 shares of Mast common stock will be issued in the Merger. In its opinion, Roth expressly disclaimed any opinion as to (i) the reasonableness of these assumptions, (ii) the amount of the actual Net Cash Adjustment, (iii) the final exchange ratio determined pursuant to the Merger Agreement, or (iv) the actual number of shares of Mast common stock to be issued in the Merger.

In connection with rendering the opinion described above and performing its related financial analyses, Roth, among other things:

- reviewed a draft of the Merger Agreement dated January 5, 2017;
- reviewed certain information, including financial forecasts, relating to the business, earnings, cash flow, assets, liabilities and prospects of Mast and Savara that were furnished to Roth by Mast and Savara;
- conducted discussions with members of senior management and representatives of Mast and Savara concerning the matters described in the prior clause;
- reviewed the pro forma ownership of the combined entity resulting from the Merger;
- discussed the past and current operations and financial condition and the prospects of Mast and Savara with members of senior management of Mast and of Savara, respectively;
- reviewed the financial terms, to the extent publicly available, of certain acquisition and financing transactions that Roth deemed relevant; and
- performed such other analyses and considered such other factors as Roth deemed appropriate for the purpose of rendering its opinion.

In arriving at its opinion, Roth relied upon and assumed, without independent verification, the accuracy and completeness of all information that was publicly available or was furnished, or otherwise made available to Roth or discussed with or reviewed by or for Roth, and further assumed that the financial information provided to Roth had been prepared on a reasonable basis in accordance with industry practice, and that management of Mast was not aware of any information or facts that would make any information provided to Roth incomplete or misleading.

With respect to the financial forecasts, estimates and other forward-looking information reviewed by Roth, Roth assumed that such information had been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments of Mast's management as to the expected future combined results and financial condition of Mast and Savara after giving effect to the Merger. Roth was not engaged to assess the achievability of any such financial forecasts, estimates or forward-looking information or the assumptions on which they were based, and Roth expressed no opinion as to such information or assumptions. In addition, Roth did not assume any responsibility for, and did not perform, any appraisals or valuation of any specific assets or liabilities (fixed, contingent or other) of Mast or Savara, nor was Roth furnished or provided with any such appraisals or valuations. Without limiting the generality of the foregoing, Roth was not engaged to, and did not undertake, any independent analysis of any pending or threatened litigation, regulatory action, possible unasserted claims or other contingent liabilities, to which Mast, Savara or any of their respective affiliates is a party or may be subject, and at the direction of Mast and with its consent, Roth's opinion made no assumption concerning, and did not consider, the possible assertion of claims, outcomes or damages arising out of any such matters.

Roth relied upon and assumed, without independent verification, that the representations and warranties of all parties set forth in the Merger Agreement and all related documents and instruments that are referred to

therein are true and correct, that each party will fully and timely perform all of the covenants and agreements required to be performed by such party, that the Merger will be consummated pursuant to the terms of the Merger Agreement, without amendment, and that all conditions to the consummation of the Merger will be satisfied without waiver thereof. Roth further assumed that the Merger Agreement was in all material respects identical to the draft of the Merger Agreement provided to Roth. Finally, Roth also assumed that all the necessary regulatory approvals and consents required for the Merger, including the approval of the stockholders of Mast and Savara, will be obtained in a manner that will not adversely affect Mast or Savara or the contemplated benefits of the Merger.

In connection with its opinion, Roth assumed and relied upon, without independent verification, the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by it. Roth's opinion does not address any legal, regulatory, tax or accounting issues. Roth's fairness opinion was approved by its fairness committee prior to delivering it to Mast.

Roth's opinion is necessarily based upon the information available to Roth and facts and circumstances as they existed and were subject to evaluation as of January 6, 2017, which is the date of the Roth opinion. Although events occurring after the date of the Roth opinion could materially affect the assumptions used in preparing the opinion, Roth does not have any obligation to update, revise or reaffirm its opinion and Roth expressly disclaims any responsibility to do so. Roth did not express any opinion as to the price at which shares of Mast's common stock may trade following announcement of the Merger or at any future time.

The consideration to be paid by Mast in the Merger was determined through arm's length negotiations between Mast and Savara and was approved by the Mast and Savara boards of directors. Roth did not provide advice to the Mast Board during these negotiations, the decision to enter into the Merger was solely that of the Mast Board. Roth's opinion and its presentation to the Mast Board was one of many factors taken into consideration by the Mast Board in deciding to approve, adopt and authorize the Merger Agreement. Consequently, the analyses as described herein should not be viewed as determinative of the opinion of the Mast Board with respect to the consideration to be paid by Mast in the Merger or of whether the Mast Board would have been willing to agree to different consideration.

The following is a summary of the material financial analyses performed by Roth in connection with the preparation of its fairness opinion, which opinion was rendered orally to the Mast Board (and subsequently confirmed in writing by delivery of Roth's written opinion dated the same date) on January 6, 2017. The preparation of analyses and a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to summary description and this summary does not purport to be a complete description of the analyses performed by Roth or the delivery of Roth's opinion to the Mast Board.

This summary includes information presented in tabular format. In order to fully understand the financial analyses presented by Roth, the tables must be read together with the text of each analysis summary and considered as a whole. The tables alone do not constitute a complete summary of the financial analyses. Considering any portion of such analyses and of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying Roth's opinion.

In furnishing its opinion, Roth did not attempt to combine the analyses described herein into one composite valuation range, nor did Roth assign any quantitative weight to any of the analyses or the other factors considered. Furthermore, in arriving at its opinion, Roth did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor in light of one another. Accordingly, Roth has stated that it believes that its analyses must be considered as a whole and that considering any portion of its analyses, without considering all of the analyses, could create a misleading or incomplete view of the process underlying its opinion or the conclusions to be drawn therefrom.

In conducting the analysis as to the fairness to Mast, from a financial point of view, of the consideration to be paid by Mast pursuant to the terms of the Merger Agreement, Roth evaluated the stand-alone valuations of Mast and Savara. Roth then compared the pro-forma Mast ownership based on the Merger Agreement, with Mast's stand-alone valuation.

The results of the application by Roth of each of the valuation methodologies utilized in connection with its fairness opinion is summarized below.

Consideration to be Paid in the Merger

For purposes of its opinion, management of Mast advised Roth and, with the consent of the Mast Board, Roth assumed without independent verification that (i) the "Net Cash Adjustment Amount" specified in the Merger Agreement will be $2,000,000, (ii) the final exchange ratio determined in accordance with the Merger Agreement will be 46.92 shares of Mast common stock for each share of Savara common stock, and (iii) 1,018,747,837 shares of Mast common stock will be issued in the Merger. Based upon the closing price per share of Mast common stock on January 6, 2017 of $0.10, Roth observed that Mast was paying approximately $100.8 million to acquire Savara.

Based on the expected exchange ratio, Mast's management calculated the pro forma ownership of the combined company (NewCo) as follows:

Pro-Forma Ownership Structure[1]

	Stipulated Value[2]	Pro-Forma Shares Outstanding	Ownership Percentage
Mast	$ 29,634,184	262,519,659	20.5%
Savara	$115,000,000	1,018,747,837	79.5%
NewCo	$144,634,184	1,281,267,496	100.0%

Source: Merger Agreement
Notes: (1) — Per Mast Management
(2) — As per Merger Agreement

Roth noted that the $100.8 million consideration being paid by Mast for Savara was lower than Roth's estimated valuation range of $182.7 million to $234.3 million for Savara, as described in more detail below.

Roth estimated the value of NewCo as approximately $241.4 million based on the midpoint of the valuation ranges for each of Mast and Savara of $32.9 million and $208.0 million, as described in more detail below. Roth noted that the 20.5% value of NewCo attributable to Mast's stockholders represented an implied enterprise value of approximately $49.5 million for Mast as compared to a stand-alone value for Mast of approximately $32.9 million.

Estimated Mast Stand-Alone Valuation

Roth evaluated the value of Mast on a stand-alone basis using the following valuation methodologies:

- Public Market Valuation;
- Public Comparable Analysis — Cardiovascular;
- Discounted Cash Flow Analysis of Mast's AIR001 product candidate;

Utilizing the various valuation methodologies listed above, Roth estimated a valuation of Mast utilizing the Public Market Valuation of $19.6 million to $33.8 million; Public Comparable Analysis — Cardiovascular of $36.0 million to $49.9 million and Discounted Cash Flow Analysis of $25.5 million to $32.5 million.

The results of these analyses are summarized as follows (in millions):

	Implied Enterprise Value	
	Low	High
Methodology		
Mast Public Market Valuation	$ 19.6	$ 33.8
Public Comparable Analysis — Cardiovascular	$ 36.0	$ 49.9
Discounted Cash Flow Analysis — AIR001	$ 25.5	$ 32.5
Average	$ 27.1	$ 38.7

Notes: High and low ranges are based on mean and median values.

Public Company Valuation

Roth noted that since Mast's clinical set-back in mid-September, Mast's market value had ranged from $15.0 million to $29.1 million and that during the same period, Mast's enterprise value had ranged from $19.6 million[1] to $33.8million[1].

Source: Capital IQ

Note: As of 1/6/2107

(1) — Enterprise value assumes a net cash position of ($4.7 million).

Public Comparable Analysis — Cardiovascular

Roth reviewed the total enterprise values of publicly traded companies with cardiovascular product candidates in development. The comparable companies' analysis uses data from comparable guideline companies to develop a measure of current value for Mast. The theory underlying the comparable companies' valuation is that companies in the same industry with similar operating characteristics should have certain valuation benchmarks in common. The goal of the analysis is to develop a premise for relative value, which when coupled with other valuation approaches, presents a foundation for determining a range of firm value.

Selected cardiovascular trading comparables had a median and mean enterprise value of $36.0 million and $49.9 million, respectively:

Company	Ticker	Stage of Development	1/6/2017 Price	52 Week High	52 Week Low	Market Cap ($M)	Enterprise Value ($M)
Gemphire Therapeutics Inc.	GEMP	Phase III	$ 9.23	$ 13.98	$ 7.25	$ 85.6	$ 57.2
Tenax Therapeutics, Inc.	TENX	Phase II	$ 2.28	$ 3.12	$ 1.21	$ 64.1	$ 56.6
Capricor Therapeutics, Inc.	CAPR	Phase II	$ 2.64	$ 5.40	$ 1.88	$ 56.5	$ 49.9
Bellerophon Therapeutics, Inc.	BLPH	Phase III	$ 0.61	$ 4.58	$ 0.43	$ 19.3	$ 8.1
Acasti Pharma Inc.	ACST	Phase II	$ 1.29	$ 3.05	$ 1.11	$ 13.8	$ 8.4
				Mean		**$ 47.8**	**$ 36.0**
				Median		**$ 56.5**	**$ 49.9**

Source: Biomed Tracker, Capital IQ, Evaluate Pharma
Note: Data as of 1/6/2017/12/16

Discounted Cash Flow Analysis

The discounted cash flow analysis is a "forward looking" methodology and is based on projected future cash flows to be generated by Mast which are then discounted back to the present. This methodology has three primary components: (1) the present value of projected unlevered cash flows for a determined period; (2) the present value of the terminal value of cash flows based on the declining growth method (representing firm value beyond the time horizon on the projections); (3) the weighted average cost of capital (WACC) used to discount such future cash flows and terminal value back to the present. In the discounted cash flow analysis, Roth used Mast management's unlevered free cash flow projections and then applied a "probability of success" adjustment based on PAREXEL's R&D Sourcebook probabilities of clinical success in Phase 1, Phase 2, Phase 3 and NDA stages of development. The future cash flows plus the terminal value of such cash flows are discounted by the WACC, to derive a present value.

In conducting its discounted cash flow analysis for the purpose of determining the enterprise value of Mast, Roth applied the projected unlevered free cash flow that Mast is expected to generate during fiscal years 2017 to 2029 from its AIR001 program based upon financial projections prepared by Mast's management. Terminal values based on declining cash flow at a rate of 3.0% to 7.0% were applied to management's cash flow estimates in year 2029 to complete the basis for calculating the present value of future free cash flows. The future free cash flows are then discounted by the WACC, to derive a present value. In selecting an appropriate discount rate, Roth took into account the industry's unlevered equity beta of 0.93, Mast's debt to equity ratio of 19.5%, levered beta of 1.05, the equity risk premium of 19% based on Duff & Phelps 2015 Valuation Handbook, the risk free rate of 2.4% for 10-year U.S. treasury securities, pre-tax cost of debt of 3.3% (average of comparable companies), Mast's tax rate assumption of 34.0%, Mast's equity to total capitalization of 83.6% and its debt to total capitalization of 16.4%. Application of the foregoing principles resulted in a 19.1% WACC. Roth performed a sensitivity analysis using discount rates from 19.0% to 21.0% to arrive at a range of present values.

Based on the foregoing, Roth computed an enterprise value range of $25.5 million to $32.5 million. In evaluating the foregoing, it should be noted that the WACC does not take into consideration the specific firm risks such as bankruptcy. As a result, Mast's true WACC may be higher when taking into consideration the risks of default and negative operating profit history of the business which would have the effect of reducing the enterprise value range. By conducting an analysis of a range of discount rates rather than relying one specific WACC, Roth is comfortable that the analysis is appropriate.

Mast Therapeutics, Inc.

Discounted Cash Flow Analysis

($ in millions)

	2017	2018	2019	2020	2021	2022	2023	2024
Revenue Projections —AIR001 (Cardio)	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$1,132.0	$2,355.5	$3,676.0
YoY Growth							*108%*	*56%*
Free Cash Flow[1]	($2.5)	($23.1)	($34.3)	($37.5)	($32.3)	$ 111.0	$ 325.3	$ 557.7
Probability of Success Adjustment[2]		25.0%	25.0%	25.0%	25.0%	12.5%	9.6%	9.6%
Free Cash Flow (Risk Adjusted)	**($2.5)**	**($ 5.8)**	**($ 8.6)**	**($ 9.4)**	**($ 8.1)**	**$ 13.9**	**$ 31.3**	**$ 53.7**

	2025	2026	2027	2028	2029
Revenue Projections —AIR001 (Cardio)	$2,549.7	$1,326.4	$690.0	$717.8	$746.8
YoY Growth	*-31%*	*-48%*	*-48%*	*4%*	*4%*
Free Cash Flow[1]	$ 392.5	$ 192.4	$ 82.8	$ 94.6	$104.2
Probability of Success Adjustment[2]	9.6%	9.6%	9.6%	9.6%	9.6%
Free Cash Flow (Risk Adjusted)	**$ 37.8**	**$ 18.5**	**$ 8.0**	**$ 9.1**	**$ 10.0**

	Declining Growth Terminal Value Methodology				Declining Growth Method		
		PV of Terminal Value Declining Growth Method			NPV+Terminal Value		
Discount Rate	NPV of Cash Flows (2017-2029)	3%	5%	7%	3%	5%	7%
19.0%	$ 27.0	$ 5.5	$ 4.9	$ 4.4	$32.5	$31.9	$31.4
19.5%	$ 25.7	$ 5.1	$ 4.6	$ 4.2	$30.8	$30.3	$29.9
20.0%	$ 24.5	$ 4.7	$ 4.3	$ 3.9	$29.2	$28.8	$28.4
20.5%	$ 23.3	$ 4.4	$ 4.0	$ 3.6	$27.7	$27.3	$26.9
21.0%	$ 22.2	$ 4.1	$ 3.7	$ 3.4	$26.3	$25.9	$25.5

Note: (1) — FY2017 — FY2029 figures are based on Mast's estimates of unlevered free cash flow
(2) — Probability of Success (PoS) adjustment based on PAREXEL's R&D Sourcebook probabilities of clinical in Phase 1, Phase 2, Phase 3, and NDA respectively; PoS adjustment applied to cash flows subject to clinical development risk

Estimated Savara Stand-Alone Valuation

Roth evaluated the value of Savara on a stand-alone basis, using the following valuation methodologies:

- Private Valuation Step-Up Analysis;
- Public Comparable Analysis — Respiratory;
- Respiratory Licensing Transactions;
- Precedent Respiratory M&A Transactions; and
- Discounted Cash Flow Analysis.

Utilizing the various valuation methodologies listed above, Roth estimated a valuation of Savara utilizing the Private Valuation Step-up Analysis of $113.1 million to $145.3 million; Public Comparable Analysis — Respiratory of $71.1 million to $171.6 million; Respiratory Licensing Transactions of $150 million to $184.3 million; Precedent Respiratory M&A Transactions of $396.9 million to $446.5 million; and Discounted Cash Flow Analysis of $182.4 million to $224.0 million.

The results of these analyses are summarized as follows (in millions):

	Implied Enterprise Value	
	Low	High
Methodology		
Private Company Step-up Analysis	$113.1	$145.3
Public Comparable Analysis — Respiratory	$ 71.1	$171.6
Respiratory Licensing Transactions	$150.0	$184.3
Precedent Respiratory M&A Transactions	$396.9	$446.5
Discounted Cash Flow Analysis*	$182.4	$224.0
Average	$182.7	$234.3

Notes:
High and low ranges are based on mean and median values.
* Enterprise value based on the discounted cash flow analysis of AeroVanc (U.S.) and PAP (Worldwide)

Private Valuation Step-up Analysis

Roth reviewed the step-up multiples of selected life science company IPOs which compares the pre-money valuation of the latest private financing round, if available, with the post IPO marketing valuation. The purpose of the step-up analysis is to estimate the value of a private company as if it was publicly traded. Prior life science IPOs had a median and average step-up multiples of 1.1x and 1.4x, arriving at an applied enterprise value range for Savara of $113.1 million to $145.3 million.

Pricing Date	Company	Ticker	Offer Price	Amount Raised in IPO ($M)	Pre-Money Equity Valuation ($M)	IPO Step-up Multiple	Post IPO Market Value ($M)[1]
10/26/16	Myovant Sciences Ltd	MYOV	$15.00	$ 217.5	$ 685.9	1.0x	$ 685.9
10/25/16	Ra Pharmaceuticals Inc	RARX	$13.00	$ 91.6	$ 98.7	1.9x	$ 187.8
10/19/16	iRhythm Technologies Inc	IRTC	$17.00	$ 123.1	$ 125.7	1.9x	$ 236.0
10/18/16	Crispr Therapeutics AG	CRSP	$14.00	$ 62.0	$ 365.3	1.3x	$ 489.1
10/11/16	AzurRx BioPharma Inc	AZRX	$ 5.50	$ 5.3	$ 47.7	1.0x	$ 47.7
10/05/16	Obalon Therapeutics Inc	OBLN	$15.00	$ 75.0	$ 90.7	1.8x	$ 164.3
09/28/16	Fulgent Genetics Inc	FLGT	$ 9.00	$ 43.5	$ 110.0	1.0x	$ 109.9
09/26/16	Shineco Inc	TYHT	$ 4.50	$ 7.7	$ 86.9	1.0x	$ 87.0
09/22/16	AC Immune SA	ACIU	$11.00	$ 75.9	$ 172.1	3.1x	$ 533.5
09/20/16	Novan Inc	NOVN	$11.00	$ 51.9	$ 417.1	0.3x	$ 116.7
08/10/16	Medpace Holdings Inc	MEDP	$23.00	$ 185.2	$ 726.6	1.0x	$ 726.6
08/10/16	Protagonist Therapeutics Inc	PTGX	$12.00	$ 90.0	$ 59.9	1.8x	$ 105.9
08/04/16	Gemphire Therapeutics Inc	GEMP	$10.00	$ 30.0	$ 30.2	1.8x	$ 54.3
07/27/16	Tactile Systems Technology Inc	TCMD	$10.00	$ 41.2	$ 30.8	4.1x	$ 125.3
07/26/16	Kadmon Holdings LLC	KDMN	$12.00	$ 75.0	$ 463.4	1.0x	$ 463.4
07/20/16	Patheon NV	PTHN	$21.00	$ 718.8	$ 1,400.0	1.6x	$ 2,234.0
07/19/16	Audentes Therapeutics Inc	BOLD	$15.00	$ 75.0	$ 219.1	1.1x	$ 240.3
06/29/16	Syros Pharmaceuticals Inc	SYRS	$12.50	$ 57.5	$ 188.6	1.2x	$ 227.0
06/21/16	Selecta Biosciences Inc	SELB	$14.00	$ 70.0	$ 73.2	2.5x	$ 180.6
06/02/16	Sensus Healthcare Inc	SRTS	$ 5.50	$ 12.7	$ 55.4	1.0x	$ 55.3
06/01/16	Moleculin Biotech Inc	MBRX	$ 6.0	$ 9.2	$ 55.2	1.0x	$ 55.3

Pricing Date	Company	Ticker	Offer Price	Amount Raised in IPO ($M)	Pre-Money Equity Valuation ($M)	IPO Step-up Multiple	Post IPO Market Value ($M)[1]
06/01/16	Clearside Biomedical Inc	CLSD	$ 7.00	$ 57.0	$ 101.2	0.8x	$ 80.1
05/25/16	Reata Pharmaceuticals Inc	RETA	$ 11.00	$ 69.6	$ 154.6	1.1x	$ 166.9
05/18/16	Merus BV	MRUS	$ 10.00	$ 61.4	$ 120.3	0.8x	$ 92.7
05/17/16	PhaseRx Inc	PZRX	$ 5.00	$ 18.5	$ 43.1	0.9x	$ 39.4
05/12/16	Oncobiologics Inc	ONS	$ 6.00	$ 35.0	$ 179.0	0.5x	$ 90.9
05/06/16	Spring Bank Pharmaceuticals Inc	SBPH	$ 12.00	$ 12.7	$ 72.4	1.0x	$ 72.4
05/05/16	Intellia Therapeutics Inc	NTLA	$ 18.00	$ 124.2	$ 229.3	2.2x	$ 507.5
04/06/16	Aeglea Biotherapeutics Inc	AGLE	$ 10.00	$ 54.8	$ 65.2	1.1x	$ 74.5
03/22/16	Corvus Pharmaceuticals Inc	CRVS	$ 15.00	$ 70.5	$ 214.7	1.1x	$ 235.6
03/02/16	Syndax Pharmaceuticals Inc	SNDX	$ 12.00	$ 57.7	$ 171.8	0.9x	$ 150.8
02/10/16	Proteostasis Therapeutics Inc	PTI	$ 8.00	$ 50.0	$ 153.5	0.7x	$ 102.9
02/10/16	AveXis Inc	AVXS	$ 20.00	$ 95.0	$ 196.6	1.8x	$ 353.0
02/02/16	BeiGene Ltd	BGNE	$ 24.00	$ 182.2	$ 360.9	1.6x	$ 574.2
02/02/16	Editas Medicine Inc	EDIT	$ 16.00	$ 108.6	$ 326.0	1.4x	$ 462.6
			Mean	**$ 89.0**	**$ 225.5**	**1.4x**	**$ 289.4**
			Median	**$ 62.0**	**$ 153.5**	**1.1x**	**$ 164.3**

Savara IPO Step-up Analysis[2]

	Pre-Money Equity Valuation ($M)	IPO Step-up Multiple	Implied Market Value ($M)	Implied Enterprise Value ($M)
Mean	**$ 115.0**	**1.4x**	**$ 158.3**	**$ 145.3**
Median	**$ 115.0**	**1.1x**	**$ 126.1**	**$ 113.1**

Source: Capital IQ, Dealogic

Note: Includes selected life sciences IPOs from 1/1/2016 — 1/6/2017
(1) — One day after pricing date; Excludes capital raised in IPO
(2) — Latest pre-money equity valuation per Savara management; Implied enterprise value assumes Savara net debt of ($13M)

Public Comparable Analysis — Respiratory

Roth reviewed the total enterprise values of publicly traded companies with respiratory product candidates in development. The comparable companies' analysis uses data from comparable guideline companies to develop a measure of current value for Savara. The theory underlying the comparable companies' valuation is that companies in the same industry with similar operating characteristics should have certain valuation benchmarks in common. The goal of the analysis is to develop a premise for relative value, which when coupled with other valuation approaches, presents a foundation for determining a range of firm value.

Selected respiratory trading comparables had a median and mean enterprise value of $71.1 million and $171.6 million, respectively:

Company	Ticker	Stage of Development	1/6/2017 Price	52 Week High	52 Week Low	Market Cap ($M)	Enterprise Value ($M)
Insmed Incorporated	INSM	Phase III	$14.06	$ 16.79	$ 9.02	$ 870.0	$ 704.2
Concert Pharmaceuticals, Inc.	CNCE	Phase II	$10.92	$ 17.38	$ 7.11	$ 243.2	$ 135.2
MediciNova, Inc.	MNOV	Phase II	$ 6.10	$ 10.16	$ 3.50	$ 210.6	$ 185.6
ProQR Therapeutics N.V.	PRQR	Phase I	$ 5.00	$ 8.70	$ 3.48	$ 116.7	$ 49.8
Adamis Pharmaceuticals Corporation	ADMP	Phase II	$ 3.30	$ 10.98	$ 2.40	$ 71.2	$ 71.1
Pharmaxis Ltd	PXS	Phase II	$ 0.21	$ 0.27	$ 0.17	$ 67.5	$ 45.2
Aradigm Corporation	ARDM	Phase II	$ 1.75	$ 7.19	$ 1.47	$ 25.9	$ 10.2
				Mean		**$ 229.3**	**$ 171.6**
				Median		**$ 116.7**	**$ 71.1**

Source: Biomed Tracker, Capital IQ, Evaluate Pharma

Note: Data as of 1/6/2017

Respiratory Licensing Comparables

Roth reviewed financial terms, to the extent publicly available, of licensing transactions for assets in the respiratory space at comparable stages of development, from June 2014 to May 2016. Selected comparable licensing deals had a median and average deal value of $150.0 million and $184.3 million, respectively.

Date	Licensor	Licensee	Asset	Indication	Stage at Announcement	Transaction Value ($M)
5/2016	Nobelpharma	Serendex Pharmaceuticals	Molgradex	Pulmonary Alveolar Proteinosis (PAP)	Phase III	$ 10.5
3/2016	AbbVie	Boehringer Ingelheim	Risankizumab	Asthma	Phase III	$ 595.0
8/2015	Bristol-Myers Squibb	Promedior	PRM-151 IV	Pulmonary Fibrosis	Phase II	$ 150.0
6/2015	Vertex Pharmaceuticals	Parion Sciences	VX-371	Cystic Fibrosis (CF)	Phase II	$ 1,170.0*
1/2015	Mylan	Theravance Biopharma	Revefenacin	COAD/COPD	Phase II	$ 265.0
12/2014	Chiesi	Pharmaxis	Bronchitol	Cystic Fibrosis (CF)	Phase III	$ 25.0
6/2014	Boehringer Ingelheim	Vectura	VR506	Asthma	Phase II	$ 12.0
6/2014	AstraZeneca	Synairgen	AZD9412	Asthma	Phase II	$ 232.3
			Mean			**$ 184.3**
			Median			**$ 150.0**

Source: Evaluate Pharma, Company Press Releases

Note: Includes comparable licensing transactions from 2014 — 2016 with available transaction values
(*) — Outlier transaction excluded from mean and median calculation

Precedent Respiratory M&A Transactions

The precedent respiratory M&A analysis uses data based on the values acquirers have previously placed on comparable companies in a merger or acquisition to develop a measure of current value for Savara. Roth examined precedent transactions, from October 2008 through November 2016, involving respiratory clinical development companies that it viewed as similar to Savara. These entities were selected on the basis of the nature of their businesses, their size and operating characteristics. The data available on these transactions, due in part to their size, is limited. Roth examined the data points set out in the table below for the selected precedent transactions.

Selected respiratory M&A transactions indicate an average and median deal value of $396.9 million and $446.5 million, respectively.

Date	Acquirer	Target	Total Deal Value ($M)
11/2016	Chiesi	Atopix Therapeutics	$ 80.0
9/2016	Horizon Pharma	Raptor Pharmaceutical	$ 800.0
6/2016	Merck	Afferent Pharmaceuticals	$ 1,250.0*
3/2016	Vectura	SkyePharma	$ 621.0
2/2016	Biogen Idec	Stromedix	$ 562.5
12/2015	AstraZeneca	Takeda Pharmaceutical — Respiratory Business	$ 575.0
10/2015	Roche	Adheron Therapeutics	$ 580.0
8/2015	Raptor Pharmaceutical	Quinsair — Tripex Pharmaceuticals	$ 418.0
5/2015	Circassia Pharmaceuticals	Prosonix	$ 157.4
5/2015	Circassia Pharmaceuticals	Aerocrine	$ 214.3
7/2014	AstraZeneca	Almirall — Respiratory Business	$ 2,095.0*
6/2013	Teva	MicroDose Therapeutx	$ 165.0
7/2011	Bristol-Myers Squibb	Amira Pharmaceuticals	$ 475.0
10/2008	Novartis	Nektar Therapeutics — Pulmonary Business	$ 115.0
		Mean	**$ 396.9**
		Median	**$ 446.5**

Source: Evaluate Pharma, Company Press Releases
Note: Includes comparable M&A transactions from 2008 - 2016 with available deal values
(*) — Outlier transaction excluded from mean and median calculation

Discounted Cash Flow Analysis

As noted above, the discounted cash flow analysis is a “forward looking” methodology and is based on projected future cash flows to be generated by Savara which are then discounted back to the present. This methodology has three primary components: (1) the present value of projected unlevered cash flows for a determined period; (2) the present value of the terminal value of cash flows based on the declining growth method (representing firm value beyond the time horizon on the projections); (3) the weighted average cost of capital (WACC) used to discount such future cash flows and terminal value back to the present. In the discounted cash flow analysis, Roth used Savara’s management’s unlevered free cash flow projections for both its AeroVanc (U.S.) and PAP (Worldwide) product candidates and then applied a “probability of success” adjustment based on PAREXEL’s R&D Sourcebook probabilities of clinical success in Phase 1, Phase 2, Phase 3 and NDA stages of development. The future cash flows plus the terminal value of such cash flows are discounted by the WACC, to derive a present value.

In conducting its discounted cash flow analysis for the purpose of determining the enterprise value of Savara, Roth applied the projected unlevered free cash flow that Savara is expected to generate during fiscal years 2017 to 2032 from its AeroVanc (U.S.) and PAP (Worldwide) programs based upon financial projections prepared by Savara’s management. Terminal values based on declining cash flow at a rate of 3.0% to 7.0% were applied to management’s cash flow estimates in year 2032 to complete the basis for calculating the present value of future free cash flows. The future free cash flows are then discounted by the WACC, to derive a present value. In selecting an appropriate discount rate, Roth took into account the industry’s unlevered equity beta of 1.23, Savara’s debt to equity ratio of 0.0%, levered beta of 1.23, the equity risk premium of 19% based on Duff & Phelps 2015 Valuation Handbook, the risk free rate of 2.4% for 10-year U.S. treasury securities, pre-tax cost of debt of 7.1% (average of comparable companies), Savara’s tax rate assumption of 34.0%, Mast’s equity to total capitalization of 100.0% and its debt to total capitalization of 0.0%. Application of the foregoing principles resulted in a 25.8% WACC. Roth performed a sensitivity analysis in both cases using discount rates from 24.0% to 26.0% to arrive at a range of present values.

Based on the foregoing, Roth computed an enterprise value range of $123.3 million to $150.2 million for Savara's AeroVanc (U.S.) program and $59.2 million to $73.8 million for Savara's PAP (Worldwide) program. In evaluating the foregoing, it should be noted that the WACC does not take into consideration the specific firm risks such as bankruptcy. As a result, Savara's true WACC may be higher when taking into consideration the risks of default and negative operating profit history of the business which would have the effect of reducing the enterprise value range. By conducting an analysis of a range of discount rates rather than relying one specific WACC, Roth is comfortable that the analysis is appropriate.

Savara Inc.

Discounted Cash Flow Analysis — AeroVanc (U.S.)

($ in millions)

	2017	2018	2019	2020	2021	2022	2023	2024
Revenue Projections	$ 0.0	$ 0.0	$ 0.0	$58.0	$125.1	$202.5	$291.3	$392.6
YoY Growth					*116%*	*62%*	*44%*	*35%*
Free Cash Flow[1]	($12.5)	($11.5)	($6.9)	$27.8	$ 69.1	$116.5	$171.2	$233.6
Probability of Success Adjustment[2]				38.5%	38.5%	38.5%	38.5%	38.5%
Free Cash Flow (Risk Adjusted)	**($12.5)**	**($11.5)**	**($6.9)**	**$10.7**	**$ 26.6**	**$ 44.9**	**$ 65.9**	**$ 89.9**

	2025	2026	2027	2028	2029	2030	2031	2032
Revenue Projections	$416.2	$440.9	$466.8	$494.1	$522.6	$552.4	$583.6	$616.2
YoY Growth	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*	*6%*
Free Cash Flow[1]	$252.2	$267.6	$283.8	$300.7	$318.5	$337.1	$356.5	$376.9
Probability of Success Adjustment[2]	38.5%	38.5%	38.5%	38.5%	38.5%	38.5%	38.5%	38.5%
Free Cash Flow (Risk Adjusted)	**$ 97.1**	**$103.0**	**$109.3**	**$115.8**	**$122.6**	**$129.8**	**$137.3**	**$145.1**

	Declining Growth Terminal Value Methodology				Declining Growth Method		
		PV of Terminal Value Declining Growth Method			NPV+Terminal Value		
Discount Rate	NPV of Cash Flows (2017-2032)	3%	5%	7%	3%	5%	7%
24.0%	$ 129.5	$20.7	$18.9	$17.3	$150.2	$148.4	$146.8
24.5%	$ 124.4	$19.1	$17.5	$16.0	$143.6	$141.9	$140.5
25.0%	$ 119.6	$17.7	$16.2	$14.8	$137.3	$135.8	$134.4
25.5%	$ 114.9	$16.4	$15.0	$13.8	$131.3	$129.9	$128.7
26.0%	$ 110.5	$15.2	$13.9	$12.8	$125.6	$124.4	$123.3

Note: (1) — FY2017 - FY2032 figures are based on discussions with Savara management.
(2) — Probability of Success (PoS) adjustment based on PAREXEL's R&D Sourcebook probabilities of clinical in Phase 1, Phase 2, Phase 3, and NDA respectively; PoS adjustment applied to cash flows subject to clinical development risk

Savara Inc.

Discounted Cash Flow Analysis — PAP (Worldwide)

($ in millions)

	2017	2018	2019	2020	2021	2022	2023	2024
Revenue Projections	$ 0.8	$ 0.0	$ 0.0	$15.2	$22.1	$64.4	$119.1	$179.1
YoY Growth					*45%*	*191%*	*85%*	*50%*
Free Cash Flow[1]	($14.6)	($7.0)	($ 7.2)	$10.6	$20.3	$49.0	$ 85.1	$124.8
Probability of Success Adjustment[2]	0.0%	0.0%	50.0%	38.5%	38.5%	38.5%	38.5%	38.5%
Free Cash Flow (Risk Adjusted)	**($14.6)**	**($7.0)**	**($ 3.6)**	**$ 4.1**	**$ 7.8**	**$18.9**	**$ 32.8**	**$ 48.0**

	2025	2026	2027	2028	2029	2030	2031	2032
Revenue Projections	$ 238.6	$ 291.1	$ 300.2	$ 309.7	$ 313.2	$ 290.5	$ 266.0	$ 239.8
YoY Growth	*33%*	*22%*	*3%*	*3%*	*1%*	*-7%*	*-8%*	*-10%*
Free Cash Flow[1]	$ 164.0	$ 198.6	$ 204.5	$ 210.6	$ 212.8	$ 197.6	$ 181.2	$ 163.6
Probability of Success Adjustment[2]	38.5%	38.5%	38.5%	38.5%	38.5%	38.5%	38.5%	38.5%
Free Cash Flow (Risk Adjusted)	**$ 63.1**	**$ 76.5**	**$ 78.7**	**$ 81.1**	**$ 81.9**	**$ 76.1**	**$ 69.8**	**$ 63.0**

	Declining Growth Terminal Value Methodology				Declining Growth Method		
		PV of Terminal Value Declining Growth Method			NPV+Terminal Value		
Discount Rate	NPV of Cash Flows (2017-2032)	3%	5%	7%	3%	5%	7%
24.0%	$ 64.8	$ 9.0	$ 8.2	$ 7.5	$73.8	$73.0	$72.3
24.5%	$ 61.9	$ 8.3	$ 7.6	$ 6.9	$70.2	$69.4	$68.8
25.0%	$ 59.0	$ 7.7	$ 7.0	$ 6.4	$66.7	$66.0	$65.4
25.5%	$ 56.3	$ 7.1	$ 6.5	$ 6.0	$63.4	$62.8	$62.2
26.0%	$ 53.7	$ 6.6	$ 6.0	$ 5.5	$60.2	$59.7	$59.2

Note: (1) — FY2017 - FY2032 figures are based on discussions with Savara management.
(2) — Probability of Success (PoS) adjustment based on PAREXEL's R&D Sourcebook probabilities of clinical in Phase 1, Phase 2, Phase 3, and NDA respectively; PoS adjustment applied to cash flows subject to clinical development risk

As discussed above, Roth performed a variety of financial and comparative analyses for the purpose of rendering its opinion. While the preceding summary describes several analyses and examinations that Roth deems material to its evaluation and opinion, they are not a comprehensive description of all analyses and examinations actually conducted by Roth.

General

Roth is a nationally recognized investment banking firm that provides financial advisory services and is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. The Mast Board retained Roth to render an opinion as to the fairness to Mast, from a financial point of view, of the consideration to be paid in the Merger by Mast based upon the foregoing qualifications, experience and expertise.

Mast paid Roth a fee of $250,000 for rendering its fairness opinion delivered in connection with the Merger. The $250,000 opinion fee was not contingent in whole or in part on the success of the Merger, or on the results of

Roth's evaluation and analysis or upon the conclusions reached in Roth's opinion. In addition, Mast agreed to reimburse Roth up to $10,000 for its reasonable, documented, out-of-pocket expenses, including reasonable fees and disbursements of its counsel. Mast has also agreed to indemnify Roth against certain liabilities and other items that may arise out of the Mast's engagement of Roth. The Mast Board did not limit Roth in any way in the investigations it made or the procedures it followed in rendering its opinion.

Roth in the past has provided and may in the future provide investment banking and other financial services to Mast and its affiliates for which Roth and its affiliates have received or may receive compensation. In February 2016, Roth acted as the sole bookrunning manager of a public offering by Mast of shares of its common stock and warrants and received substantial fees in connection therewith. Roth is a full service securities firm engaged in securities trading and brokerage activities, as well as providing investment banking and other financial services. In the ordinary course of business, Roth and its affiliates may actively trade securities of Mast for its own account or the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Consistent with applicable legal and regulatory requirements, Roth has adopted policies and procedures to establish and maintain the independence of its research departments and personnel. As a result, Roth's research analysts may hold views, make statements or investment recommendations and/or publish research reports with respect to Mast, Savara and/or the Merger that differ from the views of its investment banking personnel.

Information Regarding Financial Projections Used for Fairness Opinion Analysis

The forward looking financial information of Mast and Savara used in the discounted cash flow analyses referenced in the Roth fairness opinion was not prepared with a view towards compliance with published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation, presentation of prospective financial information. Such forward looking financial information included in this proxy statement/prospectus/information statement is the responsibility of the management of Mast or Savara, as applicable, who prepared the information. PricewaterhouseCoopers LLP has neither examined, compiled nor performed any procedures with respect to this forward looking financial information and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP reports included in this proxy statement/prospectus/information statement relate solely to the historical financial information. They do not extend to the forward looking financial information and should not be read to do so.

Interests of the Mast Directors and Executive Officers in the Merger

In considering the recommendation of the Mast Board that you vote to approve the proposal to adopt the merger agreement, you should be aware that Mast's directors and executive officers have interests in the merger that are different from, or in addition to, those of Mast's stockholders generally. The Mast Board was aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the mergers, and in recommending that the merger agreement be adopted by Mast's stockholders.

Severance, Equity Vesting and Bonus Payments

Material Severance Terms Pertaining to Named Executive Officers

In March 2016, the Mast Board approved, and Mast entered into, new severance agreements with each of the executive officers of Mast, including the named executive officers of Mast (each a "Mast NEO" and collectively the "Mast NEOs"). These severance agreements replaced and superseded each executive officer's pre-existing severance arrangements. The tables below summarize the material terms of the current severance agreements.

In particular Mast notes the following:

- The payment of severance benefits to any of the Mast NEOs is, in all cases, conditioned upon Mast's receipt of a general release of claims from the Mast NEO that becomes effective.

- Stock option awards have double-trigger change in control provisions, such that if outstanding awards held by the Mast NEOs are assumed by a successor in connection with a change in control of Mast, such awards will not automatically vest solely as a result of the change in control; and
- No excise tax gross-ups are provided upon change in control.

Potential Benefits upon Change in Control of Mast

The following table summarizes the benefits for which the Mast NEOs would be eligible pursuant to their executive severance agreements with Mast in the event their employment is terminated without cause or they resign for good reason prior to or within 24 months of the change in control of Mast.

Officer		March 2016 Severance Agreement
Brian M. Culley	*Cash*	Lump sum payment equal to 24 months of current base salary
	Benefits	Lump sum payment equal to premiums for continued health insurance coverage for 24 months
	Equity	No single trigger vesting acceleration Double trigger benefits: 100% vesting acceleration and extension of exercise period to 10 years from option grant date
Edwin L. Parsley	*Cash*	Lump sum payment equal to 9 months of current base salary
	Benefits	Lump sum payment equal to premiums for continued health insurance coverage for 9 months
	Equity	Double trigger benefits: 100% vesting acceleration and extension of exercise period to 10 years from option grant date
Brandi L. Roberts	*Cash*	Lump sum payment equal to 9 months of current base salary
	Benefits	Lump sum payment equal to premiums for continued health insurance coverage for 9 months
	Equity	Double trigger benefits: 100% vesting acceleration and extension of exercise period to 10 years from option grant date

Defined Terms for Purposes of Executive Severance Agreements

Under the March 2016 severance agreements:

- “Cause” means (a) any act of personal dishonesty taken by the executive in connection with the executive’s responsibilities as an employee which is intended to result in substantial personal enrichment of the executive; (b) the executive’s conviction of a felony that the Mast Board reasonably believes has had or will have a material detrimental effect on the reputation or business of Mast or of the affiliates of Mast; (c) a willful act by the executive that constitutes misconduct and is materially injurious to Mast or to the affiliates of Mast; (d) any material breach by the executive of any offer letter or confidential information, non-solicitation or invention assignment agreement or other agreement entered into with Mast; or (e) continued willful violations by the executive of the executive’s obligations to Mast or to the affiliates of Mast after there has been delivered to the executive a written demand for performance that describes the basis for Mast’s belief that the executive has not substantially performed the executive’s duties.

- "Good reason" means, in each case, without the executive's express written consent, (a) a material reduction or alteration of the executive's duties, position or responsibilities relative to those in effect immediately prior to such reduction or alteration, or the executive's removal from such position, duties or responsibilities; (b) a material reduction of the executive's base salary as in effect immediately prior to such reduction (unless pursuant to a salary reduction program applicable generally to similarly situated employees); or (c) the relocation of the executive's principal place of employment with Mast by more than 50 miles. The severance agreements provide Mast with a 30-day cure period following written notice from an executive of the occurrence of an event that otherwise would constitute good reason and the executive must have provided that notice to Mast within 90 days of the executive's awareness of the initial existence of the applicable event.
- "Change in control" has the meaning ascribed to it in the Mast 2015 Omnibus Incentive Plan, as amended. Generally, under the Mast 2015 Omnibus Incentive Plan, a change in control occurs upon (a) the consummation of a merger or consolidation of Mast with or into another entity, (b) the consummation of the sale, transfer or other disposition of all or substantially all of Mast's assets, (c) certain changes in the majority of the Mast Board within a period of 36 consecutive months, (d) the acquisition, pursuant to a tender or exchange offer made directly to Mast's stockholders that the Mast Board does not recommend, of more than 50% of the total combined voting power in Mast's outstanding securities, or (e) approval by Mast stockholders of a plan of complete liquidation or dissolution.

Cash and Restricted Stock Unit Awards

On January 17, 2017, the Mast Board, upon the recommendation of its compensation committee, made the compensation-related decisions described below in furtherance of retaining, rewarding and incentivizing Mast's remaining employees' continuing efforts to help Mast achieve its goals through the merger (including consummation of the merger) and to obtain agreement and clarity regarding the effect of the anticipated change in control of Mast pursuant to the Merger Agreement on outstanding stock options held by Mast's current employees and non-employee directors. The Mast Board's compensation-related decisions on January 17, 2017 included that there would be no base salary increases and no awards under Mast's 2016 executive Incentive Plan.

2017 Retention/Performance Bonus

The Mast Board approved a retention/performance bonus payable 50% in a single sum cash payment and 50% in a grant of RSUs for Mast's executive officers, including the Mast NEOs, with payment of the cash award and vesting of the RSUs contingent upon consummation of the merger on or before July 6, 2017, the officer's continued service with Mast until that event, and the officer's delivery of a general release of claims in Mast's favor. The amounts of these awards are as set forth in the table below.

Executive Officer	Cash Award ($)	RSU Award (# of units)
Brian Culley, CEO	53,575	382,679
Brandi Roberts, CFO	27,300	195,000
Edwin Parsley, CMO	31,900	227,859
Shana Hood, General Counsel	24,500	175,000

The RSUs were granted under Mast's stockholder-approved 2015 Omnibus Incentive Plan. Each RSU represents a right to receive one share of Mast's common stock. The number of RSUs granted to each executive officer is the quotient of the amount of the cash award for the officer divided by the closing sales price of Mast's common stock on the date the Mast Board approved these awards, which was $0.14 per share.

Restricted Stock Units Awards

The Mast Board approved additional RSUs for the Mast executive officers, including the Mast NEOs, as set forth in the table below:

Executive Officer	RSU Award (# of units)
Brian Culley	1,985,515
Brandi Roberts	694,926
Edwin Parsley	666,713
Shana Hood	278,556

In accordance with the notices of grant and agreements governing these awards, the RSUs were granted under Mast's 2015 Omnibus Incentive Plan and will vest in full if the executive officer is providing services to Mast on the date the merger is consummated (provided such date occurs on or before July 6, 2017) or immediately prior to such date. In addition, in accordance with the governing documents for the RSUs, all of the outstanding and unexercised stock options held by the officers will be cancelled immediately prior to, but contingent upon, the consummation of the merger and cease to be exercisable as of such date without any accelerated vesting.

Golden Parachute Compensation

The following table and related footnotes present information about the compensation payable to Mast's executive officers, including the Mast NEOs, in connection with the merger and their associated termination without cause from Mast. The compensation shown in the table below is intended to comply with Item 402(t) of Regulation S-K, which requires disclosure of information about compensation for each named executive officer that is based on or otherwise relates to the merger.

Mast's executive officers are not entitled to any pension or non-qualified deferred compensation benefits or enhancements or any tax reimbursements in connection with the merger.

Named Executive Officer	Cash ($)(1)	Equity ($)(2)	Pension/ NDQC ($)	Perquisites/ Benefits ($)(3)	Tax Reimbursements ($)	Other ($)(4)	Total ($)
Brian Culley	857,200	350,493	—	66,319	—	53,575	1,327,587
Brandi Roberts	234,000	131,709	—	16,372	—	27,300	409,381
Edwin Parsley	273,431	132,397	—	24,391	—	31,900	462,119
Shana Hood	210,000	67,126	—	24,391	—	24,500	326,017

(1) Amounts in this column represent lump sum severance payable in accordance with the officer's executive severance agreement with Mast upon termination without cause, which are equal to 24 months of base salary for Mr. Culley and nine months of base salary for the other executive officers.

(2) As discussed above, as a condition to receiving the RSUs granted in January 2017, Mast's executive officers agreed that, to the extent they are not vested as of immediately prior to the consummation of the merger, their outstanding stock option awards will be cancelled and cease to be exercisable as of such date without any accelerated vesting. Accordingly, this column does not reflect any value for acceleration of their stock option awards because vesting will not be accelerated in connection with the merger. The amounts in this column are the aggregate dollar value of the RSUs granted to the executive officers, which will vest in full upon the consummation of the merger, calculated using the average closing market price of Mast's common stock over the first five business days following the first public announcement of the merger, which average price is $0.148 per share.

(3) Amounts equal the premiums necessary to continue under COBRA the health insurance coverage in effect for each executive officer prior to termination under the terms of their respective executive severance agreements in the event the officers are terminated without cause regardless of whether the merger occurs.

For Mr. Culley the amount payable is equal to 24 months of such premiums and the amounts payable to the other executive officers is equal to nine months of such premiums.

(4) Amounts represent the cash bonuses payable contingent upon consummation of the merger, as approved the Mast Board in January 2017 and discussed in more detail above under “2017 Retention/Performance Bonus.”

Acceleration of Director Equity Awards

On January 20, 2017, the Mast Board, upon the recommendation of its compensation committee, approved a grant of RSUs to each non-employee director under Mast’s 2015 Omnibus Incentive Plan in the amounts set forth in the table below. The RSUs will vest in full if the director is providing services to Mast on the date the merger is consummated (provided such date occurs on or before July 6, 2017) or immediately prior to such date. In addition, in accordance with the governing documents for the RSUs, all of the outstanding and unexercised stock options held by the directors will be cancelled immediately prior to, but contingent upon, the consummation of the merger and cease to be exercisable as of such date without any accelerated vesting.

Name	RSU Award (# of units)
Howard Dittrich	63,933
Peter Greenleaf	45,535
Matthew Pauls	45,535
David A. Ramsay	79,962

Ownership Interest

As of February 2, 2017, the directors and executive officers of Mast beneficially owned 3.6% of the outstanding shares of Mast common stock, 98% of which is represented by the outstanding stock options held by the directors and executive officer of Mast, which stock options, to the extent not exercised, will be cancelled and cease to be exercisable immediately prior to the consummation of the merger. As of February 2, 2017, the directors and executive officers of Mast, together with their affiliates, owned less than 1% of the outstanding shares of Mast common stock. See “Principal Stockholders of Mast” for more information.

Indemnification of the Mast Officers and Directors

The Merger Agreement provides that, for a period of six years following the effective time of the merger, Mast will, to the fullest extent permitted by Delaware law, indemnify and hold harmless all individuals who are present or former directors and officers or who become, prior to the effective date of the merger, director or officers of Mast or Savara, against all claims, losses, liabilities, damages, judgments, fines and reasonable fees, costs and expenses, including attorneys’ fees and disbursements, incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or pertaining to the fact that such person is or was a director or officer of Mast or Savara. In addition, for a period of six years following the effective time of the merger, the certificate of incorporation and bylaws of Mast will contain provisions no less favorable with respect to indemnification of present and former directors and officers of Savara than are presently set forth in the certificate of incorporation and bylaws of Mast.

The Merger Agreement also requires that Mast purchase an insurance policy which maintains in effect for six years from the closing the current directors’ and officers’ liability insurance policies currently maintained by Mast; provided, that Mast may substitute such policies with policies of at least the same coverage containing terms and conditions that are not materially less favorable.

Interests of Certain Savara Directors, Executive Officers and Affiliates in the Merger

In considering the recommendation of the Savara Board with respect to adopting the Merger Agreement, Savara stockholders should be aware that certain members of the board of directors and executive officers of

Savara have interests in the merger that may be different from, or in addition to, interests they may have as Savara stockholders. The Savara Board was aware of these potential conflicts of interest and considered them, among other matters, in reaching its decision to approve the Merger Agreement and the merger, and to recommend, that the Savara stockholders sign and return the written consent as contemplated by this proxy statement/prospectus/information statement.

Ownership Interests. Certain of Savara's directors and executive officers currently hold shares of Savara's common stock, Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock. In addition, certain of Savara's directors will acquire additional shares of common stock prior to the closing of the merger pursuant to the conversion of their subordinated convertible promissory notes into shares of common stock. The table below sets forth the ownership of Savara's common stock, Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock as of December 31, 2016 by Savara's directors and executive officers and their anticipated ownership of Savara common stock, Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock immediately prior to the closing of the merger following the conversion of their subordinated convertible promissory notes into shares of common stock.

Stockholder Name	Number of Shares of Common Stock as of December 31, 2016	Number of Shares of Preferred Stock as of December 31, 2016	Number of Shares of Common Stock Immediately Prior to the Merger(2)
Robert Neville	527,271	128,079	655,350
Nevan Elam	—	—	—
Richard J. Hawkins	—	—	—
Yuri Pikover(1)	—	452,462	452,462
Joseph S. McCracken	—	6,590	6,590
Taneli Jouhikainen	383,036	603	383,639
David Lowrance	—	—	—

(1) Shares held by 37Ventures, LLC. Yuri Pikover is a managing director of 37Ventures, LLC.

(2) Does not include any shares issuable upon conversion of convertible promissory notes issued in the 2016 Convertible Debt Financing, which are expected to convert at the closing of the merger.

Stock Options and Warrants. Certain of Savara's directors and executive officers currently hold options, subject to vesting, and warrants to purchase shares of Savara capital stock, which pursuant to the Merger Agreement will be converted into and become options and warrants to purchase shares of Mast common stock. The table below sets forth certain information with respect to such options.

Optionholder Name	Grant Date	Expiration Date	Exercise Price	Number of Shares of Common Stock Underlying Option as of December 31, 2016	Number of Vested Shares of Common Stock Underlying Option as of December 31, 2016
Robert Neville	09/14/12	09/14/22	$ 0.38	170,000	170,000
	12/16/14	12/16/24	$ 0.38	110,517	55,259
	12/15/15	12/15/25	$ 0.85	300,000	75,000
	12/15/16	12/15/26	$ 1.03	250,000	—
Nevan Elam	02/20/09	02/20/19	$ 0.11	37,000	37,000
	12/17/10	12/17/20	$ 0.30	5,000	5,000
	08/30/11	08/30/21	$ 0.30	3,906	3,906
	12/16/11	12/16/21	$ 0.32	2,000	2,000
	12/14/12	12/14/22	$ 0.38	2,000	2,000
	12/13/13	12/13/23	$ 0.48	18,500	18,500
	07/24/14	07/24/24	$ 0.48	3,000	2,250
	12/15/15	12/15/25	$ 0.85	10,000	3,333
	12/15/16	12/15/26	$ 1.03	18,500	—
Richard J. Hawkins	10/22/10	10/22/20	$ 0.30	37,000	37,000
	12/17/10	12/17/20	$ 0.30	1,000	1,000
	08/30/11	08/30/21	$ 0.30	3,906	3,906
	12/16/11	12/16/21	$ 0.32	2,000	2,000
	12/14/12	12/14/22	$ 0.38	2,000	2,000
	12/12/13	12/12/23	$ 0.48	18,500	18,500
	07/24/14	07/24/24	$ 0.48	3,000	2,250
	12/15/15	12/15/25	$ 0.85	10,000	3,333
	12/15/16	12/15/26	$ 1.03	18,500	—
Yuri Pikover	11/27/13	11/27/23	$ 0.48	37,000	37,000
	7/24/14	07/24/24	$ 0.48	5,000	3,750
	12/15/15	12/15/25	$ 0.85	10,000	3,333
	12/15/16	12/15/26	$ 1.03	18,500	—
Joseph S. McCracken	11/27/13	11/27/23	$ 0.48	37,000	37,000
	7/24/14	07/24/24	$ 0.48	5,000	3,750
	12/15/15	12/15/25	$ 0.85	10,000	3,333
	12/15/16	12/15/26	$ 1.03	18,500	—
Taneli Jouhikainen	12/14/12	12/14/22	$ 0.38	90,000	—
	12/15/15	12/15/25	$ 0.85	300,000	75,000
	12/15/16	12/15/26	$ 1.03	250,000	—
David Lowrance	10/25/16	10/25/26	$ 0.88	217,710	—

The table below sets forth certain information with respect to such warrants.

Warrant holder Name	Expiration Date	Exercise Price	Number of Shares of Capital Stock Underlying Warrant as of December 31, 2016
Robert Neville	05/30/17	$3.12959	1,249
Yuri Pikover(1)	06/30/21	$ 5.2605	1,426
Joseph S. McCracken	06/30/21	$ 5.2605	713
Taneli Jouhikainen	05/30/17	$3.12959	58

(1) Warrants held by 37Ventures, LLC. Yuri Pikover is a managing director of 37Ventures, LLC.

Management Following the Merger. As described elsewhere in this proxy statement/prospectus/information statement, including in "Management Following the Merger," Mast must take all actions to cause the Mast Board, immediately after the effective time of the merger, to consist of five members designated by Savara and two independent directors as designated by Mast. Each new member of the Mast Board that was not a member of the Mast Board immediately prior to the effective time of the merger will enter into an indemnification agreement with Mast, on a form to be agreed-upon between Mast and Savara, within 15 days of their appointment. The executive officers of Mast immediately after the effective time will be designated by Savara.

Indemnification and Insurance. Under the Merger Agreement, from and after the closing of the merger, Mast and Savara, as the surviving corporation in the merger, must fulfill and honor in all respects the obligations of Mast and Savara existing prior to the date of the Merger Agreement to indemnify Mast and Savara's present and former directors and officers and their heirs, executors and assigns. In addition, each Savara officer and director who becomes and officer or director of Mast will enter into Mast's standard indemnification agreement.

Under the Merger Agreement, the certificate of incorporation and bylaws of Savara, as the surviving corporation in the merger, shall contain provisions at least as favorable with respect to indemnification and elimination of liability for monetary damages as are presently set forth in the certificate of incorporation and bylaws of Savara, and the provisions relating to the indemnification and elimination of liability for monetary damages set forth in the certificate of incorporation and bylaws of Mast and Savara shall not be amended, repealed or otherwise modified for a period of six years' time from the closing of the merger in a manner that would adversely affect the rights thereunder of individuals who, at or prior to the closing, were officers, directors, employees or agents of Mast or Savara.

The Merger Agreement also provides that Mast will purchase an insurance policy, which maintains in effect for six years from the closing the current directors' and officers' liability insurance policies maintained by Mast, and Savara may purchase an insurance policy, which maintains in effect for six years from the closing the current directors' and officers' liability insurance policies maintained by Savara.

Limitations of Liability and Indemnification

In addition to the indemnification required in the amended and restated certificate of incorporation and amended and restated bylaws of Mast, Mast entered into indemnification agreements with each of its directors and officers. These agreements provide for the indemnification of the directors and officers of Mast for all reasonable expenses and liabilities incurred in connection with any action or proceeding brought against them by reason of the fact that they are or were agents of Mast. Mast believes that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

Stock Options, Restricted Stock and Warrants

As of December 31, 2016, an aggregate of 3,096,665 shares of Savara common stock were issuable upon the exercise of outstanding stock options under Savara's Stock Option Plan, an aggregate of 992,563 Savara Restricted Shares were outstanding under Savara's Stock Option Plan and an aggregate of 415,851 shares of Savara capital stock were issuable upon the exercise of outstanding warrants.

At the effective time of the merger, each option to purchase Savara common stock that is outstanding and unexercised immediately prior to the effective time of the merger under Savara's Stock Option Plan (each, a "Savara Option"), whether vested or not vested, will be converted into and become an option to purchase Mast common stock (each, a "Mast Option") and each Mast Option may be exercised solely for shares of Mast common stock. The number of shares of Mast common stock subject to each Mast Option will be determined by multiplying (i) the number of shares of Savara common stock that were subject to the underlying Savara Option by (ii) the exchange ratio, with the resulting number rounded down to the nearest whole number of shares of Mast common stock. The per share exercise price for the Mast common stock subject to such Mast Option will be determined by dividing (i) the per share exercise price of the underlying Savara Option by (ii) the exchange ratio, with the resulting number rounded up to the nearest whole cent.

At the effective time, each share of Savara common stock that is unvested and outstanding immediately prior to the effective time of the merger under Savara's Stock Option Plan (each, a "Savara Restricted Share") will be exchanged for a restricted share of Mast (each, a "Mast Restricted Share") and each Mast Restricted Share will have, and be subject to, the same terms and conditions (including vesting terms) set forth in Savara's Option Plan and applicable Savara Restricted Share agreements relating thereto, as in effect immediately prior to the effective time of the merger. The number of Mast Restricted Shares that will be exchanged for an award of Savara Restricted Shares will equal the number of Savara Restricted Shares outstanding subject to such award immediately prior to the effective time of the merger multiplied by the exchange ratio, with the result rounded down to the nearest whole number of shares of Mast common stock.

At the effective time of the merger, each warrant to purchase Savara common stock that is outstanding and unexercised immediately prior to the effective time of the merger (each, a "Savara Warrant"), will be converted into and become a warrant to purchase Mast common stock (each, a "Mast Warrant") and each Mast Warrant may be exercised solely for shares of Mast common stock. The number of shares of Mast common stock subject to each Mast Warrant will be determined by multiplying (i) the number of shares of Savara common stock that were subject to the underlying Savara Warrant by (ii) the exchange ratio, with the resulting number rounded down to the nearest whole number of shares of Mast common stock. The per share exercise price for the Mast common stock subject to such Mast Warrant will be determined by dividing (i) the per share exercise price of the underlying Savara Warrant by (ii) the exchange ratio, with the resulting number rounded up to the nearest whole cent.

Form of the Merger

The Merger Agreement provides that at the effective time, Merger Sub will be merged with and into Savara. Upon the consummation of the merger, Savara will continue as the surviving corporation and will be a wholly owned subsidiary of Mast.

In connection with the merger, assuming Mast Proposal No. 3 is approved by Mast stockholders at the Mast special meeting, Mast will be renamed "Savara Inc." and expects to trade on the NYSE MKT under the symbol "SVRA."

Merger Consideration

At the effective time of the merger:

- each share of Savara capital stock outstanding immediately prior to the effective time of the merger will automatically be converted into the right to receive approximately [●] pre-split (or [●] post-split) shares of Mast common stock,
- each Savara Option will be assumed by Mast and will become an option to purchase shares of Mast common stock; and
- each warrant to purchase shares of Savara capital stock outstanding and unexercised immediately prior to the effective time of the merger will be assumed by Mast and will become a warrant to purchase shares of Mast common stock.

Immediately after the merger, based on the exchange ratio, it is expected that Savara stockholders, warrantholders and optionholders will own approximately 76% of the fully-diluted common stock of Mast with Mast stockholders and optionholders holding approximately 24% of the fully-diluted common stock of Mast. The exchange ratio is determined pursuant to a formula described in more detail in the Merger Agreement and in this proxy statement/prospectus/information statement, and the [●] pre-split figure, [●] post-split figure and percentage ownership figures are estimates.

There will be no adjustment to the total number of shares of Mast common stock that Savara stockholders will be entitled to receive for changes in the market price of Mast common stock. Accordingly, the market value of the shares of Mast common stock issued pursuant to the merger will depend on the market value of the shares of Mast common stock at the time the merger closes, and could vary significantly from the market value on the date of this proxy statement/prospectus/information statement.

No fractional shares of Mast common stock will be issuable pursuant to the merger to Savara stockholders. Instead, each Savara stockholder who would otherwise be entitled to receive a fraction of a share of Mast common stock, after aggregating all fractional shares of Mast common stock issuable to such stockholder, will be entitled to receive in cash the dollar amount, rounded down to the nearest whole cent, without interest, determined by multiplying such fraction by the average closing price of a share of Mast common stock as quoted on the NYSE MKT for the ten consecutive trading days ending with the second to last trading day immediately preceding the date the merger becomes effective.

The Merger Agreement provides that, as soon as practicable after the effective time of the merger, Mast will deposit with Mast's transfer agent or another reputable bank or trust company reasonably acceptable to Savara (the "Exchange Agent"), (i) non-certificated shares of Mast common stock represented by book-entry representing the shares of Mast common stock issuable to the Savara stockholders and (ii) a sufficient amount of cash to make payments in lieu of fractional shares.

The Merger Agreement provides that, as soon as reasonably practicable after the effective time of the merger, Mast will cause the Exchange Agent to mail to each record holder of Savara capital stock immediately prior to the effective time of the merger a letter of transmittal and instructions for surrendering and exchanging the record holder's Savara stock certificates for non-certificated shares of Mast common stock. Upon surrender of a Savara stock certificate for exchange to the Exchange Agent, together with a duly signed letter of transmittal and such other documents as the Exchange Agent or Mast may reasonably require, the Savara stock certificate surrendered will be cancelled and the holder of the Savara stock certificate will be entitled to receive the following:

- non-certificated shares of Mast common stock represented by book-entry equal to the number of whole shares of Mast common stock that such holder has the right to receive pursuant to the provisions of the Merger Agreement; and
- cash in lieu of any fractional share of Mast common stock.

At the effective time of the merger, all holders of certificates representing shares of Savara common stock or Savara preferred stock that were outstanding immediately prior to the effective time of the merger will cease to have any rights as stockholders of Savara. In addition, no transfer of Savara common stock or Savara preferred stock after the effective time of the merger will be registered on the stock transfer books of Savara. From and after the effective time of the merger, until it is surrendered, each certificate that previously evidenced Savara common stock or Savara preferred stock will be deemed to represent only the right to receive shares of Mast common stock, and cash in lieu of any fractional share of Mast common stock.

If any Savara stock certificate has been lost, stolen or destroyed, the Exchange Agent will require the owner of such lost, stolen or destroyed certificate to deliver an affidavit claiming such certificate has been lost, stolen or destroyed and post a bond indemnifying the Exchange Agent, Mast and Savara as the surviving corporation against any claim suffered by such parties related to the lost, stolen or destroyed certificate.

If any shares of Savara capital stock outstanding immediately prior to the effective time of the merger are unvested or subject to a repurchase option, risk of forfeiture or other condition under any applicable restricted stock purchase agreement or other similar agreement, then the shares of Mast common stock issued in exchange for such shares of Savara capital stock will also be unvested and subject to the same repurchase option, risk of forfeiture or other condition, and the book-entry representing such shares of Mast common stock may accordingly be marked with appropriate legends.

Effective Time of the Merger

The Merger Agreement requires the parties to consummate the merger after all of the conditions to the consummation of the merger contained in the Merger Agreement are satisfied or waived, including the adoption of the Merger Agreement by the stockholders of Savara and the approval by the Mast stockholders of the issuance of Mast common stock, the amendment and restatement of the amended and restated certificate of incorporation of Mast effecting (i) the proposed 1-for-[●] reverse stock split and (ii) the name change from “Mast Therapeutics, Inc.” to “Savara Inc.” The merger will become effective upon the filing of a certificate of merger with the Secretary of State of the State of Delaware or at such later time as is agreed by Mast and Savara and specified in the certificate of merger. Neither Mast nor Savara can predict the exact timing of the consummation of the merger.

Regulatory Approvals

In the United States, Mast must comply with applicable federal and state securities laws and the rules and regulations of the NYSE MKT in connection with the issuance of shares of Mast common stock and the filing of this proxy statement/prospectus/information statement with the SEC.

Tax Treatment of the Merger

Mast and Savara intend the merger to qualify as a reorganization within the meaning of Section 368(a) of the Code. Each of Mast and Savara will use its reasonable best efforts to cause the merger to qualify as a reorganization within the meaning of Section 368(a) of the Code, and not to permit or cause any affiliate or any subsidiary of Mast or Savara to, take any action, fail to take any action, or cause any action to be taken which would reasonably be expected to cause the merger to fail to qualify as a reorganization under Section 368(a) of the Code. For a description of certain of the considerations regarding U.S. federal tax consequences of the merger, see the section entitled “Considerations with Respect to U.S. Federal Income Tax Consequences of the Merger” below.

Considerations with Respect to U.S. Federal Income Tax Consequences of the Merger

In the opinion of each of DLA Piper LLP (US), counsel to Mast, and WSGR, counsel to Savara, the following is a discussion of the material U.S. federal income tax consequences of the merger applicable to U.S.

Holders (as defined below) who exchange their Savara common stock for Mast common stock in the merger, but does not purport in any manner to be a complete or otherwise material analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local, or foreign tax laws are not discussed. This discussion and the opinions of counsel referred to below are based on the Code, U.S. Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS") in effect as of the date of the merger. These authorities may change or be subject to differing interpretations. Any such change may be applied retroactively in a manner that could adversely affect a holder of Savara common stock.

This discussion assumes and is limited to U.S. Holders who hold their Savara common stock and will hold their shares of Mast common stock received in exchange therefor, as "capital assets" within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion is an overview of certain potential tax treatment and does not address all U.S. federal income tax consequences relevant to the particular circumstances of a Savara common stockholder. In addition, it does not address consequences relevant to holders of Savara common stock that are subject to particular U.S. or foreign tax rules, including, without limitation:

- persons subject to the alternative minimum tax or Medicare contribution tax on net investment income;
- persons whose functional currency is not the U.S. dollar;
- persons holding Savara common stock as part of a hedge, straddle, or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- persons who are not U.S. Holders;
- banks, insurance companies, and other financial institutions;
- mutual funds, real estate investment trusts or regulated investment companies;
- brokers, dealers, or traders in securities;
- partnerships, other entities or arrangements treated as partnerships for U.S. federal income tax purposes, and other pass-through entities (and investors therein);
- tax-exempt organizations or governmental organizations;
- persons deemed to sell Savara common stock under the constructive sale provisions of the Code;
- persons who hold or receive Savara common stock pursuant to the exercise of any employee stock options or otherwise as compensation;
- persons who hold Savara common stock as "qualified small business stock" pursuant to Section 1202 of the Code;
- persons holding Savara common stock who exercise dissenters' rights; and
- tax-qualified retirement plans.

For purposes of this discussion, a "U.S. Holder" is a beneficial owner of Savara common stock that, for U.S. federal income tax purposes, is or is treated as:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if either a court within the United States is able to exercise primary supervision over the administration of such trust and one or more United States persons (within the meaning of Section 7701(a)(30) of the Code) have the authority to control all substantial decisions of such trust, or the trust has a valid election in effect under applicable Treasury Regulations to be treated as a United States person for U.S. federal income tax purposes.

Holders of Savara common stock that are not U.S. Holders may have different U.S. federal income tax consequences than those described below and are urged to consult their own tax advisors regarding the tax treatment of the merger to them under U.S. and non-U.S. tax laws.

If an entity treated as a partnership for U.S. federal income tax purposes holds Savara common stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding Savara common stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

In addition, the following discussion does not address the tax consequences of the merger under U.S. federal non-income, state, local and non-U.S. tax laws. Furthermore, the following discussion does not address any tax consequences of transactions effectuated before, after or at the same time as the merger, whether or not they are in connection with the merger, including, without limitation, (i) transactions in which Savara preferred stock is converted to Savara common stock and (ii) the tax consequences to holders of options, warrants or similar rights to purchase Savara common stock.

STOCKHOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE MERGER ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

Material U.S. Federal Income Tax Considerations of the Merger

The merger has been structured to qualify as a "reorganization" within the meaning of Section 368(a) of the Code. In connection with the filing of the registration statement of which this proxy statement/prospectus/information statement is a part, DLA Piper LLP (US) will deliver to Mast and WSGR will deliver to Savara opinions that the statements under the caption "The Merger — Considerations with Respect to U.S. Federal Income Tax Consequences of the Merger" constitute the opinions of DLA Piper LLP (US) and WSGR, respectively.

In rendering their opinions, counsel will assume that the statements and facts concerning the merger set forth in this proxy statement/prospectus/information statement and in the Merger Agreement, are true and accurate in all respects, and that the merger will be completed in accordance with this proxy statement/prospectus/information statement and the Merger Agreement. Counsels' opinions will also assume the truth and accuracy at the completion of the merger of certain representations and covenants as to factual matters made by Mast, Savara and Merger Sub in tax representation letters provided to counsel, which will be delivered on the effective date of this proxy statement/prospectus/information statement. Moreover, counsels' opinions will be based on certain factual assumptions, including the assumption that, if any Savara shareholders dissent from the merger, the aggregate number of dissenting shares they hold and the aggregate amount of cash paid to them will not equal or exceed such number and amount as would cause the merger to fail to constitute a reorganization. In addition, the tax opinions will be based on the law in effect on the date of the opinions and will assume that there will be no change in applicable law between such date and the time of the merger. If any of these assumptions is inaccurate, the tax consequences of the merger could differ from those described in this proxy statement/prospectus/information statement.

Completion of the merger is not conditioned upon the delivery of any additional opinions from counsel dated as of the closing date that the merger, or any other determinations as of such date, that the merger will qualify as a "reorganization." In addition, no ruling from the IRS has been or will be requested in connection with the merger with respect to the tax treatment. Opinions of counsel do not bind the courts or the IRS, nor will they preclude the IRS from adopting a position contrary to those expressed in the opinions. Subject to the

qualifications and assumptions described in this proxy statement/prospectus/information statement, the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. Accordingly, the tax consequences to U.S. Holders of Savara common stock will be as follows:

- a U.S. Holder will not recognize gain or loss upon the exchange of Savara common stock for Mast common stock pursuant to the merger, except to the extent of cash received in lieu of a fractional share of Mast common stock as described below;
- a U.S. Holder's aggregate tax basis for the shares of Mast common stock received in the merger (including any fractional share interest for which cash is received) will equal the stockholder's aggregate tax basis in the shares of Savara common stock surrendered upon completion of the merger;
- the holding period of the shares of Mast common stock received by a U.S. Holder in the merger will include the holding period of the shares of Savara common stock surrendered in exchange therefor; and
- a U.S. Holder who receives cash in lieu of a fractional share of Mast common stock in the merger will generally recognize capital gain or loss in an amount equal to the difference between the amount of cash received instead of a fractional share and the stockholder's tax basis allocable to such fractional share.

Capital gains or losses recognized in the merger as described above generally will constitute long-term capital gain or loss if the U.S. Holder's holding period in the Savara common stock surrendered in the merger is more than one year as of the effective date of the merger. Long-term capital gains recognized by certain non-corporate U.S. Holders, including individuals, are currently subject to taxation at preferential rates. Short-term capital gains are taxed at rates applicable to ordinary income. The deductibility of capital losses is subject to limitations. In addition, for purposes of the above discussion of the bases and holding periods for shares of Savara common stock and Mast common stock, stockholders who acquired different blocks of Savara common stock at different times for different prices must calculate their gains and losses and holding periods separately for each identifiable block of such stock exchanged in the merger.

A Savara stockholder will be required to retain records pertaining to the merger. Each U.S. Holder who owned, immediately before the merger, at least one percent (by vote or value) of the total outstanding stock of Savara is required to attach a statement to their tax returns for the year in which the merger is consummated that contains the information listed in Treasury Regulation Section 1.368-3(b). Such statement must include the names and employer identification numbers of Mast and Savara, the date of the merger, the stockholder's tax basis in, and the fair market value of, such stockholder's Savara common stock surrendered in the merger.

If the merger fails to qualify as a reorganization within the meaning of Section 368(a) of the Code, then a U.S. Holder would recognize gain or loss upon the exchange of Savara common stock for Mast common stock equal to the difference between the fair market value, at the time of the merger, of the Mast common stock received in the merger (including any cash received in lieu of a fractional share) and such U.S. Holder's tax basis in the Savara common stock surrendered in the merger. Such gain or loss would be long-term capital gain or loss if the Savara common stock was held for more than one year at the time of the merger. In such event, the tax basis of Mast common stock received in the merger would equal its fair market value at the time of the merger and the holding period of such Mast common stock would commence the day after the merger. Savara stockholders are urged to consult their own tax advisors regarding the possibility of the merger failing to qualify as a reorganization and the tax consequences of such event.

Information Reporting and Backup Withholding

Certain stockholders may be subject to information reporting and backup withholding (currently at a rate of 28%) in connection with the merger. Certain persons, including corporations, are exempt from backup withholding but may be required to demonstrate such status by providing appropriate documentation. Any amount withheld under the backup withholding rules is not an additional tax and may be refunded or credited

against such stockholder's U.S. federal income tax liability provided that the required information is properly furnished by the Savara stockholder in a timely manner to the IRS.

THE PRECEDING DISCUSSION DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OR DISCUSSION OF ALL OF THE MERGER'S POTENTIAL TAX EFFECTS. U.S. HOLDERS OF SAVARA STOCK SHOULD CONSULT THEIR TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE MERGER, INCLUDING TAX RETURN REPORTING REQUIREMENTS, AND THE APPLICABILITY AND EFFECT OF U.S. FEDERAL, STATE, LOCAL AND OTHER APPLICABLE TAX LAWS.

NYSE MKT Stock Market Listing

Mast common stock currently is listed on NYSE MKT under the symbol "MSTX". Mast has agreed to use commercially reasonable efforts to maintain its existing listing on NYSE MKT and to obtain approval for listing on NYSE MKT of the shares of Mast common stock that Savara stockholders will be entitled to receive pursuant to the merger. In addition, under the Merger Agreement, each party's obligation to complete the merger is subject to the satisfaction or waiver by each of the parties, at or prior to the merger, of various conditions, including that Mast must have caused the shares of Mast common stock to be issued in the merger to be approved for listing on NYSE MKT.

Prior to consummation of the merger, Mast intends to file an initial listing application for the combined company with the NYSE MKT pursuant to NYSE MKT "reverse merger" rules. Mast anticipates that its common stock will be listed on the NYSE MKT following the closing of the merger under the trading symbol "SVRA."

Anticipated Accounting Treatment

The merger will be treated by Mast as a reverse merger under the acquisition method of accounting in accordance with accounting principles generally accepted in the United States. For accounting purposes, Savara is considered to be acquiring Mast in this transaction. Management of Mast and Savara have made a preliminary estimate of the purchase price calculated as described in Note 1 to the unaudited pro forma condensed combined financial statements. The net tangible and intangible assets acquired and liabilities assumed in connection with the transaction are recorded at their estimated acquisition date fair values. The acquisition method of accounting is dependent upon certain valuations and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. A final determination of these estimated fair values, which cannot be made prior to the completion of the transaction, will be based on the actual net tangible and intangible assets of Mast that exist as of the date of completion of the transaction.

Appraisal Rights and Dissenters' Rights

Delaware Law

If the merger is completed, Savara stockholders who do not deliver a written consent approving the merger are entitled to appraisal rights under Section 262 of the DGCL, or Section 262, provided that they comply with the conditions established by Section 262. Holders of Mast common stock are not entitled to appraisal rights under Delaware law in connection with the merger.

The discussion below is not a complete summary regarding a Savara stockholder's appraisal rights under Delaware law and is qualified in its entirety by reference to the text of the relevant provisions of Delaware law, which are attached to this proxy statement/prospectus/information statement as *Annex C*. Stockholders intending to exercise appraisal rights should carefully review *Annex C*. Failure to follow precisely any of the statutory procedures set forth in *Annex C* may result in a termination or waiver of these rights. This summary does not constitute legal or other advice, nor does it constitute a recommendation that Savara stockholders exercise their appraisal rights under Delaware law.

Under Section 262, where a merger is adopted by stockholders by written consent in lieu of a meeting of stockholders pursuant to Section 228 of the DGCL, either the constituent corporation before the effective date of the merger or the surviving corporation, within 10 days after the effective date of the merger, must notify each stockholder of the constituent corporation entitled to appraisal rights of the approval of the merger, the effective date of the merger and that appraisal rights are available.

If the merger is completed, within 10 days after the effective date of the merger Savara will notify its stockholders that the merger has been approved, the effective date of the merger and that appraisal rights are available to any stockholder who has not approved the merger. Holders of shares of Savara capital stock who desire to exercise their appraisal rights must deliver a written demand for appraisal to Savara within 20 days after the date of mailing of that notice, and that stockholder must not have delivered a written consent approving the merger. A demand for appraisal must reasonably inform Savara of the identity of the stockholder and that such stockholder intends thereby to demand appraisal of the shares of Savara capital stock held by such stockholder. Failure to deliver a written consent approving the merger will not in and of itself constitute a written demand for appraisal satisfying the requirements of Section 262. All demands for appraisal should be addressed to Savara Inc., 900 S. Capital of Texas Highway, Las Cimas IV, Suite 150, Austin, Texas 78746, Attention: Corporate Secretary, and should be executed by, or on behalf of, the record holder of shares of Savara capital stock. ALL DEMANDS MUST BE RECEIVED BY SAVARA WITHIN TWENTY (20) DAYS AFTER THE DATE SAVARA MAILS A NOTICE TO ITS STOCKHOLDERS NOTIFYING THEM THAT THE MERGER HAS BEEN APPROVED, THE EFFECTIVE DATE OF THE MERGER AND THAT APPRAISAL RIGHTS ARE AVAILABLE TO ANY STOCKHOLDER WHO HAS NOT APPROVED THE MERGER.

If you fail to deliver a written demand for appraisal within the time period specified above, you will be entitled to receive the merger consideration for your shares of Savara capital stock as provided for in the Merger Agreement, but you will have no appraisal rights with respect to your shares of Savara capital stock.

To be effective, a demand for appraisal by a holder of shares of Savara capital stock must be made by, or in the name of, the registered stockholder, fully and correctly, as the stockholder's name appears on the stockholder's stock certificate(s). Beneficial owners who do not also hold the shares of record may not directly make appraisal demands to Savara. The beneficial owner must, in these cases, have the registered owner, such as a broker, bank or other custodian, submit the required demand in respect of those shares. If shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of a demand for appraisal should be made by or for the fiduciary; and if the shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or for all joint owners. An authorized agent, including an authorized agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, he or she is acting as agent for the record owner. A record owner, such as a broker, who holds shares as a custodian for others, may exercise the record owner's right of appraisal with respect to the shares held for one or more beneficial owners, while not exercising this right for other beneficial owners. In that case, the written demand should state the number of shares as to which appraisal is sought. Where no number of shares is expressly mentioned, the demand will be presumed to cover all shares held in the name of the record owner. In addition, the stockholder must continuously hold the shares of record from the date of making the demand through the effective time of the merger.

If you hold your shares of Savara capital stock in a brokerage account or in other custodian form and you wish to exercise appraisal rights, you should consult with your bank, broker or other custodian to determine the appropriate procedures for the making of a demand for appraisal by the custodian.

At any time within 60 days after the effective time of the merger, any stockholder who has demanded an appraisal, but has neither commenced an appraisal proceeding or joined an appraisal proceeding as a named party, has the right to withdraw such stockholder's demand and accept the terms of the merger by delivering a

written withdrawal to Savara. If, following a demand for appraisal, you have withdrawn your demand for appraisal in accordance with Section 262, you will have the right to receive the merger consideration for your shares of Savara capital stock.

Within 120 days after the effective date of the merger, any stockholder who has delivered a demand for appraisal in accordance with Section 262 will, upon written request to the surviving corporation, be entitled to receive a written statement setting forth the aggregate number of shares not voted in favor of the Merger Agreement and with respect to which demands for appraisal rights have been received and the aggregate number of holders of these shares. This written statement will be mailed to the requesting stockholder within 10 days after the stockholder's written request is received by the surviving corporation or within ten days after expiration of the period for delivery of demands for appraisal, whichever is later. Within 120 days after the effective date of the merger, either the surviving corporation or any stockholder who has delivered a demand for appraisal in accordance with Section 262 may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares held by all such stockholders. Upon the filing of the petition by a stockholder, service of a copy of the petition must be made upon the surviving corporation. The surviving corporation has no obligation to file a petition in the Delaware Court of Chancery in the event there are dissenting stockholders, and Savara, which is expected to be the surviving corporation, has no present intent to file a petition in the Delaware Court of Chancery. Accordingly, the failure of a stockholder to file a petition within the period specified could nullify the stockholder's previously written demand for appraisal.

If a petition for appraisal is duly filed by a stockholder and a copy of the petition is delivered to the surviving corporation, the surviving corporation will then be obligated, within 20 days after receiving service of a copy of the petition, to provide the Delaware Court of Chancery with a duly verified list containing the names and addresses of all stockholders who have demanded an appraisal of their shares and with whom agreements as to the value of their shares have not been reached by the surviving corporation. After notice to dissenting stockholders who demanded appraisal of their shares, the Delaware Court of Chancery is empowered to conduct a hearing upon the petition, and to determine those stockholders who have complied with Section 262 and who have become entitled to the appraisal rights provided thereby. The Delaware Court of Chancery may require the stockholders who have demanded appraisal for their shares to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with that direction, the Delaware Court of Chancery may dismiss the proceedings as to that stockholder.

After determination of the stockholders entitled to appraisal of their shares, the Delaware Court of Chancery will appraise the "fair value" of the shares owned by those stockholders. This value will be exclusive of any element of value arising from the accomplishment or expectation of the merger, but may include a fair rate of interest, if any, upon the amount determined to be the fair value. When the value is determined, the Delaware Court of Chancery will direct the payment of the value, with interest thereon accrued during the pendency of the proceeding, if the Delaware Court of Chancery so determines, to the stockholders entitled to receive the same, upon surrender by the holders of the certificates representing those shares.

In determining fair value, and, if applicable, a fair rate of interest, the Delaware Court of Chancery is required to take into account all relevant factors. In *Weinberger v. UOP, Inc.*, the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that "proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court" should be considered, and that "fair price obviously requires consideration of all relevant factors involving the value of a company."

Section 262 provides that fair value is to be "exclusive of any element of value arising from the accomplishment or expectation of the merger." In *Cede & Co. v. Technicolor, Inc.*, the Delaware Supreme Court stated that this exclusion is a "narrow exclusion [that] does not encompass known elements of value," but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In

Weinberger, the Delaware Supreme Court construed Section 262 to mean that "elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered."

You should be aware that the fair value of your shares as determined under Section 262 could be more than, the same as, or less than the value that you are entitled to receive under the terms of the Merger Agreement.

Costs of the appraisal proceeding may be imposed upon the surviving corporation and the stockholders participating in the appraisal proceeding by the Delaware Court of Chancery as the Court deems equitable in the circumstances. Upon the application of a stockholder, the Delaware Court of Chancery may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts, to be charged pro rata against the value of all shares entitled to appraisal. In the absence of such a determination of assessment, each party bears its own expenses. Any stockholder who had demanded appraisal rights will not, after the effective time of the merger, be entitled to vote shares subject to that demand for any purpose or to receive payments of dividends or any other distribution with respect to those shares, other than with respect to payment as of a record date prior to the effective time; however, if no petition for appraisal is filed within 120 days after the effective time of the merger, or if the stockholder delivers a written withdrawal of his or her demand for appraisal and an acceptance of the terms of the merger within 60 days after the effective time of the merger, then the right of that stockholder to appraisal will cease and that stockholder will be entitled to receive the merger consideration for shares of his or her Savara capital stock pursuant to the Merger Agreement. Any withdrawal of a demand for appraisal made more than 60 days after the effective time of the merger may only be made with the written approval of the surviving corporation. No appraisal proceeding in the Delaware Court of Chancery will be dismissed as to any stockholder without the approval of the court.

Failure to follow the steps required by Section 262 for perfecting appraisal rights may result in the loss of appraisal rights. In view of the complexity of Section 262, stockholders who may wish to dissent from the merger and pursue appraisal rights should consult their legal advisors.

THE MERGER AGREEMENT

The following is a summary of the material terms of the Merger Agreement. A copy of the Merger Agreement is attached as Annex A to this proxy statement/prospectus/information statement and is incorporated by reference into this proxy statement/prospectus/information statement. The Merger Agreement has been attached to this proxy statement/prospectus/information statement to provide you with information regarding its terms. It is not intended to provide any other factual information about Mast, Savara or Merger Sub. The following description does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement. You should refer to the full text of the Merger Agreement for details of the merger and the terms and conditions of the Merger Agreement.

The Merger Agreement contains representations and warranties that Mast and Merger Sub, on the one hand, and Savara, on the other hand, have made to one another as of specific dates. These representations and warranties have been made for the benefit of the other parties to the Merger Agreement and may be intended not as statements of fact but rather as a way of allocating the risk to one of the parties if those statements prove to be incorrect. In addition, the assertions embodied in the representations and warranties are qualified by information in confidential disclosure schedules exchanged by the parties in connection with signing the Merger Agreement. While Mast and Savara do not believe that these disclosure schedules contain information required to be publicly disclosed under the applicable securities laws, other than information that has already been so disclosed, the disclosure schedules do contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the attached Merger Agreement. Accordingly, you should not rely on the representations and warranties as current characterizations of factual information about Mast or Savara, because they were made as of specific dates, may be intended merely as a risk allocation mechanism between Mast and Merger Sub, and Savara and are modified by the disclosure schedules.

General

Under the Merger Agreement, Victoria Merger Corp., or Merger Sub, a wholly owned subsidiary of Mast formed by Mast in connection with the merger, will merge with and into Savara, with Savara surviving as a wholly owned subsidiary of Mast.

Merger Consideration

Immediately prior to the effective time of the merger, each share of Savara preferred stock outstanding at such time will be converted into shares of Savara common stock at a ratio determined in accordance with the Savara certificate of incorporation then in effect. At the effective time of the merger,

- each share of Savara capital stock issued and outstanding immediately prior to the effective time of the merger (excluding shares of Savara capital stock (i) held in the treasury of Savara, (ii) held by Mast or any direct or indirect wholly owned subsidiary of Savara or Mast immediately prior to the effective time of the merger or (iii) for which such holder has properly demanded appraisal) will be converted into and represent the right to receive a number of shares of validly issued, fully paid and non-assessable shares of Mast common stock equal to the exchange ratio, described below;
- each Savara Option will be assumed by Mast and will become an option, subject to vesting, to purchase that number of shares of the common stock of Mast multiplied by the exchange ratio (and rounding the resulting number down to the nearest whole share), at an exercise price equal to the per share exercise price of such Savara Option divided by the exchange ratio (and rounding the resulting number up to the nearest whole cent);
- each award of Savara Restricted Shares will be assumed by Mast and will become an award of a number of restricted shares of Mast, subject to vesting, determined by multiplying the number of Savara Restricted Shares subject to the award by the exchange ratio (and rounding the resulting number down to the nearest whole share); and

- each Savara Warrant will be assumed by Mast and will become a warrant to purchase that number of shares of the common stock of Mast multiplied by the exchange ratio (and rounding the resulting number down to the nearest whole share), at an exercise price equal to the per share exercise price of such Savara Warrant divided by the exchange ratio (and rounding the resulting number up to the nearest whole cent).

No fractional shares of Mast common stock will be issuable pursuant to the merger to Savara stockholders. Instead, each Savara stockholder who would otherwise be entitled to receive a fraction of a share of Mast common stock, after aggregating all fractional shares of Mast common stock issuable to such stockholder, will be entitled to receive in cash the dollar amount, rounded down to the nearest whole cent, without interest, determined by multiplying such fraction by the average of the closing prices of a share of Mast common stock as quoted on NYSE MKT for the ten (10) consecutive trading days ending with the second to last trading day immediately preceding the effective time of the merger.

Exchange Ratio

The exchange ratio is calculated using a formula intended to allocate to the existing Savara securityholders (on a fully diluted basis) a percentage of the combined company based on the relative valuations of $115 million for Savara and $36.5 million for Mast.

The exchange ratio formula is the quotient obtained by dividing the Savara merger shares (as defined below) by the Savara fully-diluted outstanding shares, where:

- Savara merger shares is the product determined by multiplying the post-closing Mast shares (as defined below) by the Savara allocation percentage (as defined below).
- Savara fully-diluted outstanding shares is the total number of shares of Savara capital stock outstanding immediately prior to the effective time of the merger on an as-converted to common stock basis, assuming (i) the exercise of all Savara options and Savara warrants to purchase shares of Savara capital stock outstanding as of immediately prior to the effective time of the merger, (ii) the conversion of all shares of Savara preferred stock into shares of Savara common stock at the applicable conversation ratio as of the date of the consummation of the merger, (iii) the conversion of all shares of Savara restricted shares into restricted shares of Savara common stock, (iv) the conversion or exercise of all other securities convertible into or exercisable for shares of Savara capital stock, including all outstanding convertible promissory notes or other debt instruments convertible into Savara common stock, and (v) the issuance of any shares of Savara capital stock under any contract or arrangement pursuant to which Savara is obligated to issue such shares; provided, however, that all shares of Savara capital stock issued in connection with a permitted bridge financing will be excluded from such amount.
- Post-closing Mast shares is the quotient determined by dividing the Mast fully-diluted outstanding shares by the Mast allocation percentage (as defined below).
- Mast fully-diluted outstanding shares is the total number of shares of Mast common stock outstanding immediately prior to the effective time of the merger on an as-converted to common stock basis, including any such shares issued in a dilutive atm issuance (as defined in the section entitled “The Merger Agreement — Financing”), and after taking into account the effects of the reverse stock split assuming, (i) the exercise of Mast warrants issued and outstanding as of the date of the merger agreement to purchase an aggregate amount of 15,273,818 shares of Mast common stock, subject to a proportionate reduction in any amount included in such 15,273,818 shares as may be purchased by Mast at the Determination Date (as defined below), (ii) the exercise of Mast options to purchase shares of Mast capital stock that will remain outstanding as of immediately following the effective time of the merger and that may continue to be exercisable on or after January 1, 2018, (iii) the exercise of all Mast options or Mast warrants or other securities convertible into or exercisable for shares of Mast

capital stock issued after the date of the merger agreement and outstanding as of immediately prior to the effective time of the merger, (iv) the conversion or exercise of all other securities convertible into or exercisable for shares of Mast capital stock and (v) the issuance of any shares of Mast capital stock under any contract or arrangement pursuant to which Mast is obligated to issue such shares; provided, however, all shares of Mast capital stock issued in connection with a non-dilutive atm issuance (as defined below) or pursuant to terms of the agreement and plan of merger between Mast, SynthRx, Inc. and the other parties thereto, dated February 12, 2011, will be excluded from such amount.

- Savara allocation percentage is sum of 100% minus the Mast allocation percentage.
- Aggregate value is $151,500,000.
- Mast allocation percentage is the quotient determined by dividing (i) the difference of $36,500,000 minus any net cash adjustment amount (as defined below), if any by (ii) the aggregate value.

The exchange ratio is subject to (i) upward adjustment to the extent that Mast's net cash at the effective time of the merger is less than zero dollars ($0.00) (and as a result, Mast securityholders could own less, and Savara securityholders could own more, of the combined company) and (ii) adjustment to reflect the proposed [●] reverse stock split. No adjustment will be made to the exchange ratio in respect of any post-closing financing (as defined in the section entitled "The Merger Agreement — Financing").

The Merger Agreement does not include a price-based termination right, so there will be no adjustment to the total number of shares of Mast common stock that Savara stockholders, optionholders and warrantholders will be entitled to receive for changes in the market price of Mast common stock. Accordingly, the market value of the shares of Mast common stock issued pursuant to the merger will depend on the market value of the shares of Mast common stock at the time of the merger, and could vary significantly from the market value on the date of this proxy statement/prospectus/information statement.

Determination of Net Cash

Unless otherwise agreed to by the parties, Mast's estimated net cash as of the anticipated closing will be calculated at least ten (10) calendar days before the closing date of the merger (the "Determination Date"). Following the final determination of Mast's net cash as of the closing, Mast and Savara will issue a press release setting forth, among other things, the exchange ratio as of the anticipated date of the closing of the merger. Mast and Savara agree to work together in good faith to agree upon the estimated net cash as of the closing, provided, however, that in the event they are unable to reach an agreement as of the Determination Date, the closing of the merger could be delayed.

Under the merger agreement, Mast's "net cash" is defined as Mast's and Mast's subsidiaries' (i) unrestricted cash, cash equivalents and short term marketable securities, *minus* (ii) Mast's debt, excluding all but $1,771,000 of the amount of outstanding indebtedness that Mast owes to Hercules Technology III and L.P., Hercules Capital, Inc. ("Hercules"), *minus* (iii) any bonus, severance, change-in-control payments or similar payment obligations that become due or payable, or are planned with respect to, to any director, officer, employee or consultant of Mast or its subsidiaries in connection with the merger relating to terminations of service prior to the effective time of the merger (unless paid prior to such time), *minus* (iv) all payroll, employment or other withholding taxes incurred by Mast and its affiliates in connection with the merger or otherwise, *minus* (v) all accrued taxes and other liabilities and accounts payable determined in a manner consistent with the manner in which such items have been historically determined and reflected in Mast's financial statements (without duplication of any items otherwise accounted for in the definition of Net Cash), *minus* (vi) if Mast has not secured a subtenant for its office space providing for payment by such subtenant at subtenant market rental rates prior to the effective time of the merger, $250,000, *minus* (vii) Mast's transaction costs in connection with the merger (unless paid prior to the effective time of the merger or otherwise accounted for in the definition of net cash), *minus* (viii) fees and expenses payable by Mast in the event the Mast and Savara have engaged an accounting firm to resolve a

disagreement as to the net cash calculation *minus* (ix) the cash cost of repurchasing any shares, or any rights with respect to shares, of Mast capital stock, solely to the extent that Mast is obligated to purchase such shares or rights and the purchase price for such shares or rights has not been fully paid by Mast as of the Determination Date. Notwithstanding the foregoing, any of the items set forth in the preceding clauses (ii), (iii) and (v) will not be included in the calculation of net cash to the extent neither Mast nor any of its subsidiaries is or may become obligated to make payments in respect thereof prior to the one-year anniversary of the closing of the merger.

Mast's net cash balance at the Determination Date is subject to numerous factors, many of which are outside of Mast's control. Furthermore, the exchange ratio at the effective time of the merger will be subject to (i) upward adjustment to the extent that Mast's net cash is less than zero dollars ($0.00) (and as a result, Mast securityholders could own less, and Savara securityholders could own more, of the combined company) and (ii) adjustment to reflect the proposed [●] reverse stock split, as described under "The Merger Agreement —Exchange Ratio." No adjustment will be made to the exchange ratio in respect of any post-closing financing or in the event that Mast's net cash exceeds zero dollars ($0.00).

Procedures for Exchanging Savara Stock Certificates

The Merger Agreement provides that, as soon as practicable after the effective time of the merger, Mast will issue and deposit with the Exchange Agent non-certificated shares of Mast common stock represented by book-entry issuable to the Savara stockholders and a sufficient amount of cash to make payments in lieu of fractional shares.

The Merger Agreement provides that, as soon as reasonably practicable after the effective time of the merger, the Exchange Agent will mail to each record holder of Savara capital stock a letter of transmittal and instructions for surrendering and exchanging the record holder's Savara stock certificates for shares of Mast common stock. Upon surrender of a Savara stock certificate for exchange to the Exchange Agent, together with a duly signed letter of transmittal and such other documents as the Exchange Agent or Mast may reasonably require, the Savara stock certificate surrendered will be cancelled and the holder of the Savara stock certificate will be entitled to receive the following:

- non-certificated shares of Mast common stock represented by book-entry that such holder has the right to receive pursuant to the provisions of the Merger Agreement; and
- cash in lieu of any fractional share of Mast common stock.

At the effective time of the merger, all shares of Savara capital stock outstanding immediately prior to the effective time of the merger will be cancelled and all holders of Savara capital stock that was outstanding immediately prior to the effective time of the merger will cease to have any rights as stockholders of Savara. In addition, the stock transfer books of Savara will be closed with respect to all shares of Savara capital stock outstanding immediately prior to the effective time of the merger and no transfer of any shares of Savara capital stock will be made after the effective time of the merger on such stock transfer books.

If any Savara stock certificate has been lost, stolen or destroyed, the Exchange Agent will, as a condition to the delivery of any shares of Mast common stock, require the owner of such lost, stolen or destroyed certificate to provide an appropriate affidavit and deliver a bond as indemnity against any claim that may be made against the Exchange Agent, Mast or the surviving corporation with respect to a lost, stolen or destroyed certificate.

From and after the effective time of the merger, until it is surrendered, each certificate that previously evidenced Savara capital stock will be deemed to represent only the right to receive shares of Mast common stock and cash in lieu of any fractional share of Mast common stock. No dividends or distributions declared or made with respect to Mast common stock with a record date after the effective time of the merger will be paid to the holder of any unsurrendered certificate representing shares of Savara capital stock with respect to the shares of Mast common stock that such holder has the right to receive in the merger until such holder surrenders such certificate for exchange to the Exchange Agent.

Treatment of Savara Options and Savara Restricted Shares

At the effective time of the merger, each Savara Option, whether vested or not vested, will be converted into a Mast Option and each Mast Option may be exercised solely for shares of Mast common stock. Mast will assume the Savara Stock Option Plan. The number of shares of Mast common stock subject to each Mast Option will be determined by multiplying (i) the number of shares of Savara common stock that were subject to the underlying Savara Option by (ii) the exchange ratio, with the resulting number rounded down to the nearest whole number of shares of Mast common stock. The per share exercise price for the Mast common stock subject to such Mast Option will be determined by dividing (i) the per share exercise price of the underlying Savara Option by (ii) the exchange ratio, with the resulting number rounded up to the nearest whole cent.

Any restrictions on the exercise of assumed Savara Options will continue in full force and effect following the conversion and the term, exercisability, vesting schedules, status as an "incentive stock option" under Section 422 of the Code, if applicable, and other provisions of the assumed Savara Options will generally remain unchanged; provided, that any Savara Options assumed by Mast may be subject to adjustment to reflect changes in Mast's capitalization after the effective time of the merger and that the Mast Board or any committee thereof will succeed to the authority of the Savara Board with respect to each assumed Savara Option.

At the effective time, Savara Restricted Share will be exchanged for a Mast Restricted Share and each Mast Restricted Share will have, and be subject to, the same terms and conditions (including vesting terms) set forth in Savara's Stock Option Plan and applicable Savara Restricted Share agreements relating thereto, as in effect immediately prior to the effective time of the merger. The number of Mast Restricted Shares that will be exchanged for an award of Savara Restricted Shares will equal the number of Savara Restricted Shares outstanding subject to such award immediately prior to the effective time of the merger multiplied by the exchange ratio, with the result rounded down to the nearest whole number of shares of Mast common stock.

Treatment of Savara Warrants

At the effective time of the merger, each Savara Warrant will be converted into a Mast Warrant and each Mast Warrant may be exercised solely for shares of Mast common stock. The number of shares of Mast common stock subject to each Mast Warrant will be determined by multiplying (i) the number of shares of Savara common stock that were subject to the underlying Savara Warrant by (ii) the exchange ratio, with the resulting number rounded down to the nearest whole number of shares of Mast common stock. The per share exercise price for the Mast common stock subject to such Mast Warrant will be determined by dividing (i) the per share exercise price of the underlying Savara Warrant by (ii) the exchange ratio, with the resulting number rounded up to the nearest whole cent.

Any restrictions on the exercise of assumed Savara Warrants will continue in full force and effect following the conversion and the term, exercisability, and other provisions of the assumed Savara Warrants will otherwise remain unchanged; provided, that any Savara Warrants assumed by Mast may be subject to adjustment to reflect changes in Mast's capitalization after the effective time of the merger.

Directors and Executive Officers of Mast Following the Merger

Pursuant to the Merger Agreement, the Mast Board immediately after the effective time of the merger will consist of five members designated by Savara (the "Savara appointees") and two independent directors designated by Mast, subject to the consent of Savara (with such consent not to be unreasonably withheld by Savara). Each current director of Mast that will no longer be a member of the Mast Board after the effective time of the merger will resign effective as of the effective time of the merger. From and after the effective time of the merger, the Mast Board will maintain an independent audit committee, and it is anticipated that the company appointees, together with the independent directors designated by Mast, will allow the Mast Board to comply with the requisite independence requirements and all applicable securities laws. Each new director of Mast that was not a member of the Mast Board immediately before the effective time of the merger will enter into an

indemnification agreement with Mast within fifteen (15) days of their respective appointment. It is anticipated that the Mast Board will include the following Savara appointees, Robert Neville, Nevan Elam, Richard J. Hawkins, Yuri Pikover and Joseph S. McCracken as well as [●] and [●], both of whom were appointed by Mast. Effective as of the effective time of the merger, Savara will direct the Mast Board to appoint each of the following as officers of Mast:

Name	Title
Robert Neville	Chief Executive Officer and President
Taneli Jouhikainen	Chief Operating Officer
David Lowrance	Chief Financial Officer

Amendments to the Amended and Restated Certificate of Incorporation of Mast

Stockholders of record of Mast common stock on the record date for the Mast special meeting will also be asked to approve the amendment to the amended and restated certificate of incorporation of Mast to (i) effect the proposed [●] reverse stock split and (ii) change the name of the corporation from "Mast Therapeutics, Inc." to "Savara Inc." in connection with the merger, each of which requires the affirmative vote of holders of a majority of the outstanding common stock on the record date for the Mast special meeting.

Conditions to the Completion of the Merger

Each party's obligation to effect the merger is subject to the satisfaction or waiver by each of the parties, at or prior to the effective time of the merger, of various conditions, which include the following:

- the registration statement on Form S-4, of which this proxy statement/prospectus/information statement is a part, must have been declared effective by the SEC in accordance with the Securities Act and must not be subject to any stop order or proceedings seeking a stop order;
- there must not have been any temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the merger that is in effect, and there must not be any proceeding brought by any administrative agency or commission or other governmental body or instrumentality, domestic or foreign, seeking any temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the merger that is pending, and there must not have been any action taken, or any statute, rule, regulation, or order enacted, entered, enforced or deemed applicable to the merger, which makes the consummation of the merger illegal;
- the holders of a majority in voting power of the outstanding shares Savara preferred stock on the applicable record date, voting together as one class, and the holders of a majority in voting power of the outstanding shares of all Savara capital stock must have adopted the Merger Agreement and approved the merger, and the holders of a majority of the outstanding shares of Mast common stock must have approved the merger, the issuance of Mast common stock in the merger and the amended and restated certificate of incorporation of Mast, including for purposes of effectuating the [●] reverse stock split;
- the shares of Mast common stock to be issued in the merger must have been approved for listing on NYSE MKT (subject to official notice of issuance); and
- any waiting period applicable to the consummation of the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or HSR Act, must have expired or been terminated.

In addition, the obligation of Mast to effect the merger is also subject to the satisfaction or waiver of certain conditions, including the following:

- the (i) representations and warranties of Savara in the Merger Agreement with respect to its capital structure and authorization must be true and correct in all material respects and as of the closing date of

the merger, with the same force and effect as if made on and as of the closing date of the merger, except for those representations and warranties which address matters only as of a particular date (which must be true and correct in all material respects as of such date) and (ii) representations and warranties of Savara in the Merger Agreement, other than those with respect to its capital structure and authorization, must be true and correct in all respects on and as of the closing date of the merger, with the same force and effect as if made on and as of the closing date of the merger, expect for those representations and warranties which address matters only as of a particular date (which must be true and correct in all material respects as of such date), or contain inaccuracies that, individually or in the aggregate, do not constitute and would not reasonably be expected to constitute a material adverse effect, provided that for purposes of clause (ii), all "material adverse effect" qualifications and other materiality qualifications limiting the scope of the representations and warranties of Savara in the Merger Agreement will be disregarded. The merger and the transactions contemplated in connection with the merger does not constitute a breach of Savara's representations and warranties with respect to its capital structure;

- Savara must have performed or complied with in all material respects its agreements and covenants required by the Merger Agreement to be performed or complied with by it on or prior to the effective time of the merger;
- since the date of the Merger Agreement, there must not have been any change, occurrence or circumstance in the business, results of operations or financial condition of Savara or any subsidiary of Savara that (i) prevents Savara from consummating the merger or (ii) had, individually or in the aggregate, a material adverse effect on the business, financial condition, operations or result of operations of Savara or its subsidiaries taken as a whole that is continuing, provided, however, that in no event will any of the following, alone or in combination, be deemed to constitute, nor will any of the following be taken into account in determining whether there has occurred a material adverse effect on Savara:
    - conditions generally affecting the industries in which Savara or its subsidiaries participate, or the United States or global economy or capital markets as a whole (only to the extent that, individually or in the aggregate, such effects do not have a disproportionate impact on Savara and its subsidiaries taken as a whole);
    - any failure by the Savara or any of its subsidiaries to meet internal projections or forecasts or third party revenue or earnings predictions for any period ending (or for which revenues or earnings are released) on or after the date of the Merger Agreement (however, any effect causing or contributing to such failures to meet projections or predictions may, if not otherwise to be disregarded pursuant to the terms of the Merger Agreement, constitute a material adverse effect and may be taken into account in determining whether a material adverse effect has occurred);
    - any natural disaster or any acts of terrorism, sabotage, military action or war or any escalation or worsening thereof (only to the extent that, individually or in the aggregate, such effects do not have a disproportionate impact on Savara and its subsidiaries taken as a whole); or
    - any changes (after the date of the Merger Agreement) in GAAP or applicable laws (only to the extent that, individually or in the aggregate, such effects do not have a disproportionate impact on Savara and its subsidiaries taken as a whole).
- Mast must have received written resignations from each resigning member of the board of directors of Savara and each of its subsidiaries;
- holders of no more than five percent (5%) of the shares of Savara capital stock on an as-converted to common stock basis have demanded and not lost or withdrawn appraisal rights; and
- Savara must have effected a conversion of its preferred stock into common stock immediately prior to the effective time of the merger.

In addition, the obligation of Savara to complete the merger is further subject to the satisfaction or waiver of certain conditions, including the following:

- the (i) representations and warranties of Mast and Merger Sub in the Merger Agreement with respect to their capital structure and authorization must be true and correct in all material respects on and as of the closing date of the merger, with the same force and effect as if made on and as of the closing date of the merger, except for those representations and warranties which address matters only as of a particular date (which must be true and correct in all material respects as of such date) and (ii) representations and warranties of Mast and Merger Sub in the Merger Agreement, other than those with respect to their capital structure and authorization, must be true and correct in all respects on and as of the closing date of the merger, with the same force and effect as if made on and as of the closing date of the merger, expect for those representations and warranties which address matters only as of a particular date (which must be true and correct in all material respects as of such date), or contain inaccuracies that, individually or in the aggregate, do not constitute and would not reasonably be expected to constitute a material adverse effect, provided that for purposes of clause (ii), all "material adverse effect" qualifications and other materiality qualifications limiting the scope of the representations and warranties of Mast and Merger Sub in the Merger Agreement will be disregarded;
- Mast and Merger Sub must have performed or complied with in all material respects its agreements and covenants required by the Merger Agreement to be performed or complied with by it on or prior to the effective time of the merger;
- since the date of the Merger Agreement, there must not have been any change, occurrence or circumstance in the business, results of operations or financial condition of Mast or any subsidiary of Mast that (i) prevents Mast or Merger Sub from consummating the merger or (ii) had, individually or in the aggregate, a material adverse effect on the business, financial condition, operations or result of operations of Mast or its subsidiaries taken as a whole, that is continuing, provided, however, that in no event will any of the following, alone or in combination, be deemed to constitute, nor will any of the following be taken into account in determining whether there has occurred a material adverse effect on Mast:
    - conditions generally affecting the industries in which Masts participates, or the United States or global economy or capital markets as a whole (only to the extent that, individually or in the aggregate, such effects do not have a disproportionate impact on Savara and its subsidiaries taken as a whole);
    - changes in the trading price or trading volume of Mast common stock (however, any effect causing or contributing to such changes in the trading price or trading volume of mast common stock may if not otherwise to be disregarded pursuant to the Merger Agreement, constitute a material adverse effect and may be taken into account in determining whether a material adverse effect has occurred);
    - any failure by the Mast or any of its subsidiaries to meet internal projections or forecasts or third party revenue or earnings predictions for any period ending (or for which revenues or earnings are released) on or after the date of the Merger Agreement (however, any effect causing or contributing to such failures to meet projections or predictions may, if not otherwise to be disregarded pursuant to the terms of the Merger Agreement, constitute a material adverse effect and may be taken into account in determining whether a material adverse effect has occurred);
    - any natural disaster or any acts of terrorism, sabotage, military action or war or any escalation or worsening thereof (only to the extent that, individually or in the aggregate, such effects do not have a disproportionate impact on Mast and its subsidiaries taken as a whole); or
    - any changes (after the date of the Merger Agreement) in GAAP or applicable laws (only to the extent that, individually or in the aggregate, such effects do not have a disproportionate impact on Mast and its subsidiaries taken as a whole).

- Savara must have received written resignations from each resigning member of the Mast Board and each of its subsidiaries, with such resignation to be effective as of the effective time of the merger;
- each of the Savara appointees has been elected to the Mast Board;
- the reverse stock split must have become effective; and
- unless otherwise agreed to between Mast and Savara, Mast must have amended that certain Loan and Security Agreement, dated August 11, 2015, amended by the First Amendment thereto dated September 28, 2015, the Second Amendment thereto dated December 31, 2015, the Third Amendment thereto dated February 25, 2016, and the Fourth Amendment thereto dated July 22, 2016, by and between Hercules Technology III and L.P., Hercules Capital, Inc. and Mast (the "Hercules Agreement") in accordance with the terms mutually agreed to by Mast and Savara.

Representations and Warranties

The Merger Agreement contains customary representations and warranties of Mast and Savara for a transaction of this type relating to, among other things:

- corporate organization and power, and similar corporate matters;
- capital structure;
- financial statements, undisclosed liabilities and with respect to Mast, documents filed with the SEC and the accuracy of information contained in those documents;
- absence of material changes or events;
- title to assets;
- real property and leaseholds;
- intellectual property;
- the validity of material contracts to which the parties or their subsidiaries are a party and any violation, default or breach to such contracts;
- liabilities;
- regulatory compliance, permits and restrictions;
- tax matters;
- inapplicability of anti-takeover statutes;
- employee benefit plans;
- insurance;
- compliance with legal requirements;
- legal proceedings and orders;
- authority to enter into the Merger Agreement and the transactions contemplated by the Merger Agreement;
- transactions with affiliates;
- votes required for adoption of the Merger Agreement, approval of the merger and approval of the proposals that will come before the Mast special meeting;
- except as otherwise specifically identified in the Merger Agreement, the fact that the consummation of the merger would not contravene organizational documents, applicable laws or require the consent of any third party;

- any brokerage or finder's fee or other fee or commission in connection with the merger;
- with respect to Savara, labor matters;
- with respect to Savara, environmental matters;
- with respect to Savara, its ability to bid on government contracts;
- with respect to Savara, the availability and accuracy of its books and records;
- with respect to Mast, that it is not a shell company;
- with respect to Mast, the opinion of its financial advisor, ROTH Capital Partners, LLC that the exchange ratio is fair to Mast from a financial point of view;
- with respect to Mast, the truth, accuracy and completeness of its representations or warranties in the Merger Agreement and the information contained in its disclosure schedule to the Merger Agreement;
- with respect to Mast, the valid issuance in the merger of the Mast common stock; and
- the truth, accuracy and completeness of the information supplied by the parties in this Proxy Statement/Prospectus/Information Statement.

The representations and warranties are, in many respects, qualified by materiality and knowledge, and will not survive the merger, but their accuracy forms the basis of one of the conditions to the obligations of Mast and Savara to complete the merger.

No Solicitation

Each of Mast and Savara agreed that, except as described below, Mast and Savara will not, and will not authorize or permit any of their respective subsidiaries or any of their respective controlled affiliates, officers, directors, employees, partners, attorneys, accountants, advisors, agents or representatives of such parties or of any such party's subsidiaries or other controlled affiliates to, directly or indirectly:

- solicit, initiate, knowingly encourage, induce or facilitate the making, submission or announcement of any "acquisition proposal," as defined below, or take any action that would reasonably be expected to lead to an acquisition proposal;
- furnish any nonpublic information regarding it to any Person in connection with or in response to an acquisition proposal or an inquiry or indication of interest that could lead to an acquisition proposal;
- engage in discussions or negotiations with any person with respect to any acquisition proposal;
- approve, endorse or recommend an acquisition proposal; or
- enter into any letter of intent or similar document or any agreement contemplating or otherwise relating to an acquisition transaction.

An "acquisition proposal" means any offer, proposal or indication of interest contemplating or which would reasonably be interpreted to be lead to the contemplation of an "acquisition transaction," as defined below.

An "acquisition transaction" means the following:

- any merger, consolidation, amalgamation, share exchange, business combination, issuance of securities, acquisition of securities, tender offer, exchange offer or other similar transaction (i) in which Savara (or its subsidiaries) or Mast (or its subsidiaries) is a constituent corporation, (ii) in which a person or "group" (as defined in the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder) of persons directly or indirectly acquires beneficial or record ownership of securities representing more than 15% of the outstanding securities of any class of voting securities of

Savara (or its subsidiaries) or Mast (or its subsidiaries), or (iii) in which Savara (or its subsidiaries) or Mast (or its subsidiaries) issues securities representing more than 15% of the outstanding securities of any class of voting securities of any such entity (other than as contemplated under the Merger Agreement);

- any sale, lease, exchange, transfer, license, acquisition or disposition of any business or businesses or assets that constitute or account for 15% or more of the consolidated net revenues, net income or assets of Savara (or its subsidiaries) or Mast (or its subsidiaries; or
- any liquidation or dissolution of any of Savara (or its subsidiaries) or Mast (or its subsidiaries).

However, before obtaining the applicable Mast or Savara stockholder approvals required to adopt the Merger Agreement, each party may furnish nonpublic information regarding such party and its respective subsidiaries to, may enter into discussions with, or facilitate or cooperate with the submission of an acquisition proposal made by any person in response to any such acquisition proposal, that after consultation with a financial advisor and outside legal counsel, such party's board of directors determines in good faith is, or would reasonably be expected to result in a "superior offer," as defined below, (and is not withdrawn) if:

- such acquisition proposal did not result from a breach of the no solicitation provisions of the Merger Agreement described above;
- such party's board of directors concludes in good faith, after having taken into account the advice of its outside legal counsel, that such action is required in order for the board of directors to comply with its fiduciary duty obligations to its stockholders under applicable legal requirements;
- at least two business days prior to furnishing any information or entering into discussions with a third party, such party must (i) give the other party written notice of the identity of the third party, the terms and conditions of any proposals or offers (including, if applicable, copies of any written requests, proposals or offers, including proposed agreements) made thereby and of that party's intention to furnish information to, or enter into discussions with such third party and (ii) such party must receive from the third party an executed confidentiality agreement on terms no less favorable to such party than those in the confidentiality agreement between Mast and Savara, with such new confidentiality agreement to contain customary limitations on the use and disclosure of all nonpublic written and oral information furnished to such third party on or behalf of such party (as well as customary "standstill" provisions if Mast is the party entering into a new confidentiality agreement with the third party); and
- substantially contemporaneous with furnishing of any information to a third party, such party furnishes the same information to the other party to the extent not previously furnished. Notwithstanding the non-solicitation provisions of the Merger Agreement described above, Savara is permitted to take, or refrain from taking, any action described above to the extent any such action is taken in connection with or view a view towards consummating a post-closing financing or refinancing, and no such action or omission will be deemed a violation of the non-solicitation provisions of the Merger Agreement.

A "superior offer" means an unsolicited, bona fide written acquisition proposal (with all references to 15% in the definition of acquisition proposal being treated as references to 50% for these purposes) made by a third party that (a) was not obtained or made as a direct or indirect result of a breach of (or in violation of) the Merger Agreement and (b) the terms of which the board of directors of either Mast or Savara, as applicable, determines, in its reasonable judgment after consulting in good faith with an independent financial advisor and its outside legal counsel, to be more favorable to its stockholders from a financial point of view than the terms of the merger, as well as the likelihood of the consummation thereof, which consideration shall include whether any financing is or may be required to consummate the transaction contemplated by such proposal, and whether such financing is committed and is reasonably capable of being obtained by the applicable offeror.

The Merger Agreement also provides that each party will promptly (and in no event later than 24 hours after receipt of any acquisition proposal, any inquiry or indication of interest that could lead to an acquisition proposal

or any request for nonpublic information) advise the other orally and in writing of any acquisition proposal, any inquiry or indication of interest that could lead to an acquisition proposal or any request for nonpublic information relating to such party or its subsidiaries (including the identity of the third party making or submitting such acquisition proposal, inquiry, indication of interest or request, the material terms thereof and copies of any written material submitted therewith) that is made or submitted by any third party between the date of the Merger Agreement and the consummation of the merger. Each party will keep the other informed on a prompt basis in all material respects with respect to the status of any such acquisition proposal, inquiry, indication of interest or request and any modification or proposed modification thereto and shall deliver copies of any written material submitted therewith.

The Merger Agreement provides that each party must have immediately ceased and caused to be terminated any discussions that existed at the date the Merger Agreement was signed with any third party that related to any acquisition proposal and such party must have promptly requested from each third party that executed a confidentiality agreement in connection with its consideration of making an acquisition proposal prior to the date of the Merger Agreement to return or destroy all confidential information concerning Savara or Mast, as applicable, or any of their subsidiaries, as applicable, and promptly terminated all physical and electronic data access previously granted to such third party.

Meetings of Stockholders

Mast is obligated under the Merger Agreement to take all action necessary under applicable legal requirements to call, give notice of and hold a special meeting of its stockholders to vote on the merger, the issuance of Mast common stock in the merger, the proposed amendment and restatement of the amended and restated certificate of incorporation of Mast, including for purposes of effectuating the [●] reverse stock split. The Mast special meeting will be held as promptly as practicable, but in any event, within forty-five days after the effective date of the registration statement on Form S-4.

If on a date preceding the date on which or the date on which the Mast special meeting is scheduled, Mast reasonably believes that (i) it will not receive proxies sufficient to obtain the requisite stockholder approval, whether or not a quorum would be present or (ii) it will not have sufficient shares of Mast common stock represented (either in person or by proxy) to constitute a quorum necessary to conduct the business of the Mast special meeting, Mast may (or will, at the Savara's direction) postpone or adjourn, or make one or more successive postponements or adjournments of, the Mast special meeting as long as the date of the Mast special meeting is not postponed or adjourned more than an aggregate of 15 calendar days in connection with any postponements or adjournments in reliance on the preceding sentence. In the event that during the five business days prior to the date that the Mast special meeting is then scheduled to be held, Mast delivers a notice of an intent to make a Mast change in recommendation, Savara may direct Mast to recess or adjourn the Mast special meeting for up to five business days and Mast must promptly, and in any event no later than the next business day, recess or adjourn the Mast special meeting in accordance with the Savara's direction. In addition, in the event the Mast special meeting is scheduled to occur less than two business days after the publication of the announcement of the exchange ratio, Mast may, or Savara may direct Mast to, recess or adjourn the Mast special meeting until the date such that the meeting would be held on the date that is two business days following the publication of the announcement of the exchange ratio (in each case to the extent Savara or Mast believes in good faith that such recess or adjournment is required by applicable legal requirements or the rules of NYSE MKT).

Savara is obligated under the Merger Agreement to obtain written consents of its stockholders sufficient for purposes of (i) adopting the Merger Agreement and approving the merger and all other transactions contemplated by the Merger Agreement, (ii) acknowledging that such approval given is irrevocable and that such stockholder is aware of its rights to demand appraisal for its shares pursuant to Section 262 of the DGCL, and that such stockholder has received and read a copy of Section 262 of the DGCL, (iii) acknowledging that by its approval of the merger such stockholder is not entitled to appraisal rights with respect to its shares in connection with the merger and thereby waives any rights to receive payment of the fair value of its Savara capital stock under

Delaware Law and (iv) providing for the conversion of all Savara preferred stock into Savara common stock immediately prior to, and contingent upon the occurrence of, the effective time of the merger (clauses (i) though (iv) collectively, the "Savara stockholder matters") no later than 11:59 pm on the date that is one business day prior to the special meeting of Mast stockholders to approve the merger. Stockholders of Savara that execute written consents approving the Savara stockholder matters may revoke such consent until 11:59 pm on the date that is one business day prior to the special meeting of Mast stockholders to approve the merger.

Covenants; Conduct of Business Pending the Merger

Savara agreed that to carry on its business in accordance with good commercial practice and to carry on its business in the usual, regular and ordinary course, and in substantially the same manner as conducted previously. Savara also agreed that, subject to certain limited exceptions, without the written consent of Mast, it will not, and will not permit its subsidiaries to do any of the following during the period prior to closing of the merger:

- amend or otherwise change its certificate of incorporation or bylaws, or otherwise alter its corporate structure through merger, liquidation, reorganization or otherwise; sell, issue or grant, or authorize the issuance of, or make any commitments to do any of the foregoing, other than as contemplated by the Merger Agreement: any capital stock or other security (except for options or common stock issued to Savara employees, officers, or directors pursuant to the Savara Stock Option Plan or shares of Savara common stock issued upon the valid exercise of options); any option, warrant or right to acquire any capital stock or any other security; or any instrument convertible into or exchangeable for any capital stock or other security;
- redeem, repurchase or otherwise acquire, directly or indirectly, any shares of Savara capital stock (other than pursuant a repurchase right in favor of Savara with respect to unvested shares at no more than cost);
- incur any indebtedness or sell any debt securities or guarantee any debt securities or other obligations of others or sell, pledge, dispose of or create an encumbrance over any assets (except (i) for sales of assets in the ordinary course of business and in a manner consistent with past practice; (ii) for dispositions of obsolete or worthless assets or (iii) in connection with a post-closing financing or permitted bridge financing;
- (i) declare, set aside, make or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of any of its capital stock, except that a wholly owned subsidiary may declare and pay a dividend to its parent, (ii) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or (iii) amend the terms of, repurchase, redeem or otherwise acquire, or permit any subsidiary to repurchase, redeem or otherwise acquire, any of its securities or any securities of its subsidiaries (except pursuant to any contract to which Savara or one of its subsidiaries is a party as of the date of the Merger Agreement), or propose to do any of the foregoing;
- sell, assign, transfer, license, sublicense or otherwise dispose of any Savara intellectual property rights (other than in the ordinary course of business consistent with past practice);
- (i) acquire (by merger, consolidation, or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof or any other material property or assets, in each case with an individual value in excess of $100,000; (ii) enter into or amend any material terms of any material contract or grant any release or relinquishment of any material rights under any material contract, with new obligations or losses of rights in excess of $750,000 (with written notice provided by Savara to Mast prior to amending or entering into any such material contract with new obligations or losses of rights in excess of $500,000); (iii) authorize any capital expenditures or purchase of fixed assets which are, in the aggregate, in excess of $100,000, taken as a whole; or (iv) enter into or amend any contract, agreement, commitment or arrangement to effect any of the matters prohibited by any of the foregoing;forgive any loans to any person, including its employees, officers, directors or affiliates

(provided that the conversion or settlement of any indebtedness of Savara or one of its subsidiaries into or for equity securities of Savara or one of its subsidiaries will not be deemed a forgiveness of such indebtedness);

- take any action, other than as required by applicable legal requirements or GAAP, to change accounting policies or procedures;
- make or change any material tax election inconsistent with past practices; adopt or change any tax accounting method; settle or compromise any material federal, state, local or foreign tax liability or agree to an extension of a statute of limitations for any assessment of any tax;
- pay, discharge or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction in the ordinary course of business and consistent with past practice;
- enter into any material partnership arrangements, joint development agreements or strategic alliances, other than in connection with a post-closing financing or refinancing; or
- initiate any litigation, action, suit, proceeding, claim or arbitration or settle or agree to settle any litigation, action, suit, proceeding, claim or arbitration, in each case where Savara and its subsidiaries are claiming, or would be reasonably likely to receive or become obligated for a liability, of more than $100,000 individually.

Mast agreed that to carry on its business in accordance with good commercial practice and to carry on its business in the usual, regular and ordinary course, and in substantially the same manner as conducted previously. Mast also agreed that, subject to certain limited exceptions, without the written consent of Savara, it will not, and will not permit its subsidiaries to do any of the following during the period prior to closing of the merger:

- except for the amendment and restatement of its amended and restated certificate of incorporation to effect the proposed [●] reverse stock split, amend or otherwise change its certificate of incorporation or bylaws, or otherwise alter its corporate structure through merger, liquidation, reorganization or otherwise, or form any subsidiary);
- except for contractual commitments in place at the time of the Merger Agreement, sell, issue or grant, or authorize the issuance of: any capital stock or other security (except for Mast common stock issued upon the valid exercise of outstanding employee Mast options under currently existing employee stock option plans or pursuant to currently outstanding warrants, as the case may be, which options, warrants, or rights, as the case may be, are outstanding on the date of the Merger Agreement);
- redeem, repurchase or otherwise acquire, directly or indirectly, any shares of Mast capital stock, other than as may be required by the reverse stock split;
- incur any indebtedness or sell, pledge, dispose of or create an encumbrance over any assets (except for (i) sales of assets in the ordinary course of business and in a manner consistent with past practice, (ii) dispositions of obsolete or worthless assets and (iii) any sale, lease, exchange, transfer, license, acquisition or disposition of any vepoloxamer assets of Mast or any related intellectual property rights to any third party outside the normal course of business, the terms of which are negotiated and consummated on a commercially reasonable, arms-length basis and which does not impose any post-closing indemnification or other material post-closing obligations upon Mast or any of its subsidiaries, including Savara following the closing of the merger);
- accelerate, amend, or change the period (or permit any acceleration, amendment, or change) of exercisability of options or warrants or authorize cash payments in exchange for any options, except as may be provided under Mast's stock plan, contract, or the Merger Agreement, or as may be required by applicable legal requirements;
- (i) declare, set aside, make or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of any of its capital stock, except that a wholly owned subsidiary

may declare and pay a dividend to its parent, (ii) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or (iii) amend the terms of, repurchase, redeem or otherwise acquire, or permit any subsidiary to repurchase, redeem or otherwise acquire, any of its securities or any securities of its Subsidiaries (except pursuant to any contract to which Mast or one of its subsidiaries is a party as of the date of the Merger Agreement), or propose to do any of the foregoing;

- sell, assign, transfer, license, sublicense or otherwise dispose of any Mast's intellectual property rights (other than non-exclusive licenses in the ordinary course of business consistent with past practice);
- (i) acquire (by merger, consolidation, or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof or any other material property or assets, or allow any material property or assets to become subject to any encumbrance; (ii) enter into or amend any material terms of any material contract (other than solely to decrease any payment obligation of Mast or one of its subsidiaries) or grant any release or relinquishment of any material rights under any material contract, with new obligations or losses of rights in excess of $50,000 in the aggregate; (iii) authorize any capital expenditures or purchase of fixed assets which are, in the aggregate, in excess of $50,000, taken as a whole; or (iv) enter into or amend any contract, agreement, commitment or arrangement to effect any of the matters prohibited by any of the foregoing;
- forgive any loans to any person, including its employees, officers, directors or affiliates (provide that the conversion or settlement of any indebtedness of Mast or one of its subsidiaries into or for equity securities of Mast or one of its subsidiaries shall not be deemed a forgiveness of such indebtedness);
- (i) increase the wages, salary, commissions, fringe benefits, or other compensation or remuneration payable or to become payable to its directors, officers, employees, or consultants; (ii) grant any severance or termination pay to, or enter into or amend any employment or severance agreement with, any director, officer, employee, or consultant; (iii) establish, adopt, enter into, or amend any collective bargaining, bonus, profit sharing, thrift, compensation, stock option, restricted stock, pension, retirement, deferred compensation, employment, termination, severance, change of control or other plan, agreement, trust, fund, policy, payment, benefit, or arrangement of or to any director, officer, consultant, or employee, except for bonus awards in the ordinary course of business consistent with base practice or bonus awards contingent upon the completion of the transactions or payments, including any severance, termination, or change of control payments, in compliance with any such agreement or plans existing as of the date of the Merger Agreement;
- hire any directors, officers, employees or consultants or terminate any directors or officers;
- take any action, other than as required by applicable legal requirements or GAAP, to change accounting policies or procedures;
- make or change any material tax election inconsistent with past practices, adopt or change any tax accounting method, or settle or compromise any material federal, state, local or foreign tax liability or agree to an extension of a statute of limitations for any assessment of any tax;
- pay, discharge, satisfy, modify or renegotiate any claims or liabilities, other than the payment, discharge or satisfaction of liabilities reflected or reserved against in the financial statements of Mast, or payments, discharges or satisfactions made in the ordinary course of business and consistent with past practice;
- enter into any material partnership arrangements, joint development agreements or strategic alliances;
- accelerate the collection of, or otherwise modify Mast's customary accounting or treatment of, any receivables outside the ordinary course of business consistent with past practice;
- sell, assign, convey or fail to maintain or renew any Mast permits, licenses, authorizations, variances, exemptions, orders and approvals from governmental authorities which are necessary to the operation of the business of Mast and its subsidiaries taken as a whole;

- initiate any litigation, action, suit, proceeding, claim or arbitration or settle or agree to settle any litigation, action, suit, proceeding, claim or arbitration, in each case where Mast is claiming, or would be reasonably likely to receive or become obligated for a liability, of more than $100,000 individually;
- after the parties agree to the calculation of net cash pursuant to the Merger Agreement, dispose of any assets or otherwise take any actions other than in the ordinary course of business consistent with past practice so as to cause the final calculation of net cash to differ materially from actual net cash as of the date of the closing of the merger; or
- take any action that would cause Mast's representation in the Merger Agreement that it is not a shell company to become inaccurate.

Regulatory Approvals

Mast and Savara agreed:

- that each party would use its commercially reasonable efforts to file or otherwise submit, all applications, notices, reports and other documents reasonably required to be filed by such party with or otherwise submitted by such party to any governmental entity with respect to the merger and to submit promptly any additional information requested by any such governmental entity;
- to prepare and file, if any, (a) the notification and report forms required to be filed under the HSR Act and (b) any notification or other document required to be filed in connection with the merger under any applicable foreign legal requirement relating to antitrust or competition matters; and
- to respond as promptly as is practicable in compliance with: (i) any inquiries or requests received from the Federal Trade Commission or the Department of Justice for additional information or documentation; and (ii) any inquiries or requests received from any state attorney general, foreign antitrust or competition authority or other governmental entity in connection with antitrust or competition matters.

Access to Information

Mast and Savara agreed to:

- provide reasonable access to the other party during the period prior to the closing of the merger, to such party's properties, books, contracts, commitments and records (including tax records) and, during such period, to furnish promptly to the other all information concerning its business, properties and personnel as such other party may reasonably request, and each will make available to the other the appropriate individuals (including attorneys, accountants and other professionals) for discussion of the other's business, properties and personnel as either party may reasonably request; provided that each party reserved the right to withhold any information if access to such information would be reasonably likely to result in any such party forfeiting attorney-client privilege between it and its counsel with respect to such information;
- promptly provide the other party with copies of: (i) all material operating and financial reports prepared by such party (or their respective their representatives), as applicable, for such party's senior management; (ii) any written materials or communications sent by or on behalf of such party to its stockholders; (iii) any material notice, document or other communication sent by or on behalf of any of such party to any third party to any material contract, as applicable, or sent to such party by any third party to any material contract, as applicable, (other than any communication that relates solely to routine commercial transactions and that is of the type sent in the ordinary course of business and consistent with past practices); (iv) any notice, report or other document filed with or sent to any governmental entity in connection with the merger or any of the transactions contemplated thereby; and (v) any material notice, report or other document received from any governmental entity; and

- keep such information confidential in accordance with the terms of the currently effective confidentiality agreement between the parties; provided that Savara may make disclosure of such information pursuant to the terms of the Merger Agreement, including in connection with a post-closing financing or refinancing (provided that any third party receiving such information shall be required to execute a non-disclosure agreement on customary terms with respect to any information disclosed in connection therewith).

Financing

Savara

The Merger Agreement contemplates that Savara may effect a permitted bridge financing, a post-closing financing or a refinancing.

A "permitted bridge financing" means the sale and issuance of debt or equity securities of Savara to former or existing stockholders or other investors or their respective affiliates that Savara or its subsidiaries in an amount not to exceed $10,000,000 without Mast's prior written consent. Any shares of Savara capital stock issued, or issuable upon the conversion or exercise of any right or contract issued or entered into, in connection with a permitted bridge financing will not be included in the calculation of Savara fully diluted outstanding shares, and accordingly, any such shares issued or issuable in connection with a permitted bridge financing will not affect the calculation of Mast's net cash or the exchange ratio.

A "post-closing financing" means any investment or financing by any third party which contemplates the sale or issuance of debt or equity securities of Mast or any of its subsidiaries (including securities convertible, exercisable or exchangeable into such debt or equity securities) contemporaneous with or following the consummation of the merger. Pursuant to the Merger Agreement, any such issuance in connection with a post-closing financing will not adjust the calculation of the exchange ratio.

A "refinancing" means the renegotiating and refinancing the terms of all or any portion of the aggregate indebtedness and other obligations of Mast under the Hercules Agreement (including all principal, prepayment premiums, penalties and any other fees and expenses required to satisfy such indebtedness and obligations, and all accrued interest or penalties on any of the foregoing, in each case, as of immediately prior to the closing of the Merger), which may or not include obtaining a new lender in order to replace any indebtedness outstanding and owed to Hercules, in each case effective on or after the effective time of the merger.

Prior to the effective time of the merger, Mast must use its commercially reasonable efforts, and must cause each its subsidiaries and representatives to use their respective commercially reasonable efforts, to cooperate as reasonably requested by Savara with any post-closing financing or refinancing. Mast must not, and Mast must use its commercially reasonable efforts to cause its subsidiaries and representatives not to intentionally or knowingly take any action to with respect to any third party in connection with a refinancing, post-closing financing or permitted bridge financing other than to the extent such action was reasonably requested to be taken by Savara consistent with the Merger Agreement.

All reasonable out of pocket costs and expenses incurred by Mast, its subsidiaries and representatives as a result of cooperating with Savara in connection with a refinancing, post-closing financing or permitted bridge financing will be Savara's responsibility and will not otherwise reduce the Mast's net cash.

Mast

The Merger Agreement permits Mast, pursuant to an "at the market" equity offering program, to sell up to an aggregate gross sales proceeds of $18 million from time to time, pursuant to the sales agreement by and between Mast and Cowen and Company, LLC as sales agent (such program, the "**ATM program**").

The Merger Agreement contemplates that an issuance of shares of Mast common stock under the ATM program can be classified as either a dilutive atm issuance or a non-dilutive atm issuance.

A “dilutive atm issuance” means any issuance of shares of Mast common stock under the ATM program to the extent the proceeds of such issuance are required to be included in the calculation of Mast’s net cash in order for its net cash as of the effective time of the merger to not be less than zero dollars ($0.00).

A “non-dilutive atm issuance” means any issuance of shares of Mast common stock under the ATM program to the extent the proceeds of such sale are not required to be included in the calculation of Mast’s net cash in order for its net cash as of the effective time of the merger to not be less than zero dollars ($0.00).

To the extent any portion of an issuance or series of issuances of shares of Mast common stock under the ATM program could be characterized as either dilutive ATM issuances or non-dilutive ATM issuances as a result of the fungibility of the proceeds therefrom, shares of Mast common stock shall be allocated to the portion considered dilutive ATM issuances in the order of lesser proceeds-per-share to greater proceeds-per-share until, by including the proceeds received in respect of the shares so allocated in the calculation of Mast’s net cash would equal zero dollars ($0.00), after which point all other such shares of Mast common stock shall be considered non-dilutive ATM issuances.

Other Agreements

Mast and Savara agreed that:

- from and after the effective time of the merger, Mast and the surviving corporation will fulfill and honor in all respects the obligations of Savara and Mast which existed prior to the date of the Merger Agreement to indemnify each of Savara and Mast’s present and former directors and officers, and their heirs, executors and assigns;
- Savara may secure a “tail” policy on its existing directors and officers’ liability insurance policy for a period of six years;
- Mast must secure a directors and officers’ liability “tail” policy on Mast’s existing directors and officers for a period of six years;
- the parties will consult with each other before issuing any press release or otherwise making any public statements with respect to the merger and Merger Agreement and will not issue any such press release or make any such public statement without the prior consent of the other party, subject to certain exceptions;
- each party must promptly notify the other party of any litigation brought, or threatened, against such party and/or members of its board of directors or any of its officers relating to the Merger Agreement and the transactions contemplated thereby, or otherwise, and must keep the other party informed on a reasonably current basis with respect to the status thereof. Each party must also give the other party the right to review and comment on all material filings or responses to be made by such party in connection with the foregoing and, no settlement shall be agreed to in connection with the foregoing without the other party’s prior written consent;
- each party will give prompt notice to the other of (i) the occurrence, or non-occurrence, of any event the occurrence, or non-occurrence, of which would be reasonably likely to cause any representation or warranty contained in the Material Agreement to be untrue or inaccurate such that the conditions to closing applicable to such party would fail to be satisfied as of the closing of the merger, (ii) any failure of such party materially to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it under the Merger Agreement such that the conditions to closing applicable to such party would fail to be satisfied as of the closing of the merger, (iii) with respect to mast, any issuances or sales under its ATM program to the extent Mast has a good faith belief that such issuance

or sale will, or will be reasonably likely to, constitute, either in whole or in part, a non-dilutive ATM issuance; and (iv) whether any holder of shares of Mast capital stock or any security or other right convertible into or exercisable for shares of Mast capital stock has made any demand or request for the repurchase of any such share, security or right;

- each party will give prompt notice to the other of: (i) any notice or other communication from any person alleging that the consent of such person is or may be required in connection with the merger or other transactions contemplated by the Merger Agreement; (ii) any notice or other communication from any governmental entity in connection with the merger or other transactions contemplated by the Merger Agreement; (iii) the occurrence of a default or event that, with notice or lapse of time or both, will become a default under a Savara material contract; and (v) any change that would be considered reasonably likely to result in a material adverse effect;
- each party will cooperate in the preparation, execution and filing of all materials regarding any real property transfer or gains, sales, use, transfer, value added, stock transfer and stamp taxes, any transfer, recording, registration and other fees, and any similar taxes which become payable in connection with the with the merger and other transactions contemplated by the Merger Agreement that are required or permitted to be filed on or before the effective time of the merger;
- Mast will file the amendment and restatement of its amended and restated certificate of incorporation (effecting the [●] reverse stock split and the name change from "Mast Therapeutics, Inc." to "Savara Inc.") with the Secretary of State of the State of Delaware to become effective immediately prior to the effective time of the merger;
- to take all such steps as may be required (to the extent permitted under applicable legal requirements) to cause any acquisition of Mast common stock (including derivative securities with respect to such stock) by each individual who is or will be subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to mast, to be exempt under Rule 16b-3 under the Exchange Act;
- Savara will obtain written consent of its stockholders to, effective upon the date of the closing of the merger, terminate the certain stockholder agreements;
- if required by any warrant to purchase shares of Mast capital stock, Mast will deliver notice to the holders of such warrants with respect to the merger and the transactions contemplated by the Merger Agreement and the rights of the holders in connection therewith;
- Mast will terminate, at Savara's request, each Mast 401K plan or any other Mast employment plan related to medical, dental, life insurance or similar benefits, with such terminations to be effective as of the day immediately preceding the date of the closing of the merger or as soon as reasonably practicable after the consummation of the merger, as applicable;
- the parties will use their respective reasonable best efforts to cause the merger to qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), including by executing and delivering customary tax representation letters to Savara's and/or Mast's counsel, as applicable. None of the parties may take any actions, fail to take any actions, or cause any action to be taken which would reasonably be expected to prevent the merger from qualifying as a "reorganization" under Section 368(a) of the Code;
- the parties will treat the merger as a reorganization within the meaning of Section 368(a) of the Code for U.S. federal, state and other relevant tax purposes, unless otherwise required;
- prior to the closing of the merger, the parties must use commercially reasonable efforts to engage in discussions with Hercules regarding a renegotiated, refinancing or new written agreement or arrangement with Hercules related to the existing aggregate amount of all indebtedness and other obligations of Mast under the Hercules Agreement, including all principal, prepayment premiums, penalties and any other fees and expenses required to satisfy such indebtedness and obligations, and all accrued interest or penalties on any of the foregoing, in each case, as of immediately prior to the closing of the merger;

- Mast must submit to the holders of Mast common stock at the Mast special meeting a proposal to approve and adopt the amendment and restatement of the amended and restated certificate of incorporation of Mast authorizing the Mast Board to effect a [●] reverse stock split of all outstanding shares of Mast common stock. Mast must cause the [●] reverse stock split to be implemented and take effect immediately prior to the effective time of the merger;
- prior to the closing of the merger, Savara must deliver the Lock-up Agreement to each of its stockholders and must use its commercially reasonable efforts to cause its stockholders to enter into such Lock-up Agreement;
- Mast will (i) to the extent required by the rules and regulations of NYSE MKT (A) prepare and submit to NYSE MKT an application for the listing of the shares of Mast common stock to be issued in the merger and use its reasonable commercial efforts to cause such shares to be approved for listing, (B) approve the [●] reverse stock split, and (C) approve the new NYSE MKT ticker symbol, and (ii) to the extent required by NYSE MKT Company Guide, file an initial listing for Mast common stock on NYSE MKT (the "NYSE MKT listing application") and use its reasonable commercial efforts to cause such NYSE MKT listing application to be approved prior to the effective time of the merger; and
- prior to the closing of the merger, Savara and Mast must use commercially reasonable efforts to engage in discussions with Duke University regarding a renegotiated, restructured or new written agreement or arrangement with Duke University related to that certain Investigator-Sponsored Clinical Study and Research Agreement between Aires and Duke University, dated March 3, 2016.

Termination of the Merger Agreement

The Merger Agreement may be terminated at any time before the completion of the merger, whether before or after the required stockholder approvals to complete the merger have been obtained, as set forth below:

1. by mutual written consent of Savara and Mast duly authorized by each of their respective board of directors;
2. by either Mast or Savara if the merger has not been consummated by July 6, 2017 (provided, however, that the right to terminate the Merger Agreement will not be available to any party whose failure to fulfill any obligation under the Merger Agreement has been a primary cause of the failure of the merger to occur on or before such date); provided, in the event that the SEC has not declared effective the registration statement on Form S-4, of which this proxy statement/prospectus/information statement is a part, by July 6, 2017, then this right to terminate will not be available for an additional 60 days upon request of either party;
3. by Mast or Savara if a court of competent jurisdiction or governmental, regulatory or administrative agency or commission has issued a nonappealable final order, decree or ruling or taken any other action, in each case having the effect of permanently restraining, enjoining or otherwise prohibiting the merger;
4. by Mast if Savara did not obtain the written consent of a requisite number of its stockholders necessary to adopt the Merger Agreement and approve the merger and related matters by 11:59 pm on the date that is one business day prior to the special meeting of Mast stockholders to approve the merger, but this right to terminate the Merger Agreement will not be available to Mast (i) once Savara obtains such approval or (ii) if Mast's failure to fulfill any obligation under the Merger Agreement was a primary cause of Savara's failure to obtain the written consent of a requite number of its stockholders necessary to adopt the Merger Agreement and approve the merger and related matters;
5. by Mast or Savara if the Mast special meeting has been held, and stockholders of Mast do not approve the merger or the issuance of Mast common stock in the merger at the Mast special meeting (including any adjournments and postponements thereof), but the right to terminate the Merger Agreement pursuant to this provision will not be available to any party whose failure to fulfill any obligation under

the Merger Agreement has been a primary cause of the failure of the Mast stockholders to approve the merger or the issuance of Mast common stock in the merger at the Mast special meeting;

6. by Savara, at any time prior to the approval by Mast's stockholders of the merger and the issuance of the shares of Mast common stock pursuant in the merger, if:

- the Mast Board fails to recommend that the stockholders of Mast vote to approve the merger, the issuance of Mast common stock or the amendment and restatement of the amended and restated certificate of incorporation of Mast, including for purposes of effectuating the [●] reverse stock split, or withdraws or modifies its recommendation;
- Mast fails to include in this proxy statement/prospectus/information statement such recommendation;
- Mast fails to hold the Mast special meeting within 60 days after the registration statement on Form S-4, of which this proxy statement/prospectus/information statement is a part, is declared effective under the Securities Act, other than to the extent that such registration statement is subject to a stop order or proceeding, or threatened proceeding by the SEC, seeking a stop order with respect to such registration statement, in which case such 60-day period will be tolled for the earlier of sixty days or so long as such stop order remains in effect or proceeding or threatened proceeding remains pending;
- the Mast Board approves, endorses or recommends any acquisition proposal, as defined in the section entitled "The Merger Agreement — No Solicitation" in this proxy statement/prospectus/information statement;
- Mast enters into any letter of intent or similar document or any contract relating to any acquisition proposal, other than a confidentiality agreement permitted pursuant to the Merger Agreement;
- a tender offer or exchange offer or similar transaction constituting an acquisition proposal with respect to Mast (other than a post-closing financing) has commenced, or the intention to commence such a transaction has been publicly announced by a third party, and within 10 days thereof the Mast Board fails to recommend that Mast's stockholders reject such transaction and reaffirm its recommendation that Mast stockholders approve the merger, the issuance of Mast common stock or the amendment and restatement of the amended and restated certificate of incorporation of Mast, including for purposes of effectuating the [●] reverse stock split; or
- Mast or any director, officer or agent of Mast willfully and intentionally breaches the no solicitation provisions set forth in the Merger Agreement (each of the above clauses is referred to as a Mast triggering event);

7. by Mast, at any time prior to the adoption of the Merger Agreement by the stockholders of Savara if:

- the Savara Board fails to recommend that the Savara stockholders vote to adopt and approve the Merger Agreement or withdraws or modifies its recommendation;
- Savara fails to include in this proxy statement/prospectus/information statement such recommendation;
- the Savara Board approves, endorses or recommends any acquisition proposal, as defined in the section entitled "The Merger Agreement — No Solicitation" in this proxy statement/prospectus/information statement;
- Savara enters into any binding letter of intent or similar document or any contract relating to any acquisition proposal, other than a post-closing financing, refinancing, or confidentiality agreement permitted pursuant to the Merger Agreement;
- a tender offer or exchange offer or similar transaction constituting an acquisition proposal with respect to Savara (other than a post-closing financing) has commenced, or the intention to commence such a transaction has been publicly announced by a third party, and within 10 days thereof the Savara Board fails to recommend that Savara's stockholders reject such transaction and reaffirm its recommendation that Savara stockholders adopt and approve the Merger Agreement; or

- Savara or any director, officer or agent of Savara willfully and intentionally breaches the no solicitation provisions set forth in the Merger Agreement (each of the above clauses is referred to as an Savara triggering event);

8. by Mast if Savara has breached any of its representations, warranties, covenants or agreements contained in the Merger Agreement or if any representation or warranty of Savara has become inaccurate, in either case such that the conditions to the closing of the merger would not be satisfied as of the time of such breach or as of the time such representation or warranty has become inaccurate, but if such breach or inaccuracy is curable, then the Merger Agreement will not terminate pursuant to this provision as a result of such particular breach or inaccuracy unless such or inaccuracy remains uncured as of the tenth business day following the date Mast delivers written notice to Savara of such breach or inaccuracy and its intention to terminate the Merger Agreement pursuant to this provision; provided that no termination may be made pursuant to this provision solely as a result of failure Savara to receive the requisite approval of its stockholders to adopt and approve the Merger Agreement; and

9. by Savara if Mast has breached any of its representations, warranties, covenants or agreements contained in the Merger Agreement or if any representation or warranty of Mast has become inaccurate, in either case such that the conditions to the closing of the merger would not be satisfied as of the time of such breach or as of the time such representation or warranty has become inaccurate, but if such breach or inaccuracy is curable, then the Merger Agreement will not terminate pursuant to this provision as a result of such particular breach or inaccuracy unless such or inaccuracy remains uncured as of the tenth business day following the date Savara delivers written notice to Mast of such breach or inaccuracy and its intention to terminate the Merger Agreement pursuant to this provision; provided that no termination may be made pursuant to this provision solely as a result of failure of Mast to receive the requisite approval of its stockholders to approve the merger, the issuance of Mast common stock or the amendment and restatement of the amended and restated certificate of incorporation of Mast, including for purposes of effectuating the [●] reverse stock split.

Termination Fee

Fee payable by Mast

Mast must pay Savara a termination fee of $1.8 million if:

- (i) the Merger Agreement is terminated pursuant to clauses 2, 5 and 9 above, (ii) at any time before such termination and before the Mast special meeting an acquisition proposal with respect to Mast has been publicly announced, disclosed or otherwise communicated to Mast's board of directors or to Mast's stockholders generally and (iii) within nine months after the date of such termination, Mast enters into a definitive agreement with respect to any acquisition transaction or consummates an acquisition transaction as defined above in the section entitled "The Merger Agreement — No Solicitation," (with all references to 15% in the definition of acquisition transaction being treated as references to 50%); or
- Savara terminates the Merger Agreement pursuant to clause 6 above.

Mast must reimburse Savara for all reasonable fees and expenses incurred by Savara in connection with the Merger Agreement and the transactions contemplated thereby, up to a maximum of $250,000, if:

- the Merger Agreement is terminated by Savara pursuant to clauses 5 or 9 above; or
- the Merger Agreement is terminated by Mast pursuant to clauses 2 or 5 above, but only if at such time Savara would have been permitted to terminate the Merger Agreement pursuant to clauses 5 or 9 above.

If Savara is entitled to reimbursement for expenses and the $1.8 million termination fee, Mast's liability is capped at $1.8 million and in no event will Mast be required to pay Savara any amount in excess of $1.8 million in the event of termination of the Merger Agreement.

Fee payable by Savara

Savara must pay Mast a termination fee of $2.5 million if:

- (i) the Merger Agreement is terminated pursuant to clauses 2, 4 and 8 above, (ii) at any time before such termination and before the earlier of the Mast special meeting or the delivery by Savara of the written consent of the requisite number of its stockholders necessary to adopt and approve the Merger Agreement by 11:59 pm on the date that is one business day prior to the special meeting of Mast stockholders to approve the merger, an acquisition proposal with respect to Savara has been publicly announced, disclosed or otherwise communicated to Savara's board of directors or to Savara's stockholders generally and (iii) within nine months after the date of such termination, Savara enters into a definitive agreement with respect to any acquisition transaction or consummates an acquisition transaction as defined above in the section entitled "The Merger Agreement — No Solicitation," (with all references to 15% in the definition of acquisition transaction being treated as references to 50%); or Mast terminates pursuant to clause 7 above.

Savara must reimburse Mast for all reasonable fees and expenses incurred by Mast in connection with the Merger Agreement and the transactions contemplated thereby, up to a maximum of $250,000 if:

- the Merger Agreement is terminated by Mast pursuant to clauses 4 or 8 above; or
- the Merger Agreement is terminated by Savara pursuant to clauses 2 or 4 above, but only if at such time Mast would have been permitted to terminate the Merger Agreement pursuant to clauses 4 or 8 above.

If Mast is entitled to reimbursement for expenses and the $2.5 million termination fee, Savara's liability is capped at $2.5 million and in no event will Savara be required to pay Mast any amount in excess of $2.5 million in the event of termination of the Merger Agreement.

Amendment

The Merger Agreement may be amended by the parties at any time prior to the effective time of the merger, except that after the Merger Agreement has been adopted and approved by the stockholders of Mast or Savara, no amendment which by legal requirements requires further approval by the stockholders of Mast or Savara, as the case may be, shall be made without such further approval.

AGREEMENTS RELATED TO THE MERGER

Voting Agreements

In order to induce Mast to enter into the Merger Agreement, Savara directors, officers and certain securityholders of Savara who beneficially own or control approximately 30% of Savara's outstanding capital stock on an as-converted to common stock basis as of December 31, 2016 entered into voting agreements in favor of Savara pursuant to which, among other things, each of these securityholders agreed, solely in its capacity as a securityholder, to vote all of its shares of Savara capital stock, if any, in favor of the adoption of the Merger Agreement and the approval of the merger and the other transactions contemplated by the Merger Agreement, and any other matter that is reasonably necessary to facilitate the consummation of the merger and the other transactions contemplated by the Merger Agreement, against any "Acquisition Proposal," as defined in the Merger Agreement (other than a post-closing financing, permitted bridge financing or refinancing), and against any other matter that would reasonably be expected to impede, interfere with, delay, postpone or adversely affect the merger or any of the transactions contemplated by the Merger Agreement. These securityholders also granted Savara an irrevocable proxy to their respective shares of Savara capital stock in accordance with the voting agreements, with such proxy to become effective solely in the event of any failure by such securityholders to act in accordance with their obligations under the voting agreement. These securityholders also agreed not to exercise any rights that they may have to demand appraisal with respect to their shares of Savara capital stock in connection with the merger.

Under the voting agreement, subject to certain exceptions, the securityholders also agreed not to sell or transfer Savara capital stock and securities held by them until the earliest of the termination of the Merger Agreement, the effective time of the merger or such date and time as designated by Savara in writing to such securityholders. To the extent that any such sale or transfer is permitted pursuant to the exceptions included in the voting agreement, each person to whom any shares of Savara capital stock or securities are so sold or transferred must agree in writing to be bound by the terms and provisions of the voting agreement.

In addition, in order to induce Savara to enter into the Merger Agreement, Mast executive officers and directors who beneficially own or control less than one percent of the outstanding shares of Mast common stock as of February 2, 2017 entered into voting agreements in favor of Mast pursuant to which, among other things, each of these persons agreed, solely in his or her capacity as a securityholder, to vote all of his or her shares of Mast capital stock, if any, in favor of the adoption of the Merger Agreement and the approval of the merger and the other transactions contemplated by the Merger Agreement, and any other matter that is reasonably necessary to facilitate the consummation of the merger and the other transactions contemplated by the Merger Agreement, against any "Acquisition Proposal," as defined in the Merger Agreement, and against any other matter that would reasonably be expected to impede, interfere with, delay, postpone or adversely affect the merger or any of the transactions contemplated by the Merger Agreement. These securityholders also granted Mast an irrevocable proxy to their respective shares of Mast capital stock in accordance with these voting agreement, with such proxy to become effective solely in the event of any failure by such securityholders to act in accordance with their obligations under the voting agreement.

Under the voting agreement, subject to certain exceptions, the securityholders also agreed not to sell or transfer Mast capital stock and securities held by them until the earliest of the termination of the Merger Agreement, the effective time of the merger or such date and time as designated by Mast in writing to such securityholders. To the extent that any such sale or transfer is permitted pursuant to the exceptions included in the voting agreement, each person to whom any shares of Mast capital stock or securities are so sold or transferred must agree in writing to be bound by the terms and provisions of the voting agreement.

Lock-Up Agreements

Savara's officers, directors and certain other stockholders of Savara and Mast's executive officers and directors also entered into lock-up agreements, pursuant to which such securityholders agreed not to, except in

limited circumstances, (i) offer, pledge, sell, contract to sell, sell any option or contract purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, make any short sale or otherwise transfer or dispose of or lend any shares of Mast common stock or securities convertible into, exercisable or exchangeable for or that represent the right to receive Mast common stock whether then owned or thereafter acquired (the "Securities"), (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Securities, (iii) make any demanded for or exercise any right with respect to the registration of any Mast common stock or any security convertible into or exercisable or exchangeable for Mast common stock or (iv) publicly disclose the intention to do any of the foregoing (each such restriction, the "lock-up restrictions").

The lock-up restrictions automatically terminate with respect to one-third of the Securities on each of (i) the six month anniversary of the date of the closing of the merger, (ii) the eight month anniversary of the date of the closing of the merger and (iii) the ten month anniversary of the date of the closing of the merger.

MATTERS BEING SUBMITTED TO A VOTE OF MAST STOCKHOLDERS

Mast Proposal No. 1: Approval of the Merger and the Issuance of Common Stock in the Merger

At the Mast special meeting, Mast stockholders will be asked to approve the merger and the issuance of Mast common stock pursuant to the Merger Agreement. Immediately following the merger, it is expected that Savara stockholders, warrantholders and optionholders will own approximately 76% of the fully-diluted common stock of Mast, with existing Mast stockholders and optionholders holding approximately 24% of the fully-diluted common stock of Mast.

The terms of, reasons for and other aspects of the Merger Agreement, the merger and the issuance of Mast common stock pursuant to the Merger Agreement are described in detail in the other sections in this proxy statement/prospectus/information statement.

Required Vote; Recommendation of Board of Directors

Presuming a quorum is present, the affirmative vote of the holders of a majority of the shares of Mast common stock having voting power present in person or represented by proxy at the Mast special meeting is required for approval of Mast Proposal No. 1. **Each of Proposal Nos. 1, 2 and 3 are conditioned upon each other. Therefore, the merger cannot be consummated without the approval of Proposal Nos. 1, 2 and 3.**

THE MAST BOARD UNANIMOUSLY RECOMMENDS THAT THE MAST STOCKHOLDERS VOTE "FOR" MAST PROPOSAL NO. 1 TO APPROVE THE MERGER AND THE ISSUANCE OF MAST COMMON STOCK PURSUANT TO THE MERGER AGREEMENT.

Mast Proposal No. 2: Approval of the Amendment and Restatement of the Amended and Restated Certificate of Incorporation of Mast Effecting the 1-for-[●] Reverse Stock Split

General

At the Mast special meeting, Mast stockholders will be asked to approve the amendment and restatement of the amended and restated certificate of incorporation of Mast effecting a reverse stock split of the issued shares of Mast common stock, at a ratio of 1-for-[●]. Upon the effectiveness of the amendment and restatement of the amended and restated certificate of incorporation of Mast effecting the reverse stock split, or the split effective time, the issued shares of Mast common stock immediately prior to the split effective time will be reclassified into a smaller number of shares such that a Mast stockholder will own one new share of Mast common stock for each [●] shares of issued common stock held by that stockholder immediately prior to the split effective time.

If Mast Proposal No. 2 is approved, the reverse stock split would become effective in connection with the closing of the merger.

The Mast Board may determine to effect the reverse stock split, if it is approved by the stockholders, even if the other proposals to be acted upon at the meeting are not approved, including the merger and the issuance of shares of Mast common stock pursuant to the Merger Agreement.

The form of the amendment and restatement of the amended and restated certificate of incorporation of Mast to effect the reverse stock split, as more fully described below, will effect the reverse stock split but will not change the number of authorized shares of common stock or preferred stock, or the par value of Mast common stock or preferred stock.

Purpose

The Mast Board approved the proposal approving the amendment and restatement of the amended and restated certificate of incorporation of Mast effecting the reverse stock split for the following reasons:

- the Mast Board believes effecting the reverse stock split is necessary to maintain the listing of the combined company's post-merger common stock given the NYSE MKT's minimum market price requirement for initial listings and to help avoid a delisting of Mast common stock from the NYSE MKT in the future; and
- the Mast Board believes a higher stock price may help generate investor interest in Mast and help Mast attract and retain employees.

If the reverse stock split successfully increases the per share price of Mast common stock, the Mast Board believes this increase may increase trading volume in Mast common stock and facilitate future financings by Mast.

The reverse stock split is also required to ensure Mast may issue a sufficient authorized amount of Mast common stock to consummate the merger. If the requisite stockholders of Mast approve the merger and the issuance of Mast common stock pursuant to the Merger Agreement but do not approve the 1-for-[●] reverse stock split, Mast will not have a sufficient authorized amount of Mast common stock to consummate the merger.

Potential Increased Investor Interest

On [●], 2017, Mast common stock closed at $[●] per share. An investment in Mast common stock may not appeal to brokerage firms that are reluctant to recommend lower priced securities to their clients. Investors may also be dissuaded from purchasing lower priced stocks because the brokerage commissions, as a percentage of the total transaction, tend to be higher for such stocks. Moreover, the analysts at many brokerage firms do not monitor the trading activity or otherwise provide coverage of lower priced stocks. Also, the Mast Board believes that most investment funds are reluctant to invest in lower priced stocks.

There are risks associated with the reverse stock split, including that the reverse stock split may not result in an increase in the per share price of Mast common stock.

Mast cannot predict whether the reverse stock split will increase the market price for Mast common stock. The history of similar stock split combinations for companies in like circumstances is varied. There is no assurance that:

- the market price per share of Mast common stock after the reverse stock split will rise in proportion to the reduction in the number of shares of Mast common stock outstanding before the reverse stock split;
- the reverse stock split will result in a per share price that will attract brokers and investors who do not trade in lower priced stocks;
- the reverse stock split will result in increased trading volume in Mast common stock;
- the reverse stock split will result in a per share price that will increase the ability of Mast to attract and retain employees; or
- that Mast will otherwise meet the requirements of NYSE MKT.

The market price of Mast common stock will also be based on performance of Mast and other factors, some of which are unrelated to the number of shares outstanding. If the reverse stock split is effected and the market price of Mast common stock declines, the percentage decline as an absolute number and as a percentage of the overall market capitalization of Mast may be greater than would occur in the absence of a reverse stock split. Furthermore, the liquidity of Mast common stock could be adversely affected by the reduced number of shares that would be outstanding after the reverse stock split.

Principal Effects of the Reverse Stock Split

The amendment and restatement of the amended and restated certificate of incorporation of Mast effecting the reverse stock split is set forth in Annex D to this proxy statement/prospectus/information statement.

The reverse stock split will be effected simultaneously for all outstanding shares of Mast common stock. The reverse stock split will affect all of the Mast stockholders uniformly and will not affect any stockholder's percentage ownership interests in Mast, except to the extent that the reverse stock split results in any of the Mast stockholders owning a fractional share. Common stock issued pursuant to the reverse stock split will remain fully paid and nonassessable. The reverse split does not affect the total proportionate ownership of Mast following the merger. The reverse stock split will not affect Mast continuing to be subject to the periodic reporting requirements of the Exchange Act.

Procedure for Effecting Reverse Stock Split and Exchange of Stock Certificates

If the Mast stockholders approve the amendment and restatement of the amended and restated certificate of incorporation of Mast effecting the reverse stock split, and if the Mast Board still believes that a reverse stock split is in the best interests of Mast and its stockholders, Mast will file the amendment and restatement of the amended and restated certificate of incorporation with the Secretary of State of the State of Delaware at such time as the Mast Board has determined to be the appropriate split effective time. The Mast Board may delay effecting the reverse stock split without resoliciting stockholder approval. Beginning at the split effective time, each certificate representing pre-split shares will be deemed for all corporate purposes to evidence ownership of post-split shares.

As soon as practicable after the split effective time, stockholders will be notified that the reverse stock split and/or corporate name change have been effected. Mast expects that the Mast transfer agent will act as exchange agent for purposes of implementing the exchange of stock certificates. Holders of pre-split shares will be asked to surrender to the exchange agent certificates representing pre-split shares in exchange for certificates representing post-split shares in accordance with the procedures to be set forth in a letter of transmittal to be sent by Mast. In

the event that Mast Proposal No. 3 is approved by Mast, the certificates reflecting the post-split shares will also reflect the change of the Mast corporate name to "Savara Inc." No new certificates will be issued to a stockholder until such stockholder has surrendered such stockholder's outstanding certificate(s) together with the properly completed and executed letter of transmittal to the exchange agent. Any pre-split shares submitted for transfer, whether pursuant to a sale or other disposition, or otherwise, will automatically be exchanged for post-split shares. **Stockholders should not destroy any stock certificate(s) and should not submit any certificate(s) unless and until requested to do so.**

Fractional Shares

No fractional shares will be issued in connection with the reverse stock split. Stockholders of record who otherwise would be entitled to receive fractional shares because they hold a number of pre-split shares not evenly divisible by the number of pre-split shares for which each post-split share is to be reclassified, will be entitled, upon surrender to the exchange agent of certificates representing such shares, to a cash payment in lieu thereof at a price equal to the fraction to which the stockholder would otherwise be entitled multiplied by the closing price of the common stock on the NYSE MKT on the first trading day immediately following the split effective time. The ownership of a fractional interest will not give the holder thereof any voting, dividend, or other rights except to receive payment therefor as described herein.

By approving the amendment and restatement of the amended and restated certificate of incorporation of Mast effecting the reverse stock split, stockholders will be approving the combination of [●] shares of Mast common stock into one share of Mast common stock.

Stockholders should be aware that, under the escheat laws of the various jurisdictions where stockholders reside, where Mast is domiciled, and where the funds will be deposited, sums due for fractional interests that are not timely claimed after the effective date of the split may be required to be paid to the designated agent for each such jurisdiction, unless correspondence has been received by Mast or the exchange agent concerning ownership of such funds within the time permitted in such jurisdiction. Thereafter, stockholders otherwise entitled to receive such funds will have to seek to obtain them directly from the state to which they were paid.

Potential Anti-Takeover Effect

Although the increased proportion of unissued authorized shares to issued shares could, under certain circumstances, have an anti-takeover effect, for example, by permitting issuances that would dilute the stock ownership of a person seeking to effect a change in the composition of the Mast Board or contemplating a tender offer or other transaction for the combination of Mast with another company, the reverse stock split proposal is not being proposed in response to any effort of which Mast is aware to accumulate shares of Mast common stock or obtain control of Mast, other than in connection with the merger, nor is it part of a plan by management to recommend a series of similar amendments to the Mast Board and stockholders. Other than the proposals being submitted to the Mast stockholders for their consideration at the Mast special meeting, the Mast Board does not currently contemplate recommending the adoption of any other actions that could be construed to affect the ability of third parties to take over or change control of Mast. For more information, please see the section entitled "Risk Factors — Risks Related to Mast's Common Stock."

Material U.S. Federal Income Tax Consequences of the Reverse Stock Split

The following is a discussion of the material U.S. federal income tax consequences of the reverse stock split to holders of Mast common stock, but does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local, or foreign tax laws are not discussed. This discussion is based on the Code, U.S. Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the IRS in effect as of the date of the merger. These authorities may change or be subject to differing interpretations. Any such change may be applied retroactively in a manner that could adversely affect a holder of Mast common stock.

This discussion is limited to holders who hold their Mast common stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to the particular circumstances of a Mast common stockholder, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to holders of Mast common stock that are subject to particular rules, including, without limitation:

- persons subject to the alternative minimum tax or Medicare contribution tax on net investment income;
- persons whose functional currency is not the U.S. dollar;
- persons holding Savara common stock as part of a hedge, straddle, or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- persons who are not U.S. Holders;
- banks, insurance companies, and other financial institutions;
- mutual funds, real estate investment trusts or regulated investment companies;
- brokers, dealers, or traders in securities;
- partnerships, other entities or arrangements treated as partnerships for U.S. federal income tax purposes, and other pass-through entities (and investors therein);
- tax-exempt organizations or governmental organizations;
- persons deemed to sell Savara common stock under the constructive sale provisions of the Code;
- persons who hold or receive Savara common stock pursuant to the exercise of any employee stock options or otherwise as compensation;
- persons who hold Savara common stock as "qualified small business stock" pursuant to Section 1202 of the Code;
- persons holding Savara common stock who exercise dissenters' rights; and
- tax-qualified retirement plans.

This discussion is limited to holders of Mast common stock that are U.S. Holders. For purposes of this discussion, a "U.S. Holder" is a beneficial owner of Mast common stock that, for U.S. federal income tax purposes, is or is treated as:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. Federal income tax purposes) created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if either a court within the United States is able to exercise primary supervision over the administration of such trust and one or more United States persons (within the meaning of Section 7701(a)(30) of the Code) have the authority to control all substantial decisions of such trust, or the trust has a valid election in effect under applicable Treasury Regulations to be treated as a United States person for U.S. federal income tax purposes.

If an entity treated as a partnership for U.S. federal income tax purposes holds Mast common stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding Mast common stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

In addition, the following discussion does not address the tax consequences of the reverse stock split under state, local and foreign tax laws. Furthermore, the following discussion does not address any tax consequences of transactions effectuated before, after or at the same time as the reverse stock split, whether or not they are in connection with the reverse stock split.

INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE REVERSE STOCK SPLIT ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

Tax Consequences of the Reverse Stock Split

The reverse stock split should constitute a "recapitalization" for U.S. federal income tax purposes. As a result, a U.S. Holder of Mast common stock generally should not recognize gain or loss upon the reverse stock split, except with respect to cash received in lieu of a fractional share of Mast common stock, as discussed below. A U.S. Holder's aggregate tax basis in the shares of Mast common stock received pursuant to the reverse stock split should equal the aggregate tax basis of the shares of the Mast common stock surrendered (excluding any portion of such basis that is allocated to any fractional share of Mast common stock), and such U.S. Holder's holding period in the shares of Mast common stock received should include the holding period in the shares of Mast common stock surrendered. Treasury Regulations provide detailed rules for allocating the tax basis and holding period of the shares of Mast common stock surrendered to the shares of Mast common stock received in a recapitalization pursuant to the reverse stock split. U.S. Holders of shares of Mast common stock acquired on different dates and at different prices should consult their tax advisors regarding the allocation of the tax basis and holding period of such shares.

Cash in Lieu of Fractional Shares

A U.S. Holder of Mast common stock that receives cash in lieu of a fractional share of Mast common stock pursuant to the reverse stock split should recognize capital gain or loss in an amount equal to the difference between the amount of cash received and the U.S. Holder's tax basis in the shares of Mast common stock surrendered that is allocated to such fractional share of Mast common stock. Such capital gain or loss should be long-term capital gain or loss if the U.S. Holder's holding period for Mast common stock surrendered exceeded one year at the effective time of the reverse stock split.

Information Reporting and Backup Withholding

A U.S. Holder of Mast common stock may be subject to information reporting and backup withholding on cash paid in lieu of fractional shares in connection with the reverse stock split. A U.S. Holder of Mast common stock will be subject to backup withholding if such holder is not otherwise exempt and such holder does not provide its taxpayer identification number in the manner required or otherwise fails to comply with applicable backup withholding tax rules.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or allowed as a credit against a U.S. Holder of Mast common stock's federal income tax liability, if any, provided the required information is timely furnished to the IRS. U.S. Holders of Mast common stock should consult their tax advisors regarding their qualification for an exemption from backup withholding and the procedures for obtaining such an exemption.

Required Vote; Recommendation of Board of Directors

The affirmative vote of holders of a majority of the shares of Mast common stock having voting power outstanding on the record date for the Mast special meeting is required to approve the amendment and restatement of the amended and restated certificate of incorporation of Mast effecting a 1-for-[●] reverse stock split of Mast common stock. **Each of Proposal Nos. 1, 2 and 3 are conditioned upon each other. Therefore, the merger cannot be consummated without the approval of Proposal Nos. 1, 2 and 3.**

THE MAST BOARD UNANIMOUSLY RECOMMENDS THAT MAST STOCKHOLDERS VOTE "FOR" MAST PROPOSAL NO. 2 TO APPROVE THE AMENDMENT AND RESTATEMENT OF THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF MAST EFFECTING THE 1-FOR-[●] REVERSE STOCK SPLIT.

Mast Proposal No. 3: Approval of Name Change

At the Mast special meeting, holders of Mast stock will be asked to approve the amendment and restatement of the amended and restated certificate of incorporation of Mast to change the name of the corporation from "Mast Therapeutics, Inc." to "Savara Inc." by filing the amendment and restatement of the amended and restated certificate of incorporation at the effective time of the merger. The primary reason for the corporate name change is that management believes this will allow for brand recognition of Savara product candidates and product candidate pipeline following the consummation of the merger. Mast management believes that the current name will no longer accurately reflect the business of Mast and the mission of Mast subsequent to the consummation of the merger.

Required Vote; Recommendation of Board of Directors

The affirmative vote of holders of a majority of the shares of Mast common stock having voting power outstanding on the record date for the Mast special meeting is required to approve the amendment and restatement of the amended and restated certificate of incorporation to change the name "Mast Therapeutics, Inc." to "Savara Inc." **Each of Proposal Nos. 1, 2 and 3 are conditioned upon each other. Therefore, the merger cannot be consummated without the approval of Proposal Nos. 1, 2 and 3.**

THE MAST BOARD UNANIMOUSLY RECOMMENDS THAT MAST STOCKHOLDERS VOTE "FOR" MAST PROPOSAL NO. 3 TO APPROVE THE NAME CHANGE.

Mast Proposal No. 4: Advisory Non-Binding Vote on Merger-Related Executive Compensation Arrangements

Section 14A of the Exchange Act, which was enacted as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, requires that Mast provide stockholders with the opportunity to vote to approve, on a non-binding advisory vote basis, the payment of certain compensation that will or may become payable by Mast to its named executive officers in connection with the merger, as disclosed in the section titled "The Merger — Interests of the Mast Directors and Executive Officers in the Merger," beginning on page [●] of this proxy statement/prospectus/information statement.

Upon the consummation of the merger, the combined company expects to terminate each Mast named executive officer without cause. Therefore, Mast is asking stockholders to indicate their approval of the compensation that will or may become payable by Mast to its named executive officers in connection with the merger and the associated termination of the named executive officers without cause upon the consummation of the merger. These payments are set forth in the section titled "The Merger — Interests of the Mast Directors and Executive Officers in the Merger," beginning on page [●] of this proxy statement/prospectus/information statement, and the accompanying footnotes. In general, the severance agreements, equity awards and other arrangements pursuant to which these compensation payments may be made have previously formed a part of Mast's overall compensation program for its named executive officers and previously have been disclosed to stockholders as part of Mast's annual proxy statements or its other reports filed with the Securities and Exchange Commission. These severance agreements, equity awards and other arrangements were adopted and approved by the Mast Board, upon recommendation of its compensation committee, which is composed solely of non-employee directors, and are believed to be reasonable and in line with marketplace norms.

Accordingly, we are seeking approval of the following resolution at the special meeting:

> "RESOLVED, that the stockholders of Mast Therapeutics, Inc. approve, on a nonbinding, advisory basis, the compensation that will or may become payable by Mast to its named executive officers that is based on or otherwise relates to the merger as disclosed pursuant to Item 402(t) of Regulation S-K in the section titled "The Merger — Interests of the Mast Directors and Executive Officers in the Merger."

Stockholders of Mast should note that this proposal is not a condition to completion of the merger, and as an advisory vote, the result will not be binding on Mast, its board of directors or the named executive officers. Further, the underlying severance agreements, equity awards and other arrangements are contractual in nature and not, by their terms, subject to stockholder approval. Accordingly, regardless of the outcome of the advisory vote, if the merger is consummated and Mast's named executive officers are terminated in connection with the merger, the named executive officers will be eligible to receive the compensation that is based on or otherwise relates to the merger in accordance with the terms and conditions applicable to the underlying severance agreements, equity awards and other arrangements Mast entered into with these named executive officers.

The affirmative vote of the holders of a majority of the shares of Mast common stock having voting power present in person or represented by proxy at the Mast special meeting is required to approve the non-binding advisory vote on merger-related executive compensation arrangements.

THE MAST BOARD UNANIMOUSLY RECOMMENDS THAT THE MAST STOCKHOLDERS VOTE "FOR" MAST PROPOSAL NO. 4 TO APPROVE, ON A NON-BINDING ADVISORY VOTE BASIS, COMPENSATION THAT WILL OR MAY BECOME PAYABLE BY MAST TO ITS NAMED EXECUTIVE OFFICERS IN CONNECTION WITH THE MERGER.

Mast Proposal No. 5: Approval of Possible Adjournment of the Mast Special Meeting

If Mast fails to receive a sufficient number of votes to approve Mast Proposal Nos. 1, 2, 3 and 4, Mast may propose to adjourn the Mast special meeting, for a period of not more than 15 days, for the purpose of soliciting additional proxies to approve Mast Proposal Nos. 1, 2, 3 and 4. Mast currently does not intend to propose adjournment at the Mast special meeting if there are sufficient votes to approve Mast Proposal Nos. 1, 2, 3 and 4.

The affirmative vote of the holders of a majority of the shares of Mast common stock having voting power present in person or represented by proxy at the Mast special meeting is required to approve the adjournment of the Mast special meeting for the purpose of soliciting additional proxies to approve Mast Proposal Nos. 1, 2, 3 and 4.

THE MAST BOARD UNANIMOUSLY RECOMMENDS THAT THE MAST STOCKHOLDERS VOTE "FOR" MAST PROPOSAL NO. 5 TO ADJOURN THE SPECIAL MEETING, IF NECESSARY, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES IN FAVOR OF MAST PROPOSAL NOS. 1, 2, 3 AND 4. EACH OF PROPOSAL NOS. 1, 2 AND 3 ARE CONDITIONED UPON EACH OTHER. THEREFORE, THE MERGER CANNOT BE CONSUMMATED WITHOUT THE APPROVAL OF PROPOSAL NOS. 1, 2 AND 3.

MAST BUSINESS

Mast is a biopharmaceutical company developing clinical-stage therapies for serious or life-threatening diseases with significant unmet needs. Mast's lead product candidate, AIR001, a sodium nitrite solution for inhalation via nebulization, has demonstrated positive hemodynamic benefits in patients with heart failure with preserved ejection fraction, or HFpEF, and pulmonary hypertension, and currently is in clinical development for HFpEF. Three Phase 2 studies of AIR001 in patients with HFpEF are being conducted as investigator-sponsored studies by leading research institutions. Positive interim results from one of those studies were published in November 2016. Results from another of the studies, a 100-patient, randomized, double-blind, placebo-controlled crossover study being conducted by the Heart Failure Clinical Research Network, are expected in the first quarter of 2018.

Mast's second product candidate, vepoloxamer (also known as MST-188), is currently in a nonclinical study that is being funded by a grant from the National Institutes of Health to evaluate vepoloxamer's potential therapeutic use in ischemic stroke. Vepoloxamer was previously in clinical development in sickle cell disease and heart failure, but following negative top-line results of the Phase 3 study in sickle cell disease known as EPIC in September 2016, Mast determined to discontinue the clinical development of vepoloxamer and wind down all of the clinical studies. Vepoloxamer has demonstrated multiple pharmacologic effects that may provide clinical benefit in a wide range of diseases and conditions typically characterized by impaired microvascular blood flow and/or damaged cell membranes, but Mast has limited its development of vepoloxamer to the grant-funded nonclinical study in ischemic stroke while it explores opportunities to monetize its vepoloxamer-related assets in order to focus its resources on AIR001's development.

Mast has devoted substantially all of its resources to research and development, or R&D, and to acquisition of its product candidates. Mast has not yet marketed or sold any products or generated any significant revenue and Mast has incurred significant annual operating losses since inception.

AIR001 — Phase 2 Product Candidate for the Treatment of HFpEF

AIR001 is a sodium nitrite solution for inhalation via nebulization. Nitrite is a direct vasodilator and can be recycled in vivo to form nitric oxide (NO) independent of the classical NO synthase (NOS) pathway. Nitrite-mediated NO formation has several beneficial effects, including dilation of blood vessels and reduction of inflammation and undesirable cell growth. Generation of NO from sodium nitrite is not dependent upon endothelial function and is enhanced in the setting of tissue hypoxia and acidosis, conditions in which NOS activity typically is depressed. In experimental models, nitrite use has demonstrated improved remodeling both in the pulmonary vasculature and right ventricle. Hemodynamic effects include venodilation with reductions in right atrial pressures, pulmonary and systemic vasodilation with reductions in pulmonary vascular resistance and left atrial pressures, and improved cardiac relaxation. In addition, nonclinical studies have demonstrated that nitrite can stimulate mitochondrial biogenesis and mitochondrial fusion and decrease mitochondrial oxygen consumption through a mechanism distinct from that of NO, which may have utility in treating heart failure.

Mast obtained the AIR001 program through its acquisition of Aires Pharmaceuticals, Inc. in February 2014. Prior to the acquisition, AIR001 had been tested in more than 120 healthy volunteers and patients with various forms of pulmonary hypertension in three Phase 1 studies and one Phase 2 study and was generally well-tolerated. While the Phase 2 study in patients with pulmonary arterial hypertension, known as Study CS05, was prematurely terminated due to Aires' capital constraints prior to the acquisition, data from the 29 patients who enrolled in the study were positive, showing a trend towards improvements in hemodynamic parameters and change in exercise capacity from baseline, and AIR001 was generally well-tolerated, with no drug-related serious adverse events. In particular, levels of methemoglobin, which diminish oxygen carrying capacity, remained normal (< 1.5%), distinguishing AIR001 from safety concerns associated with sodium nitrite injection, a commercially-available product for the treatment of acute cyanide poisoning that contains a black box warning for life-threatening hypotension and methemoglobin formation.

Clinical Development in HFpEF

Mast has supported or currently is supporting four investigator-sponsored Phase 2 studies of AIR001 in patients with HFpEF.

- *Completed Phase 2 Study of AIR001 in HFpEF*. In February 2016, Mast reported positive top-line results from a randomized, double-blind, placebo-controlled Phase 2a study of AIR001 in 30 patients with HFpEF referred to the catheterization laboratory for invasive exercise stress testing. Detailed results from the study were published in *Circulation Research* in July 2016 in an article entitled, "Inhaled Sodium Nitrite Improves Rest and Exercise Hemodynamics in Heart Failure With Preserved Ejection Fraction." In the study, AIR001 showed statistically significant improvement for the pre-specified primary endpoint: change in pulmonary capillary wedge pressure (PCWP) at 20 Watts exercise after drug treatment relative to PCWP at 20 Watts exercise in the initial assessment prior to drug treatment, compared to placebo-treated patients. AIR001 also significantly lowered right atrial pressure and significantly improved pulmonary artery compliance. Study data show that nebulized AIR001 attenuates the hemodynamic derangements of cardiac failure that occur during exercise in HFpEF patients. AIR001 was generally well-tolerated, with no drug-related serious adverse events.
- *Phase 2 study of AIR001 in subjects with PH*-HFpEF. This open-label study is evaluating the effect of AIR001 in a dose escalation manner on change in pulmonary vascular resistance in approximately 50 patients with pulmonary hypertension (PH), approximately 20 of whom are diagnosed with PH associated with HFpEF and undergo right heart catherization. Positive interim results from this study, including data on 10 of the 20 PH-HFpEF patients to be enrolled, were published in the *Journal of Clinical Investigation* in November 2016. The interim results on 36 subjects show that AIR001 significantly lowered pulmonary, right atrial, and pulmonary capillary wedge pressures, with a substantial increase in pulmonary artery compliance, which was most pronounced in patients with PH-HFpEF. AIR001 was generally well-tolerated; no significant safety concerns were identified. In addition, there were no significant decreases in peripheral oxygen saturation nor increases in methemoglobin levels above the stopping criteria of 5%. Patient enrollment is ongoing.
- *Phase 2 study known as the Inorganic Nitrite Delivery to Improve Exercise Capacity in HFpEF (INDIE-HFpEF) study*. This randomized, double-blind, placebo-controlled crossover study in approximately 100 patients with HFpEF is being conducted by the Heart Failure Clinical Research Network (known as the HFN) with significant support from a grant awarded by the National Heart, Lung, and Blood Institute, part of the NIH. The study is being conducted at approximately 20 clinical centers in the U.S. that are part of the HFN and is evaluating the effect of AIR001 on peak exercise capacity. Results are expected in the first quarter of 2018.
- *Phase 2 study of AIR001 known as the Inorganic Nitrite to Amplify the Benefits and Tolerability of Exercise Training (INABLE-TRAINING) study.* This randomized, blinded, placebo-controlled, two-arm, parallel-group study in approximately 68 patients with HFpEF is evaluating AIR001's potential to improve the clinical responses to exercise training in individuals with HFpEF. Patient enrollment is ongoing.

Mast believes the datasets from these Phase 2 studies, if supportive of further development of AIR001 in HFpEF patients, along with the completed toxicology studies and human safety data from prior AIR001 clinical studies, will be adequate for an end of Phase 2 meeting with the FDA to enter into discussions regarding a Phase 3 program in HFpEF.

Manufacturing

Mast does not have, and has not made plans to establish, its own manufacturing facilities. Mast meets its requirements for nonclinical and clinical trial material by establishing relationships with third-party manufacturers and other service providers to perform these services for it.

In the case of AIR001 clinical trial material, Mast has single-source, third-party suppliers of API and finished drug product and there are a limited number of manufacturers with the technical capabilities and desire to produce AIR001. In addition, AIR001 is administered via nebulization and the proprietary nebulizer device currently validated for use in clinical studies of AIR001 is manufactured and supplied by a single third-party.

Following the negative results from the Phase 3 clinical study in sickle cell disease, Mast terminated its vepoloxamer-related manufacturing agreements and currently does not have any manufacturing capabilities for vepoloxamer.

Intellectual Property

To protect its proprietary compounds, Mast has implemented and will continue to pursue a multi-faceted approach that relies on a combination of patent protection, proprietary know-how, trade secrets, and data and market exclusivity. Mast seeks to establish and protect its proprietary rights through confidentiality, licensing and other agreements, including those with its contract manufacturers and drug inhalation delivery system supplier.

In the case of AIR001, Mast has filed for patent protection covering various methods of therapeutic use of inorganic nitrite, including the use of inhaled inorganic nitrite for treating HFpEF. Mast may also seek to obtain licenses to third party patents and other rights to the extent it determines they relate to potential therapeutic uses of AIR001. Additionally, Mast believes there is potential to establish exclusivity around the combination of AIR001 and its inhalation delivery system.

Mast is aware of a substantial number of patents issued and patent applications filed in its technical areas or fields, and Mast may want or determine that it needs to obtain licenses to patents or other rights owned by third parties. There is a risk that third parties may allege that they have patent rights encompassing Mast’s products or methods and no assurance can be given that patents do not exist, have not been filed, or could not be filed or issued, that contain claims covering its product candidates or methods.

Competition

The industries in which Mast operates (biopharmaceutical, specialty pharmaceutical, biotechnology and pharmaceutical) are highly competitive and subject to rapid and significant change. Mast may not be able to compete successfully against organizations with competitive products, particularly large pharmaceutical companies. Many of its potential competitors have greater clinical, regulatory, manufacturing, marketing, distribution, compliance and financial resources and experience than Mast.

Government Regulation

Governmental authorities in the U.S. and other countries extensively regulate the testing, manufacturing, labeling and packaging, storage, recordkeeping, advertising, promotion, import, export, marketing and distribution, among other things, of pharmaceutical products. In the U.S., the FDA, under the Federal Food, Drug and Cosmetic Act, or FDCA, and other federal statutes and regulations, subjects pharmaceutical products to rigorous review. If Mast does not comply with applicable requirements, Mast may be fined, the government may refuse to approve its marketing applications or allow us to manufacture or market its products, and Mast may be criminally prosecuted.

Mast and its third-party manufacturers, distributors and CROs may also be subject to regulations under other federal, state, and local laws, including the Occupational Safety and Health Act, the Environmental Protection Act, the Clean Air Act, the Health Insurance Portability and Accountability Act, privacy laws and import, export and customs regulations, as well as the laws and regulations of other countries.

FDA Approval Process

To obtain approval of a new drug product from the FDA, Mast must, among other requirements, submit data supporting its safety and efficacy, as well as detailed information on the manufacture and composition of the drug and proposed product labeling. The testing and collection of data and the preparation of necessary applications are expensive and time-consuming. The FDA may not act quickly or favorably in reviewing these applications, and Mast may encounter significant difficulties or costs in its efforts to obtain FDA approvals that could delay or preclude us from marketing Mast's product candidates, including AIR001 and vepoloxamer.

The process required by the FDA before a new drug may be marketed in the U.S. generally involves the following:

- completion of nonclinical laboratory and animal testing performed in compliance with FDA regulations;
- submission of an investigational new drug application, or IND, which must become effective before human clinical trials may begin and must be updated annually;
- performance of adequate and well-controlled human clinical trials to establish the safety and efficacy of the product candidate for its intended use;
- submission of an NDA after completion of pivotal clinical trials;
- a determination by the FDA within 60 days of its receipt of the NDA to file the NDA for review;
- satisfactory completion of an FDA pre-approval inspection of the manufacturing facilities at which the API and finished drug product are produced and tested to assess compliance with current good manufacturing practices, or cGMP;
- possible inspection of selected clinical sites to confirm compliance with good clinical practices, or GCP, requirements and data integrity; and
- FDA review and approval of the NDA prior to any commercial marketing or sale of the drug product in the U.S.

Clinical studies are conducted under protocols detailing, among other things, the objectives of the study, the parameters to be used in monitoring safety, and the efficacy criteria to be evaluated. A protocol for each clinical study and any subsequent protocol amendments must be submitted to the FDA as part of the IND.

The clinical investigation of an investigational new drug is generally divided into three phases that typically are conducted sequentially, but may overlap. The three phases are as follows:

- Phase 1. Phase 1 includes initial clinical studies introducing an investigational new drug into humans, and may be conducted in patients or normal volunteer subjects. These studies are designed to determine the metabolism and pharmacologic actions of the drug in humans, the side effects associated with increasing doses, and, if possible, to gain early evidence on effectiveness. The number of participants included in Phase 1 studies is generally in the range of 20 to 80.
- Phase 2. Phase 2 includes the controlled clinical studies conducted to evaluate the effectiveness of the drug for a particular indication or indications in patients with the disease or condition under study and to determine the common short-term side effects and risks associated with the drug. Phase 2 studies are typically well controlled, closely monitored, and conducted in a relatively small number of patients, usually involving no more than several hundred subjects.
- Phase 3. Phase 3 studies are typically expanded trials, which may be controlled or uncontrolled (which refers to a study that does not have a control, or comparison, group). They are performed after preliminary evidence suggesting effectiveness of the drug has been obtained, and are intended to gather additional information about the effectiveness and safety that is needed to evaluate the overall benefit-

risk relationship of the drug and to provide an adequate basis for physician labeling and product approval. Phase 3 studies usually are conducted at geographically dispersed clinical study sites and include from several hundred to several thousand subjects.

A clinical study may combine the elements of more than one phase and the FDA generally requires two or more Phase 3 studies to support approval of a product candidate. A company's designation of a clinical study as being of a particular phase is not necessarily indicative that the study will be sufficient to satisfy the FDA requirements of that phase because this determination cannot be made until the protocol and data have been submitted to and reviewed by the FDA. In addition, a clinical study may contain elements of more than one phase notwithstanding the designation of the study as being of a particular phase.

A pivotal study is a clinical study that is believed to satisfy FDA requirements for the evaluation of a product candidate's safety and efficacy such that it can be used, alone or with other pivotal or non-pivotal studies, to justify regulatory approval. Generally, pivotal studies are Phase 3 studies, but they may be Phase 2 studies if the study design provides a well-controlled and reliable assessment of clinical benefit, particularly in an area of unmet medical need.

Clinical trials must be conducted in accordance with the FDA's good clinical practices, or GCP, requirements. The FDA may order the temporary or permanent discontinuation of a clinical study at any time or impose other sanctions if it believes that the clinical study is not being conducted in accordance with FDA requirements or that the participants are being exposed to an unacceptable health risk. An institutional review board, or IRB, generally must approve the clinical trial design and process for obtaining patient informed consent at study sites that the IRB oversees and also may halt a study, either temporarily or permanently, for failure to comply with the IRB's requirements, or may impose other conditions. Additionally, some clinical studies are overseen by an independent group of qualified experts organized by the clinical study sponsor, known as a data safety monitoring board or committee. This group recommends whether or not a trial may continue based on access to certain data from the study at designated check points.

As a product candidate moves through the clinical testing phases, manufacturing processes are further defined, refined, controlled and validated. The level of control and validation required by the FDA increases as clinical studies progress. Mast and the third-party manufacturers on which it relies for the manufacture of Mast's product candidates and their respective components (including API) are subject to requirements that drugs be manufactured, packaged and labeled in conformity with cGMP. To comply with cGMP requirements, manufacturers must continue to spend time, money and effort to meet requirements relating to personnel, facilities, equipment, production and process, labeling and packaging, quality control, recordkeeping and other requirements.

Assuming successful completion of all required testing in accordance with all applicable regulatory requirements, detailed information on the product candidate is submitted to the FDA in the form of an NDA requesting approval to market the drug for one or more indications, together with payment of a significant user fee, unless waived. An NDA includes all relevant data available from pertinent nonclinical and clinical studies, including negative or ambiguous results as well as positive findings, together with detailed information on the chemistry, manufacture, controls (CMC) and proposed labeling, among other things. To support marketing approval, the data submitted must be sufficient in quality and quantity to establish the safety and efficacy of the product candidate for its intended use to the satisfaction of the FDA. In addition, under the Pediatric Research Equity Act, or PREA, an NDA or supplement to an NDA must contain data to assess the safety and effectiveness of the drug for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The FDA may grant deferrals for submission of data or full or partial waivers. Unless otherwise required by regulation, PREA does not apply to any drug for an indication for which orphan designation has been granted. However, if only one indication for a product has orphan drug designation, a pediatric assessment may still be required for any applications to market that same product for the non-orphan indication(s).

The FDA reviews all NDAs submitted to ensure that they are sufficiently complete for substantive review before it accepts them for filing. It may request additional information rather than accept an NDA for filing. In this event, the application must be resubmitted with the additional information. The resubmitted application also is subject to review before the FDA accepts it for filing. The FDA has 60 days after submission of an NDA to conduct an initial review to determine whether it is sufficient to accept for filing.

If an NDA submission is accepted for filing, the FDA begins an in-depth review of the NDA. Under the Prescription Drug User Fee Act, or PDUFA, the FDA sets a goal date by which it plans to complete its review. For a standard review, this goal date typically is 12 months from the date of submission of the NDA application. If the NDA application relates to an unmet medical need in a serious or life-threatening indication and is designated for priority review, the FDA's goal date typically is eight (8) months from the date of NDA submission. However, PDUFA goal dates are not legal mandates and FDA response often occurs several months beyond the original PDUFA goal date. Further, the review process and the target response date under PDUFA may be extended if the FDA requests, or the NDA sponsor otherwise provides, additional information or clarification regarding information already provided in the NDA. The NDA review process can, accordingly, be very lengthy. During its review of an NDA, the FDA may refer the application to an advisory committee for review, evaluation and recommendation as to whether the application should be approved. The FDA is not bound by the recommendation of an advisory committee, but it typically follows such recommendations. Data from clinical studies are not always conclusive and the FDA and/or any advisory committee it appoints may interpret data differently than the NDA sponsor.

After the FDA evaluates the NDA and inspects manufacturing facilities where the drug product and/or its API will be produced, it will either approve commercial marketing of the drug product with prescribing information for specific indications or issue a complete response letter indicating that the application is not ready for approval and stating the conditions that must be met in order to secure approval of the NDA. If the complete response letter requires additional data and the applicant subsequently submits that data, the FDA nevertheless may ultimately decide that the NDA does not satisfy its criteria for approval. The FDA could also approve the NDA with a Risk Evaluation and Mitigation Strategy, or REMS, which could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. The FDA also may condition approval on, among other things, changes to proposed labeling, development of adequate controls and specifications, or a commitment to conduct post-marketing testing. Such post-marketing testing may include Phase 4 clinical studies and surveillance to further assess and monitor the product's safety and efficacy after approval. Regulatory approval of products for serious or life-threatening indications may require that participants in clinical studies be followed for long periods to determine the overall survival benefit of the drug.

If the FDA approves any of Mast's product candidates, Mast will be required to comply with a number of post-approval regulatory requirements. Mast would be required to report, among other things, certain adverse reactions and production problems to the FDA, provide updated safety and efficacy information and comply with requirements concerning advertising and promotional labeling for any of Mast's products. Also, quality control and manufacturing procedures must continue to conform to cGMP after approval, and the FDA periodically inspects manufacturing facilities to assess compliance with cGMP, which imposes extensive procedural, substantive and record keeping requirements. If Mast seeks to make certain changes to an approved product, such as certain manufacturing changes, Mast will need FDA review and approval before the change can be implemented. For example, if Mast changes the manufacturer of a product or its API, the FDA may require stability or other data from the new manufacturer, which data will take time and is costly to generate, and the delay associated with generating this data may cause interruptions in Mast's ability to meet commercial demand, if any. While physicians may use products for indications that have not been approved by the FDA, Mast may not label or promote the product for an indication that has not been approved. Securing FDA approval for new indications is similar to the process for approval of the original indication and requires, among other things, submitting data from adequate and well-controlled studies that demonstrate the product's safety and efficacy in the new indication. Even if such studies are conducted, the FDA may not approve any change in a timely fashion, or at all.

Mast relies on third parties for the manufacture of Mast's clinical trial material and Mast expects to rely on third-party manufacturers to produce commercial quantities of Mast's drugs, should they receive regulatory approval in the future. Future FDA, state and/or foreign governmental agency inspections may identify compliance issues at these third-party facilities that may disrupt production or distribution or require substantial resources to correct. In addition, discovery of previously unknown problems with a product or the failure to comply with applicable requirements may result in restrictions on a product, manufacturer or holder of an approved NDA, including withdrawal or recall of the product from the market or other voluntary, FDA-initiated or judicial action that could delay or prohibit further marketing. Newly discovered or developed safety or efficacy data may require changes to a product's approved labeling, including the addition of new warnings and contraindications, and also may require the implementation of other risk management measures. Many of the foregoing could limit the commercial value of a product or require us to commit substantial additional resources in connection with the approval of an investigational drug. Also, new government requirements, including those resulting from new legislation, may be established, or the FDA's policies may change, which could delay or prevent regulatory approval of Mast's products under development.

Expedited Review Programs

Investigational drugs intended to treat serious or life-threatening conditions with unmet medical needs may be eligible for certain programs intended to expedite or facilitate the process for FDA review, such as the fast track and priority review designations. Fast track and priority review designations do not change the standards for FDA approval but may expedite the approval process.

Investigational drugs are eligible for fast track designation if they are intended to treat a serious or life-threatening condition and demonstrate the potential to address unmet medical needs for the condition. Fast track designation applies to the combination of the drug and the specific indication for which it is being studied. For a drug with fast track designation, the FDA may consider a "rolling review" of the NDA, meaning it may agree to review sections of the NDA on a rolling basis before the complete application is submitted, which could expedite the FDA's review of the NDA. Fast track designation, however, does not guarantee that the FDA will agree to a rolling review of the NDA. An investigational drug is eligible for priority review if it has the potential to provide safe and effective therapy where no satisfactory alternative therapy exists or a significant improvement in the treatment, diagnosis or prevention of a disease compared to marketed products. The FDA will attempt to direct additional resources to the evaluation of an NDA for a drug product candidate designated for priority review in an effort to facilitate the review.

Pharmaceutical Pricing and Reimbursement

Sales of Mast's products, if approved, will depend, in part, on the extent to which the costs of Mast's products will be covered by third-party payers, such as government healthcare programs, private health insurers, managed healthcare providers, and other organizations. These third-party payers are increasingly challenging drug prices and examining the medical necessity and cost-effectiveness of medical products and services, in addition to their safety and efficacy. If these third-party payers do not consider Mast's products to be cost-effective compared to other therapies, they may not cover Mast's products after approval as a benefit under their plans or, even if they do, the level of payment may not be sufficient to allow us to sell Mast's products on a profitable basis. In the case of products administered in an inpatient hospital setting, a level of payment that is inadequate to cover the cost to hospitals of providing and administering Mast's products to patients, could delay acceptance of or limit Mast's ability to penetrate the markets for Mast's products.

Significant uncertainty exists as to the reimbursement status for newly approved drug products, including coding, coverage and payment. Sales of any products for which Mast obtains marketing approval will depend in part on coverage and adequate payment from third-party payers. 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 Mast's 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 Mast's products may be adversely affected if the amount of payment for Mast's products proves to be unprofitable for healthcare providers or less profitable than alternative treatments or if administrative burdens make Mast's products less desirable to use. Third-party payer reimbursement to providers of Mast's products, if approved, may be subject to a bundled payment that also includes the procedure of administering Mast's products. To the extent there is no separate payment for Mast's product(s), there may be further uncertainty as to the adequacy of reimbursement amounts.

Additionally, the containment of healthcare costs has become a priority of federal and state governments 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. Mast expects that federal, state and local governments in the U.S. 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.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, collectively referred to as the ACA, enacted in March 2010, has had and is expected to continue to have a significant impact on the healthcare industry. The ACA, among other things, imposes a significant annual fee on certain companies that manufacture or import branded prescription drug products. The ACA also increased the Medicaid rebate rate and the volume of rebated drugs has been expanded to include beneficiaries in Medicaid managed care organizations. The ACA also expanded the 340B drug discount program (excluding orphan drugs), included a 50% discount on brand name drugs for Medicare Part D participants in the coverage gap, and revised the definition of "average manufacturer price" for reporting purposes, which could increase the amount of the Medicaid drug rebates paid to states. It also contains substantial provisions intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against healthcare fraud and abuse, add new transparency requirements for the healthcare industry, impose new taxes and fees on pharmaceutical manufacturers, and impose additional health policy reforms, any or all of which may affect Mast's business. Since its enactment there have been judicial and Congressional challenges to certain aspects of the ACA, and Mast expects there will be additional challenges and amendments to the ACA in the future. Certain provisions of the ACA are not yet, or have only recently become, effective, and others have been temporarily suspended, but the ACA is likely to continue the downward pressure on pharmaceutical pricing, and may also increase Mast's regulatory burdens and operating costs.

Other legislative changes have also been proposed and adopted since the ACA was enacted. For example, the Budget Control Act of 2011 resulted in aggregate reductions in Medicare payments to providers of up to 2% per fiscal year, which went into effect in 2013 and, following passage of the Bipartisan Budget Act of 2015, will stay in effect through 2025 unless additional Congressional action is taken. Additionally, the American Taxpayer Relief Act of 2012, among other things, reduced Medicare payments to several types of providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws may result in additional reductions in Medicare and other healthcare funding.

It is uncertain whether and how future legislation, whether domestic or abroad, could affect prospects for Mast's product candidates or what actions federal, state, or commercial 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 Mast's ability to generate revenue, attain profitability or commercialize Mast's product candidates.

Other Healthcare Laws and Compliance Requirements

In addition to FDA requirements, several other types of state and federal laws apply and will apply to Mast's operations. These laws include, among others, healthcare information and data privacy protection laws, transparency laws, and fraud and abuse laws, such as anti-kickback and false claims laws.

The federal healthcare program anti-kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration, directly or indirectly, overtly or covertly, in cash or in kind, to induce or in return for purchasing, leasing, ordering or arranging for the purchase, lease or order of any healthcare item, good, facility or service reimbursable under Medicare, Medicaid or other federally financed healthcare programs. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers and formulary managers on the other. Although there are a number of statutory exceptions and regulatory safe harbors protecting certain common activities from prosecution or other regulatory sanctions, the exceptions and safe harbors are drawn narrowly, and practices that involve remuneration intended to induce prescribing, purchases or recommendations may be subject to scrutiny if they do not qualify for an exception or safe harbor.

Federal false claims laws and civil monetary penalties laws prohibit, among other things, any person or entity from knowingly presenting, or causing to be presented, a false claim for payment to the federal government, or knowingly making, or causing to be made, a false statement to have a false claim paid. Pharmaceutical and other healthcare companies have been prosecuted under these laws for, among other things, allegedly promoting their products for uses for which they were not approved and causing the submission of claims for payment for such use under federal healthcare programs. In addition, the Health Insurance Portability and Accountability Act of 1996, or HIPAA, prohibits persons and entities from knowingly and willfully executing a scheme to defraud any health care benefit program, including private payers, or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for health care benefits, items or services.

HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act and its implementing regulations, also imposes obligations, including mandatory contractual terms, on certain types of individuals and entities, with respect to safeguarding the privacy, security and transmission of individually identifiable health information.

The federal transparency requirements under the ACA, requires certain manufacturers of drug products, medical devices, biologics and medical supplies to annually report to the Department of Health and Human Services information related to payments and other transfers of value to physicians and teaching hospitals and physician ownership and investment interests. Compliance with such reporting requirements may be costly.

The majority of states also have statutes or regulations similar to the aforementioned federal anti-kickback and false claims laws, which apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payer. Mast may be subject to state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts. In addition, Mast may be subject to reporting requirements under state transparency laws, as well as state laws that require pharmaceutical companies to comply with the industry's voluntary compliance guidelines and the applicable compliance guidance promulgated by the federal government that otherwise restricts certain payments that may be made to healthcare providers and entities.

Government Regulation Outside the U.S.

In addition to regulations in the U.S., Mast may be subject to a variety of regulations in foreign jurisdictions that govern, among other things, clinical studies and any commercial sales and distribution of Mast's products.

Whether or not Mast obtains FDA approval for a product candidate, it must obtain the requisite approvals from regulatory authorities in foreign jurisdictions prior to the commencement of clinical studies or marketing and sale of the product in those countries. The foreign regulatory approval process includes all of the risks associated with the FDA approval described above. Some foreign jurisdictions have a drug product approval process similar to that in the U.S., which requires the submission of a clinical trial application much like the IND prior to the commencement of clinical studies. In Europe, for example, a clinical trial application, or CTA, must be submitted to each country's national health authority and an independent ethics committee, much like the FDA and IRB, respectively. Once the CTA is approved in accordance with a country's requirements, clinical trial development may proceed.

To obtain regulatory approval of a product candidate under European Union regulatory systems, Mast would be required to submit a Marketing Authorisation Application, which is similar to the NDA, except that, among other things, there are country-specific document requirements. For countries outside of the European Union, such as countries in Eastern Europe, Latin America or Asia, the requirements governing the conduct of clinical studies, product approval, pricing and reimbursement vary from country to country. In addition, regulatory approval of prices is required in most countries other than the U.S. Mast faces the risk that the resulting prices would be insufficient to generate an acceptable return to the company or any of its future partners. If Mast fails to comply with applicable foreign regulatory requirements, it may be subject to, among other things, fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution.

Employees

As of February 2, 2017, Mast has 10 employees, seven of which are full-time and three of which are part-time. Mast's employees are not unionized and Mast believes that its relationship with its employees is good.

Formation

Mast was incorporated in Delaware in December 1995. In October 2000, Mast merged its wholly-owned subsidiary, Biokeys Acquisition Corp., with and into Biokeys, Inc. and changed the company's name to Biokeys Pharmaceuticals, Inc. In May 2003, the company merged Biokeys, Inc., a wholly-owned subsidiary, with and into the company and changed its name to ADVENTRX Pharmaceuticals, Inc. In March 2013, the company merged Mast Therapeutics, Inc., a wholly-owned subsidiary, with and into the company and changed its name to Mast Therapeutics, Inc.

SAVARA BUSINESS

Overview

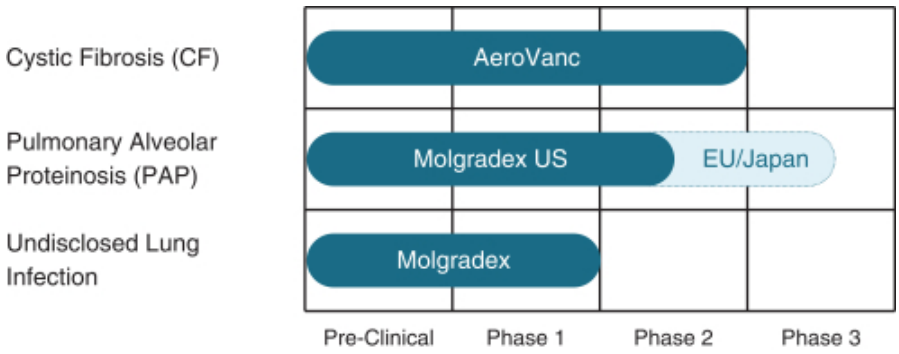
Savara is a clinical-stage specialty pharmaceutical company focused on the development and commercialization of novel therapies for the treatment of serious or life-threatening rare respiratory diseases. Savara's pipeline comprises AeroVanc, a Phase 3 ready inhaled vancomycin, and Molgradex, a Phase 2/3 stage inhaled granulocyte-macrophage colony-stimulating factor, or GM-CSF. Savara's strategy involves expanding its 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. Savara's management team has significant experience in orphan drug development and pulmonary medicine, in identifying unmet needs, creating and acquiring new product candidates, and effectively advancing them to approvals and commercialization.

AeroVanc, an inhaled formulation of vancomycin, is being developed for the treatment of persistent methicillin-resistant *Staphylococcus aureus*, or MRSA, lung infection in cystic fibrosis, or CF, patients. CF is a genetic disease that involves sticky mucus buildup in the lungs, persistent lung infections and permanent and progressive respiratory disability. There are approximately 30,000 patients affected by CF in the United States, and MRSA infection has become increasingly common in these patients, with a prevalence of approximately 26 %. Persistent MRSA infection in CF patients is associated with increased use of intravenous, or IV, antibiotics, increased hospitalizations, a faster decline of lung function, as well as shortened life-expectancy. Due to the lung pathology associated with CF, persistent MRSA lung infection is difficult to eradicate or manage using oral or IV antibiotics, and there is no standard of care to manage this condition. Whereas inhaled antibiotics have become a cornerstone of treating the most prevalent chronic pathogen in CF patients, *Pseudomonas aeruginosa*, there are no approved inhaled antibiotics addressing MRSA lung infection. In a randomized, double-blind, placebo-controlled Phase 2 study in CF patients with persistent MRSA infection, AeroVanc reduced MRSA density in sputum, and showed encouraging trends of improvement in lung function, and respiratory symptoms, as well as prolongation of the time to use of other antibiotics, with best responses in subjects under 21 years of age. After receiving detailed guidance from the FDA, Savara has planned a pivotal Phase 3 study of AeroVanc that it anticipates starting in the third quarter of 2017.

Molgradex, an inhaled formulation of recombinant human GM-CSF, is being developed for the treatment of autoimmune pulmonary alveolar proteinosis, or PAP, a rare lung disease characterized by the build-up of lung surfactant in the alveoli, or air sacs, of the lungs. PAP is estimated to have a prevalence of approximately 2,500 patients in the United States. The disease process underlying PAP involves an autoimmune response against a naturally occurring protein, GM-CSF, suppressing the stimulating activity of GM-CSF on lung macrophages which function to clear excess surfactant from the alveoli. The best treatment currently available for PAP is a procedure called whole lung lavage, or WLL, which entails washing out the lungs bronchoscopically with saline, segment by segment, under general anesthesia. By its nature, WLL is an invasive and inconvenient procedure that requires hospitalization, and highly experienced physicians at specialist sites. Based on published investigator-sponsored treatment experience with inhaled GM-CSF, Savara believes Molgradex has the potential to replace the inactivated GM-CSF in PAP patients, and thereby to restore the surfactant clearing activity of the alveolar macrophages, and to become the treatment of choice for PAP. The company has completed a Phase 1 study in healthy volunteers, and is currently conducting a pivotal Phase 2/3 study in Europe and Japan, with top line results expected in the first quarter of 2018.

Savara's pipeline of product candidates is illustrated in the figure below. In order to fully exploit the potential of its current pipeline, Savara is also pursuing indication expansions of its product candidates, with priority on the development of Molgradex in rare infectious lung diseases, where stimulation of the innate immune system has the potential to improve clinical outcomes. Savara is planning to advance the first such Molgradex indication expansion program into clinical Phase 2 development during 2017, and plans to disclose further information about the program throughout 2017.

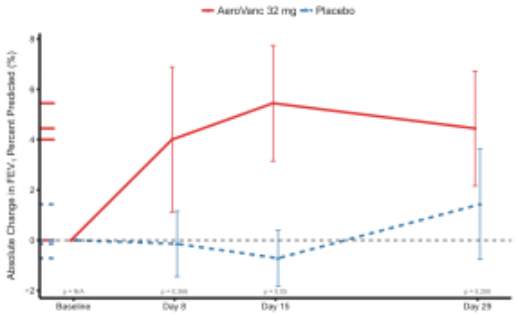
Savara's product candidate pipeline



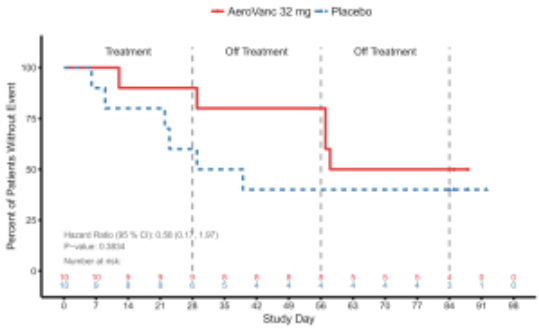
Savara currently owns exclusive worldwide rights to its product portfolio, except in Japan where rights to Molgradex have been licensed out to Nobelpharma Co., Ltd. AeroVanc has been granted Orphan Drug Designation and Qualified Infectious Disease Product, or QIDP, status for the treatment of persistent MRSA lung infection in CF patients in the United States, and Molgradex has been granted Orphan Drug Designation for the treatment of PAP in the United States and the European Union. The Orphan Drug Designation makes AeroVanc and Molgradex eligible for seven years of exclusivity from approval in the United States, and ten years of exclusivity in the European Union, whereas the QIDP status makes AeroVanc eligible for an additional five years of exclusivity in the United States.

AeroVanc Key Advantages — Savara is currently preparing to initiate a Phase 3 clinical study of AeroVanc, to be conducted primarily in the United States and Canada. Savara has received detailed guidance from the FDA on the design of the study, and believes that the planned study is in accordance with the FDA's requirements for a sole pivotal study to be submitted for NDA approval. Savara anticipates initiating the study in the third quarter of 2017. Savara believes the results from its Phase 2 study, illustrated in part below, support the use of the same key endpoints and advancing the development of AeroVanc into a larger pivotal Phase 3 study. Notably, the Phase 2 study demonstrated a trend of clinically meaningful improvement in FEV_1, a common measure of lung function illustrated below on the left, as well as in time to use of another antibiotic for respiratory infection, illustrated below on the right. The planned primary efficacy endpoint of the Phase 3 study is change from baseline in FEV_1, and the primary analysis population will comprise patients under the age of 21, in line with experience from earlier clinical studies of inhaled anti-pseudomonal antibiotics in CF.

Change from baseline in FEV_1 (left) and Time to use of other antibiotic for respiratory infection (right)



Per Protocol Population, 32 mg dose cohort, < 21 years of age, n = 16



Intent-to-treat Population, 32 mg dose cohort, < 21 years of age, n = 20

Savara believes that AeroVanc has a number of important characteristics that contribute to its clinical profile and clinical data to date, and that facilitate its regulatory approval and successful commercialization. Specifically, AeroVanc offers:

- Strong product foundation, applying a previously approved active substance and previously approved drug delivery technologies.
- High concentration of antibiotic is delivered directly to the lungs, the primary site of infection, which Savara believes can result in higher clinical efficacy and reduced systemic toxicity, as compared with oral or IV delivery of antibiotics.
- Capsule based powder inhaler providing a fast and convenient method of administration, which is very desirable in the CF population, who have a high treatment burden.
- Eligible for strong market protection via orphan drug status, QIDP status, a formulation patent, and an exclusive device supply agreement.

Molgradex Key Advantages — Savara is currently conducting a Phase 2/3 clinical study, which is referred to as the IMPALA study, of Molgradex in Europe and Japan. Savara has received guidance from the European Medicines Agency, or EMA, on the design of the study, and believes the ongoing study is in accordance with the EMA's requirements for a sole pivotal study to be used in a marketing authorization application submission in the European Union. Savara anticipates reporting top-line results from the study in the first quarter of 2018. Savara is also in discussions with the FDA to receive guidance on the clinical study requirements for an NDA submission in the United States. Savara expects to have clarity on those requirements later this year. The options include expanding and modifying the ongoing IMPALA study as the sole pivotal study, or conducting a second pivotal study for US regulatory purposes.

Building upon the published investigator-sponsored treatment experience with inhaled GM-CSF, Savara believes Molgradex has the potential to become the treatment of choice for PAP. Molgradex has the following characteristics that Savara believes will contribute to its clinical profile, as well as facilitate its regulatory approval and successful commercialization. Specifically, Molgradex offers:

- Strong product foundation, applying a previously approved active substance class and previously approved drug delivery technology.
- GM-CSF is delivered directly to the lungs, the primary site of macrophage function deficiency, which Savara believes can result in high clinical efficacy with limited systemic adverse effects.
- High efficiency nebulizer providing a fast and convenient method of administration, which is highly desirable for long-term treatment in a chronic disease, such as PAP.

- Eligible for strong market protection via orphan drug status, a proprietary cell bank used in the production of the drug substance, and an exclusive device supply agreement.

Strategy

Savara's goal is to become a leading specialty pharmaceutical company focused on treatments for rare respiratory diseases, through the development and commercialization of novel and best-in-class therapeutics to address unmet medical needs in its field. The key elements of Savara's strategy include:

- ***Pursue AeroVanc and Molgradex indication expansion.*** While Savara's immediate priority is to obtain regulatory approvals in the primary indications described above, Savara believes both AeroVanc and Molgradex have the potential to be used for the treatment of several other diseases. In particular, Savara is exploring the use of Molgradex for the treatment of certain rare infectious lung diseases.
- ***Expand the product pipeline through strategic product acquisitions***. In addition to broadening its current pipeline through indication expansion, Savara's strategy includes expansion of its product pipeline through strategic partnerships and product acquisitions, such as its acquisition of the Molgradex program through the asset purchase of Serendex Pharmaceuticals in 2016. A key priority has been to exploit known chemical entities or classes in novel ways, such as delivery of drug directly into the lungs, for the treatment of serious or life-threatening lung diseases. While Savara has developed an internal core competence in inhaled drug development, the company is technology agnostic. Future pipeline expansion decisions will be based on the unmet medical need within a specific disease, the commercial opportunity, and the ability to rapidly develop and commercialize a product candidate.
- ***Operate by outsourcing capital intensive operations.*** Savara plans to continue to pursue the development and manufacturing of its product candidates by outsourcing most clinical development and all manufacturing operations. Savara's business model has facilitated rapid development of its pipeline by using high quality specialist vendors and consultants in a capital efficient manner.
- ***Establish its own sales and marketing capabilities to commercialize its products in the United States.*** Savara plans to commercialize its pipeline through its own specialty salesforce or strategic marketing partnerships in the United States. Outside the United States, Savara plans to commercialize its products in collaboration with partners that have the resources and infrastructure to successfully commercialize Savara's innovative therapeutics.

Overview of AeroVanc

Background on MRSA infection in cystic fibrosis

CF is a genetic disease characterized, in part, by the prevalence of thick, sticky mucus produced in the lung, frequent lung infections, and a resultant decline in pulmonary function. As the disease progresses, patients' lungs are typically infected with bacteria that are difficult to eradicate. Inhaled antibiotics, including tobramycin (TOBI, Novartis AG), and aztreonam (Cayston, Gilead Sciences), have become a cornerstone of the treatment of the most common chronic pathogen, *Pseudomonas aeruginosa*, in order to control the infection and improve lung function and quality of life. In recent years, MRSA lung infection has become increasingly common in CF, with a prevalence of 26 % according to the most recent (2015) data report of the Cystic Fibrosis Foundation. Importantly, persistent MRSA lung infection has been associated with worse clinical outcomes in CF, including a faster decline of lung function[1] and a shorter life expectancy.[2] The increasing prevalence and high clinical impact of MRSA infection in CF have created an unmet need for improved therapies to help address the condition. Considering the established practice of treating chronic *Pseudomonas aeruginosa* infection in CF using inhaled

1 Dasenbrook EC, Merlo CA, Diener-West M, et al. "Persistent Methicillin-resistant *Staphylococcus aureus* and Rate of FEV1 Decline in Cystic Fibrosis." *Am J Respir Crit Care Med* 2008;178, 814-821.

2 Dasenbrook EC, Checkley W, Merlo CA, et al. "Association Between Respiratory Tract Methicillin-Resistant *Staphylococcus aureus* and Survival in Cystic Fibrosis." *JAMA* 2010;303, 2386-2392

antibiotics, all of which have limited activity against MRSA, it would be logical to attempt treatment of chronic MRSA infection with an inhaled antibiotic active against MRSA. Savara believes that AeroVanc is the first inhaled antibiotic being developed to specifically treat MRSA infection of the lungs.

Current MRSA treatment options in CF

Persistent MRSA lung infection in CF patients is difficult to eradicate or manage using oral or IV antibiotics, and there is currently no standard of care to manage the infection in CF patients despite the high need.[3] In contrast to the established treatment of *Pseudomonas aeruginosa* infection with inhaled antibiotics, there is no FDA-approved inhaled antibiotic treatment available for MRSA infection.

IV vancomycin or linezolid are the most commonly used drugs for the treatment of acute pulmonary exacerbation in CF patients with MRSA infection, and they may be used in combination with other IV antibiotics in patients with simultaneous Gram-negative infections, such as *Pseudomonas aeruginosa*. For MRSA lung infection, vancomycin is available only in IV form, and while highly effective against MRSA and other Gram-positive bacteria, chronic home-based use of IV vancomycin is not practical, and chronic use has also been associated with systemic toxicity, especially renal toxicity and ototoxicity.

According to research conducted by Savara, there is increasing clinical need to treat chronic MRSA infection in CF. In the absence of an inhaled antibiotic, there is emerging use of oral anti-MRSA antibiotics in an attempt to suppress the MRSA infection, and in hope of reducing the occurrence of acute pulmonary exacerbations. In a survey conducted by Savara, 27 % of the surveyed CF specialists in the US regularly utilize antibiotics targeting MRSA as a suppressive treatment (any dosage form) in patients with frequent exacerbations or other symptoms for which MRSA is considered a cause or contributing factor. This practice is emerging despite the absence of established consensus or guidelines relating to the use of oral anti-MRSA antibiotics in CF, or evidence of efficacy established in controlled studies.

As with current inhaled anti-pseudomonal drugs, Savara believes that there is significant clinical advantage in delivering an anti-MRSA antibiotic, such as vancomycin, directly to the site of infection to maximize the clinical efficacy, reduce systemic exposure and the risk of adverse effects, and to enable convenient use of the product outside of the hospital setting. The aerosolized IV form of vancomycin, administered by nebulization, has been used in multiple small published clinical studies, mainly to treat ventilator-associated pneumonia in an intensive care setting. In these studies and case reports, nebulized vancomycin had good antibacterial efficacy and was generally well tolerated. In recent years, according to interviews conducted by Savara, many of the leading CF centers in the United States have explored the use of inhaled vancomycin to treat MRSA infected CF patients on a chronic basis, by nebulizing the IV form of vancomycin. The experience gained from this type of treatment has been encouraging, and provides anecdotal reports of the safety and clinical utility of inhaled vancomycin for periods exceeding many years in some patients. Similarly, in the 1990's, nebulized IV tobramycin was explored as a treatment of *Pseudomonas aeruginosa* infections in CF patients. This experience stimulated the development of TOBI®, which has become the most widely used inhaled antibiotic worldwide, and a cornerstone of chronic treatment of *Pseudomonas aeruginosa* lung infection in CF.

Savara believes that inhaled antibiotics, as well as other palliative treatments, will continue to have a central role in the management of CF. Various disease modifying drugs, such as CF Transmembrane Conductance Regulator (CFTR) modulators, that attempt to address the underlying cause of CF, i.e. to restore or improve the function of the CFTR protein that is defective or dysfunctional in CF patients, have recently been launched. Whereas these disease-modifying drugs on average result in modest improvement in lung function and potentially slower rate of lung function decline, patients on these drugs continue to have chronic infections that require antibiotic treatment, and their lung function continues to decline.

3 Zobell JT, Epps KL, Young DC, Montague M, Olson J, Ampofo K, Chin MJ, Marshall BC, Dasenbrook E. "Utilization of antibiotics for methicillin-resistant *Staphylococcus aureu*s infection in cystic fibrosis." Pediatric Pulmonology (June 2015) Volume 50, Issue 6, pages 552–559

AeroVanc Product Description

AeroVanc, or Vancomycin Hydrochloride Inhalation Powder, is a novel inhaled formulation of vancomycin being developed for the treatment of persistent MRSA lung infection in patients with CF. Vancomycin is a glycopeptide antibiotic that was discovered in the mid-1950's and is commonly used in the prophylaxis and treatment of infections caused by Gram-positive bacteria. Vancomycin acts by inhibiting proper cell wall synthesis of aerobic and anaerobic Gram-positive bacteria, and is generally not active against Gram-negative bacteria.

AeroVanc consists of a capsule dosage form containing a proprietary dry powder formulation of vancomycin hydrochloride intended for oral inhalation with the AeroVanc inhaler. The AeroVanc inhaler is a commercialized, hand-held, manually operated, breath-activated device.

Savara anticipates that AeroVanc will be used predominantly to suppress chronic MRSA lung infection, which has the potential to improve patients' lung function and respiratory symptoms, and to prolong the time to pulmonary exacerbation and need of systemic antibiotics. AeroVanc is not intended to replace IV vancomycin or other IV antibiotics in the treatment of acute pulmonary exacerbations associated with MRSA. However, chronic AeroVanc use has the potential to reduce the occurrence of these exacerbations, and thereby the need for IV treatments and hospitalizations.

Savara believes there will be broad adoption of AeroVanc in CF once available based on a high level of interest for the product from direct clinician surveys, as well as market research of key opinion leaders in the field of CF. Notably, a clear majority (94 %) of the surveyed CF physicians in the United States would expect to prescribe AeroVanc to their patients with MRSA lung infection, if approved by the FDA. Likewise, according to payer interviews conducted in the United States, an AeroVanc launch would receive reimbursement support given the high unmet need in an orphan indication and a current lack of comparable products.

Clinical Development of AeroVanc

Phase 3

Savara intends to initiate a Phase 3 clinical study designed to demonstrate the safety and efficacy of AeroVanc in CF patients with persistent MRSA lung infection. The plan is to initiate this trial in the third quarter of 2017. The study is planned to be conducted primarily in the United States and Canada.

Savara has received detailed guidance from the FDA on the design of the study, and believes that the planned study is in accordance with the FDA's requirements for a sole pivotal study to be used in an NDA submission. The study has also been planned in consultation with the Cystic Fibrosis Foundation's Therapeutic Development Network. The Phase 3 study is designed to detect whether the administration of AeroVanc results in a significant improvement in lung function. The study will assess a 32 mg dose administered twice a day for three on/off cycles of 28 days. The planned primary efficacy endpoint is absolute change from baseline in FEV_1 percent predicted, a commonly used measure of lung function. Other efficacy endpoints include the time to use of other antibiotics for pulmonary infection, and a respiratory symptom score.

The planned Phase 3 study is a randomized (1:1), double-blind, placebo-controlled study of AeroVanc in approximately 200 CF patients with persistent MRSA lung infection. The plan is to enrich the study with younger patients, by enrolling 75 % of the subjects between the ages of 6 and 21 years. This was the population most responsive to treatment in the Phase 2 study, and will form the primary analysis population of the study. The duration of the study drug (AeroVanc or placebo) administration will be three cycles of 28 days on drug and 28 days off drug, during which time the primary efficacy endpoint will be measured and assessed. Following the efficacy study period, subjects will transition into another three cycles (28 days on treatment, 28 days off treatment per cycle) of open label AeroVanc use to provide more information on long-term safety.

The planned primary efficacy endpoint of the study is the mean absolute change from baseline in FEV_1 percent predicted. In accordance with guidance from the FDA, the endpoint will be analyzed sequentially at Week 4 (first treatment cycle), and at Week 20 (third treatment cycle). Both time points will be tested at a statistical significance level of p = 0.05 due to the sequential nature of the analysis. Savara believes that a statistically significant improvement at Week 20 would provide support for a chronic treatment label, whereas improvement at Week 4 only may result in a more restricted label. Approval in any form is subject to the positive evaluation of the clinical meaningfulness of the treatment effect, judged by the review of all data, including safety data, and the outcome of key secondary endpoints, such as time to use of other antibiotics.

In the single-cycle Phase 2 study, with missing data imputed using conservative rules adopted by the FDA, a difference in the mean absolute change in FEV_1 percent predicted of 4.3 % was observed between the treatment arms in subjects below 21 years of age. Based on the observed treatment effect size and variability, a sample size of 45 subjects per arm would provide 90 % power to detect a statistically significant difference at an alpha level of 0.05. To account for a potential loss of power caused by premature discontinuations in a three-cycle study, a sample size of 75 subjects per arm will be enrolled.

Selection of the dose for the study was made based on the Phase 2 study in CF patients. In that study, administration of the 32 mg bid dose resulted in sputum trough vancomycin concentrations that were on average more than 100-fold above the observed minimum inhibitory concentration (MIC_{90}) value, suggesting that the concentrations reached after repeated administration of the 32 mg bid dose are likely to be sufficient for effective management of MRSA infection. In terms of safety and tolerability, the 32 mg AeroVanc dose did not appear significantly different from placebo, and produced encouraging trends of efficacy in all key endpoints in subjects below 21 years of age. In contrast, the higher AeroVanc dose of 64 mg bid was not as well tolerated in the older subjects (above 21 years of age), resulting in an increased number of premature discontinuations of the study drug treatment in this subgroup.

After the completion of the Phase 3 study, Savara intends to submit an NDA applying the 505(b)(2) regulatory pathway. In addition to being designated an Orphan Drug Product and QIDP, AeroVanc has been designated a Fast Track development program by the FDA.

Completed Clinical Studies

Phase 1

In a Phase 1 single escalating dose study, AeroVanc was shown to be generally well tolerated and safe, with a favorable pharmacokinetic profile. In the study, AeroVanc inhalation powder was administered to 18 healthy volunteers (doses of 16 mg, 32 mg, and 80 mg), and seven patients with CF (doses of 32 mg, and 80 mg). AeroVanc demonstrated a relatively slow pulmonary absorption phase (t_{max} of 1.33 h — 2.08 h), followed by distribution and elimination comparable to IV administration. The mean absolute bioavailability across all AeroVanc doses was 49 % (SD 8 %), with no apparent differences observed between the doses. The absolute bioavailability closely corresponds with the pulmonary absorption of vancomycin, considering that vancomycin is not absorbed from the gastrointestinal tract. The mean C_{max} of AeroVanc after an 80 mg dose was 618 ng/mL, corresponding to approximately one fifth of the dose adjusted C_{max} after a 250 mg dose of IV vancomycin. The dose linearity of AeroVanc in terms of C_{max} and AUC values was excellent ($R^2 > 0.99$). In the CF patients, all subjects had sputum vancomycin concentrations in high excess of the minimum inhibitory concentration, or MIC, of vancomycin for MRSA (2 µg/mL) at one hour after the administration of AeroVanc with both the 32 mg and the 80 mg dose (mean of 106 µg/mL, and 261 µg/mL, respectively). At later time points, the concentrations decreased, but on average remained above the MIC values for up to 24 hours. Variability in sputum concentrations was high, as expected.

All adverse events in the healthy volunteers were classified as mild, and all events that were considered probably drug-related involved local irritation effects and resolved spontaneously and rapidly (between 15 and 60 minutes).

Small reduction in the post-dose FEV_1 (7 % — 11 %) was observed in three subjects after the 80 mg dose. None of the subjects required bronchodilator treatment, and the changes were considered by the independent Drug Safety Monitoring Board to be clinically non-significant. In CF patients, chest congestion and/or chest tightness were reported by four of the seven patients, and there appeared to be a slight trend towards more adverse events at the higher dose (80 mg). All reported respiratory adverse events were mild, none of the patients felt distressed, and the events either did not require treatment or resolved after airway clearance and/or albuterol inhalation. Based on the sputum concentration data, dose levels of 32 mg and 64 mg twice a day were selected for use in the Phase 2 study.

Phase 2

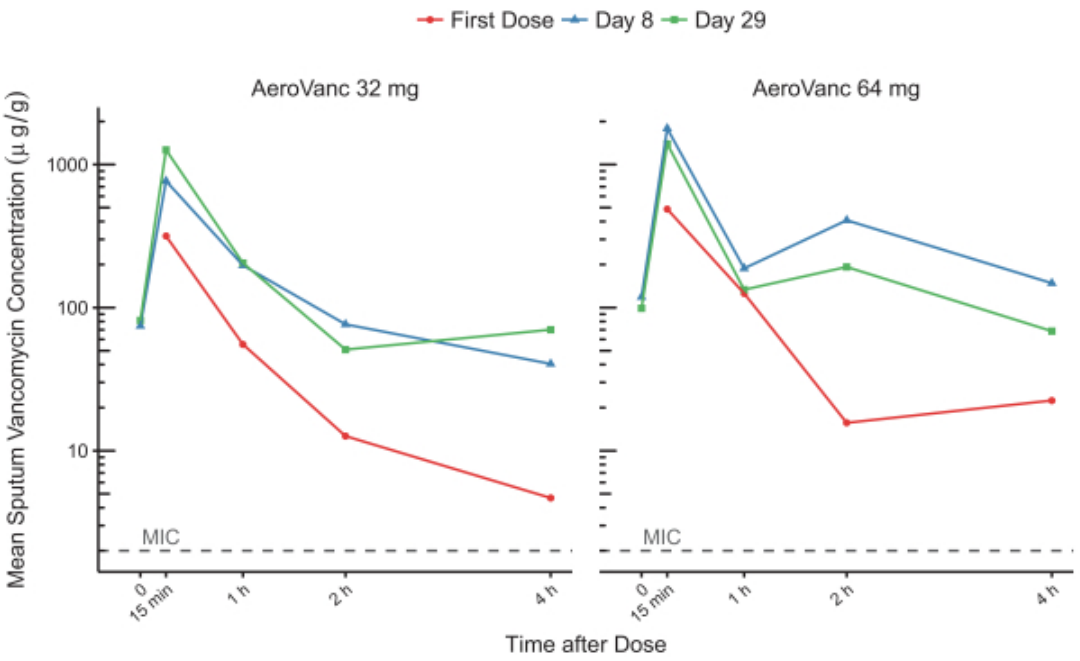
In a Phase 2 clinical study in CF patients with persistent MRSA lung infection, AeroVanc demonstrated reduced MRSA density in sputum, and showed encouraging trends of improvement in lung function, prolongation of the time to use of other antibiotics, and respiratory symptoms, with best responses in subjects below 21 years of age. Savara believes that the consistency of the responses across the different endpoints, as well as the magnitude of change in the younger subjects, supports advancing the product into a Phase 3 clinical study. The results of the Phase 2 study have been summarized and presented to the FDA in an End of Phase 2 Meeting, and the FDA has subsequently given Savara detailed guidance on the design and analysis of a Phase 3 study, as presented above in section “Phase 3”. The key findings of the Phase 2 study are described below.

The study was a randomized, double-blind, placebo-controlled study in 87 CF patients with persistently positive MRSA culture from their sputum samples. The Phase 2 study consisted of a 28-day AeroVanc treatment at a dose level of 32 mg bid or 64 mg bid, with an eight-week follow-up. The study was conducted at 40 sites in the United States. Quantitative MRSA cultures from spontaneously expectorated sputum samples were used as the primary endpoint of the study. The average baseline values in both active drug cohorts, as well as the placebo cohorts were high, ranging from 6.78 to 7.65 $\log_{10}$ CFU/mL. A reduction from baseline in MRSA CFU was observed in both 32 mg and 64 mg dose cohorts in the ITT population, by -0.42 $\log_{10}$ CFU/mL ($p = 0.50$), and -0.60 $\log_{10}$ CFU/mL ($p = 0.015$), respectively ($p = 0.012$ for cohorts pooled).

MICs of vancomycin for MRSA cultured from the sputum samples were determined using a broth microdilution technique at baseline, at each visit during the administration of AeroVanc, as well as at the post-administration follow-up time points. The distribution of MIC values was very narrow, with the MIC_{50} and MIC_{90} both at 0.5 µg/mL at baseline. At baseline, all strains were susceptible to vancomycin, with MIC values £ 1 µg/mL, and there were no notable changes in the MIC distribution at any of the time points following the baseline sample, suggesting the susceptibility of MRSA to vancomycin was not affected by the 28 days of pulmonary administration of AeroVanc.

As illustrated in the graph below, vancomycin peak and trough concentrations in sputum at Day 8 and Day 29 were in high excess over the generally accepted level of MIC (mean C_{trough}/MIC ratio > 35) after multiple dosing in all subjects at both dose levels, with apparent dose-dependency, but no notable difference in C_{trough} between the two time points. The generally accepted MIC of vancomycin for MRSA is illustrated below by the dotted line, at 2 µg/mL.

Vancomycin sputum concentrations after administration of AeroVanc at various time points



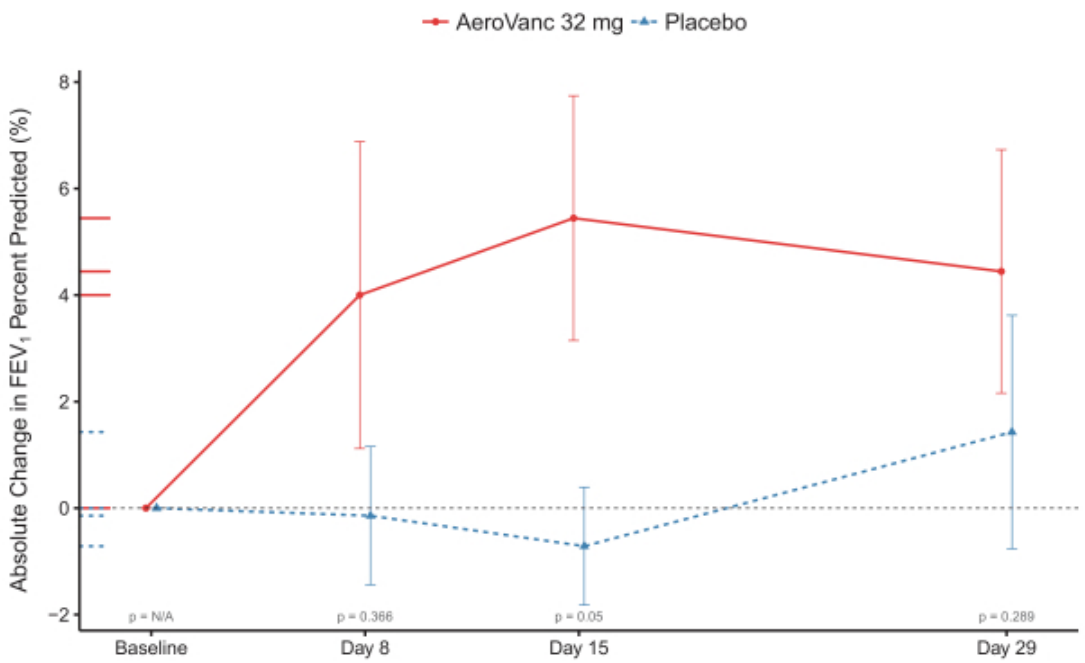
In terms of safety, the most frequent adverse events reported were related to the respiratory system. The AeroVanc 32 mg bid dose was well tolerated, with no significant difference in adverse events as compared with placebo. However, a higher incidence of adverse events, most frequently consistent with signs and symptoms of bronchoconstriction, and a significantly higher rate of premature study drug discontinuations were seen in adult patients with the 64 mg bid AeroVanc dose, as compared with placebo and the 32 mg AeroVanc dose. The discontinuations were most commonly reported to be due to drug intolerability (mainly bronchoconstriction and/or chest tightness) or pulmonary exacerbation, and typically occurred within the first two weeks from the start of drug administration.

Based on the observed clinical results in the 32 mg cohort of subjects below 21 years of age, the observed high vancomycin concentrations in sputum at both dose levels, and the high discontinuation frequency in adult subjects at the 64 mg dose, the Phase 3 study is planned to be conducted using the 32 mg dose, and will focus enrollment on subjects below 21 years of age. Accordingly, the key Phase 2 data from this cohort, below 21 years of age, are summarized below.

To assess effects of AeroVanc on lung function, absolute change in FEV_1 percent predicted from baseline was measured at each study visit. While AeroVanc reduced MRSA density in sputum, the change in FEV_1 compared with placebo did not reach statistical significance in subjects of all ages. Notably, *post hoc* analyses identified encouraging improvement in FEV_1 in subjects 21 years of age or younger, consistently across all time points during the treatment period, as illustrated below. The mean absolute change in FEV_1 percent predicted observed in the AeroVanc arm is considered clinically meaningful, with an improvement ranging between 4 % and 6 % (or 6 % and 10 % on a relative change basis). In this subgroup, the difference between AeroVanc and placebo was statistically significant at the 2-week time point ($p = 0.05$). A mean reduction of 0.8 $\log_{10}$ CFU/mL from baseline in MRSA CFUs, the primary endpoint, was also observed after 28 days of AeroVanc administration in subjects below 21 years of age, as illustrated below, the difference between AeroVanc and placebo being statistically significant ($p = 0.05$).

Change from baseline in FEV_1

(Per Protocol Population, 32 mg dose cohort, below 21 years of age, n = 16)



These results are consistent with previous studies using inhaled tobramycin (TOBI® or TOBI Podhaler®) for the treatment of *P. aeruginosa* infection in CF, where improvement in FEV_1 was predominantly seen in younger subjects[4]. In the early TOBI trials, reported in the 1990's, during an era when the use of inhaled antibiotics was not yet prevalent, children and adolescents (below 18 years of age) showed relative improvements of greater than 14 % as compared with only 6 % in adults[5]. However, in more recent studies, reported in 2012, the relative FEV_1 improvements have been considerably smaller, either being absent or less than 2 % in adults.[6]

As illustrated below, a mean reduction of 0.8 $\log_{10}$ CFU/mL from baseline in MRSA CFUs, the primary endpoint, was observed after 28 days of AeroVanc administration in subjects below 21 years of age, the difference between AeroVanc and placebo being statistically significant (p = 0.05).

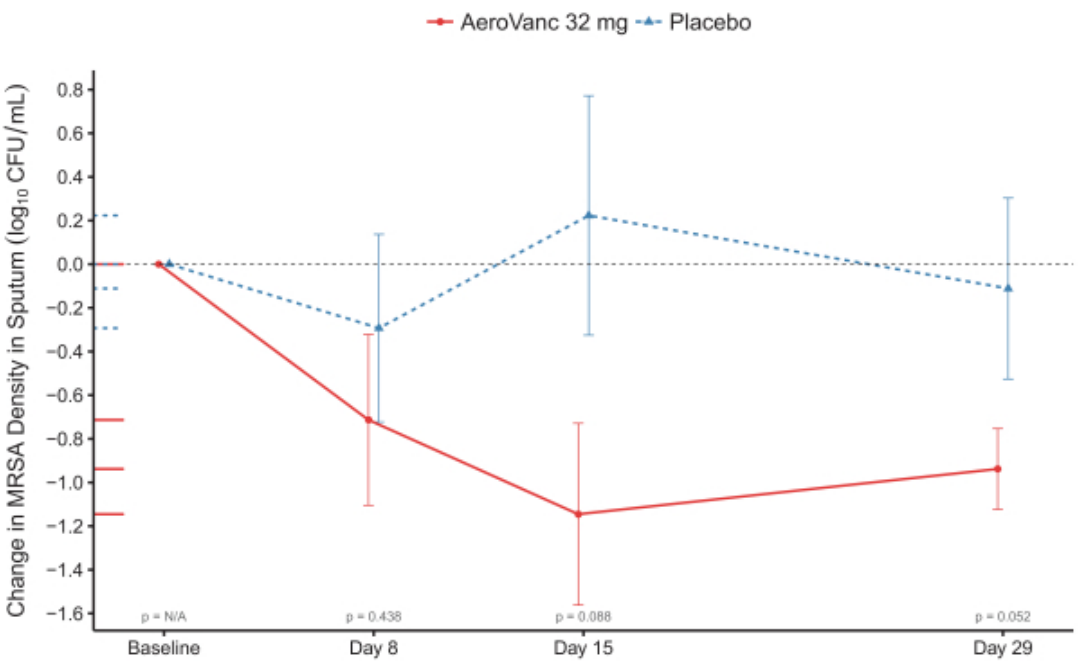
4 Weers J. "Inhaled antimicrobial therapy – Barriers to effective treatment. *Advanced Drug Delivery Reviews*." (2015): 24-43.

5 Ramsey BW, Pepe MS, Quan JM, Otto KL, Montgomery AB, Williams-Warren J, Vasiljev-K M, Borowitz D, Bowman CM, Marshall BC, Marshall S, Smith AL. "Intermittent administration of inhaled tobramycin in patients with cystic fibrosis. Cystic Fibrosis Inhaled Tobramycin Study Group." *New England Journal of Medicine*. 1999 Jan 7;340(1):23-30.

6 TOBI Podhaler SBA; NDA-201688, 2012

Change in MRSA density in sputum

(Intent-to-treat Population, 32 mg dose cohort, below 21 years of age, n = 20)

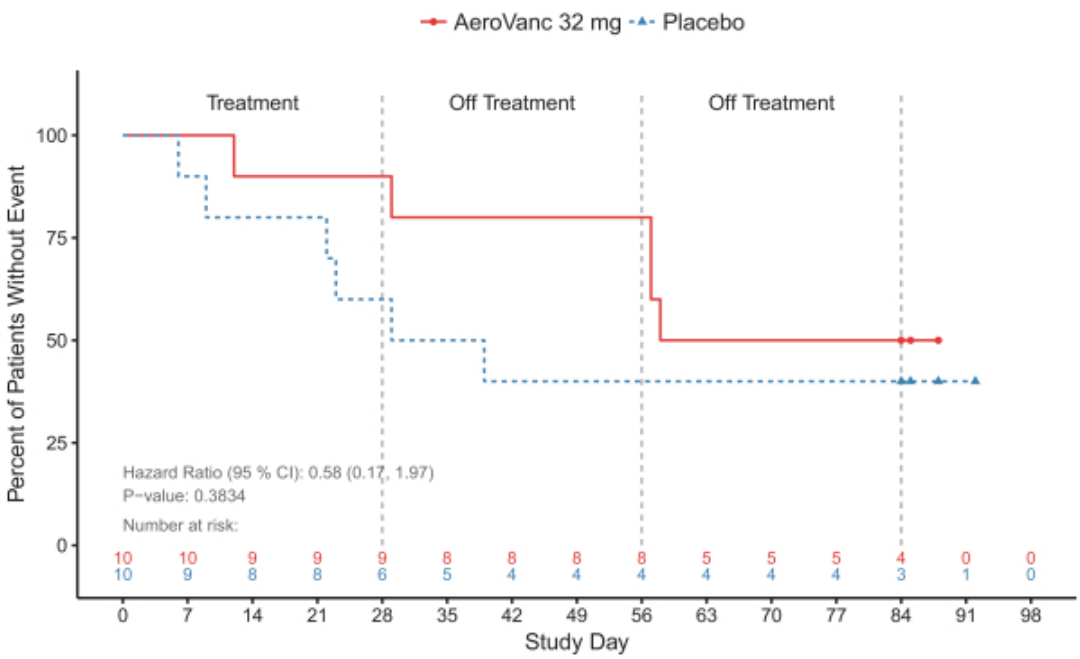


A greater reduction in CFRSD-CRISS, the respiratory symptom score, was observed in the below 21-year age group consistently at all time points, as compared with placebo, but the difference was not statistically significant.

A trend of prolongation of the time to use of another antibiotic for respiratory symptoms was observed in the AeroVanc arm of the 32 mg dose cohort, as compared with placebo, illustrated below. Whereas in this single cycle study several subjects in the AeroVanc arm were prescribed other antibiotics at the scheduled one-month post-treatment visit (approximately Day 56), such treatment would not be expected to be prescribed during chronic AeroVanc treatment, or in a multiple-cycle study, because the timing would coincide with the start of a new AeroVanc treatment period.

Time to use of other antibiotics for respiratory infection

(Intent-to-treat Population, 32 mg dose cohort, below 21 years of age, n = 20)



In summary, AeroVanc reduced MRSA density in sputum, and showed encouraging trends of improvement in lung function, prolongation of the time to use of other antibiotics, and respiratory symptom, with best responses in subjects below 21 years of age. Savara believes that the consistency of the responses across the different endpoints, as well as the magnitude of change in the younger subjects, supports advancing the product into a Phase 3 clinical study.

Human factor study

Savara has performed a human factor study to better understand patient reactions to the AeroVanc inhaler device, the drug capsule and written instructions. 14 CF patients, representing a variety of sex, ethnicity and dominant hand preference and ranging in age from 12 to 56 years participated in the study. Patients were given the device, capsules and instructions to simulate use (no drug) and provide feedback. In summary, all patients were able to use the device properly and no device design issues were identified that could impact proper use.

Overview of Molgradex

Background on PAP

PAP is a rare lung disease, which affects up to seven out of a million people in the United States[7], and has a similar prevalence in Japan[8]. PAP is characterized by the build-up of lung surfactant in the alveoli, or air sacs, of

7 Trapnell BC, Avetisyan R, Carey B, Zhang W, Kaplan P, Wang H. Prevalence of pulmonary alveolar proteinosis (PAP) determined using a large health care claims database. Am J Respir Crit Care Med. 2014;VOL:abstract A6582.

8 Inoue Y, Trapnell BC, Tazawa R, Arai T, Takada T, Hizawa N et al. Characteristics of a large cohort of patients with autoimmune pulmonary alveolar proteinosis in Japan. Am J Respir Crit Care Med 177: 752–62, 2008

the lungs. The surfactant consists of proteins and lipids, and is an important physiological substance that coats the inside of the alveoli to prevent the lungs from collapsing. The lungs continuously produce new active surfactant. In a healthy lung, the old and inactivated surfactant is cleared and digested by immune cells called alveolar macrophages. In PAP lungs, however, the macrophages fail to clear the surfactant from the alveoli, leading to gradual accumulation of excess surfactant in the alveoli. The root cause of PAP is an autoimmune response against a naturally occurring protein of the body, GM-CSF. Pulmonary macrophages need to be stimulated by GM-CSF to function properly, but in autoimmune PAP, GM-CSF is deactivated by antibodies against GM-CSF, rendering the macrophages unable to perform their tasks, such as clearing the surfactant from the alveoli.

PAP commonly affects men in early middle age, but both sexes and subjects of any age can be affected. As a result of the accumulation of excess surfactant, gas exchange in the lungs is obstructed, and patients start to experience shortness of breath, and decreased exercise tolerance. Shortness of breath is typically first observed upon exertion, but as the disease progresses, also at rest. Patients may experience chronic cough, as well as episodes of fever, chest pain, or coughing blood, especially if secondary lung infection develops. In the long term, the disease can lead to serious complications, including lung fibrosis and the need for lung transplant. Mortality due to PAP has decreased over the last decades with better clinical management, but in rare cases serious lung infections or respiratory insufficiency may lead to death.

Current treatment options of PAP

The current standard of care for PAP is a procedure called whole lung lavage, or WLL, which entails washing out the lungs with saline under general anesthesia. WLL is an invasive and inconvenient procedure that requires highly experienced physicians at specialist sites. The procedure in conducted in an operating room, thereby requiring hospitalization, and admission to intensive care after the procedure. In many patients, WLL only provides temporary symptomatic relief, and once the lungs refill with surfactant, the WLL procedure needs to be repeated.

As there are no approved drug treatments available for PAP, Savara believes there is a high need for a convenient and efficacious medicinal treatment. Savara believes that inhalation of GM-CSF directly into the lungs has the potential to replace the inactivated GM-CSF, and thereby to restore the surfactant clearing activity of the alveolar macrophages. As a result, Savara believes that inhaled GM-CSF has the potential for considerable improvement in oxygenation and exercise tolerance. An injectable form of GM-CSF, sargramostim (Leukine®, Sanofi-Aventis), is approved and on the market in the United States for IV and subcutaneous administration for the treatment of neutropenia caused by cancer chemotherapy, but there is currently no inhalation formulation of GM-CSF available.

The potential benefits of inhaled GM-CSF in PAP, together with the availability of sargramostim, have stimulated independent clinicians and academic researchers in the United States, Europe, and Japan to study the safety and efficacy of GM-CSF, administered by inhalation, in PAP patients. Several such investigator-sponsored open-label clinical studies and case studies of inhaled GM-CSF treatment have been published, with promising results on the efficacy and safety of the treatment.[9,10,11] In total, treatment of more than 80 PAP patients with

9 Tazawa R, Trapnell BC, Inoue Y, Arai T, Takada T, Nasuhara Y, et al. Inhaled Granulocyte/Macrophage–Colony Stimulating Factor as Therapy for Pulmonary Alveolar Proteinosis. Am J Resp Crit Care Med 181: 1345-1354, 2010

10 Wylam ME, Ten R, Prakash UB, Nadrous HF, Clawson ML and Anderson PM (2006). Aerosol granulocyte-macrophage colony-stimulating factor for pulmonary alveolar proteinosis. Eur Respir J 27(3): 585-93

11 Papiris SA, Tsirigotis P, Kolilekas L, Papadaki G, Papaioannou AI, Triantafillidou C, et al. (2014). Long-term inhaled granulocyte macrophage-colony-stimulating factor in autoimmune pulmonary alveolar proteinosis: effectiveness, safety, and lowest effective dose. Clin Drug Investig 34(8): 553-64

inhaled GM-CSF has been reported in open-label studies or retrospective cohorts, as well as several individual case reports. Whereas the majority of the patients described in. the literature received sargramostim, the results indicate that both sargramostim and molgramostim have the potential for a very positive impact on oxygenation and clinical symptoms in PAP patients.

According to Savara's review of published literature, few safety issues related with molgramostim or sargramostim inhalation in patients with PAP have been reported. However, there is still limited information available on the long-term safety of inhaled GM-CSF. In indications other than PAP, more than 100 patients, mainly with a cancer diagnosis, have received inhaled sargramostim, in doses up to 4000 µg/day. Pulmonary toxicity was the most frequently reported toxicity at high doses. An increase in both number and severity of adverse events with increasing dose has been observed. However, due to the underlying diseases it was often difficult for the investigators to assess causality of the adverse event cases.

Molgradex Product Description

Molgradex is a novel inhaled formulation of recombinant human GM-CSF being developed for the treatment of PAP. The active drug substance, molgramostim, is a non-glycosylated form of GM-CSF. GM-CSF is an endogenous growth factor that stimulates the proliferation and differentiation of hematopoietic cells (blood and immune cells), mainly granulocytic and monocytic cell lines, which serve as the body's first line of defense against bacteria and viruses, and also function to clear cellular debris and waste substances from the body. Molgramostim is produced in a strain of *Escherichia coli* bearing a genetically engineered plasmid containing a human GM-CSF gene.

Molgradex, is a sterile nebulizer solution in a vial containing 300 µg of molgramostim, designed to be administered once daily by inhalation via a high efficiency nebulizer (Investigational eFlow Nebuliser System, PARI Pharma GmbH, Germany). The PARI eFlow Nebulizer system for use with investigational drug products is a reusable electronic inhalation system that has been optimized for administration of Molgradex.

Savara anticipates that Molgradex will be used as a long-term therapy in patients with PAP. The optimal duration of treatment is currently not known, and is likely to vary between patients depending on the disease severity and the natural course of their disease. Molgradex treatment may not entirely eliminate the need for WLL in all patients, but based on interviews conducted by Savara, PAP centers that have experimented with long-term inhaled GM-CSF have seen a considerable reduction of WLL procedures.

Molgradex was granted Orphan Drug Designation by the FDA in October, 2012, and by EMA in July, 2013, for the treatment of PAP. Safety and tolerability of inhaled Molgradex has been tested in a Phase 1 clinical study in 42 healthy human volunteers. Safety and efficacy of inhaled Molgradex in PAP patients is currently being tested in a Phase 2/3 clinical study in up to 51 PAP patients. Since 2014, Molgradex has been available in several European countries for the treatment of PAP for named patients following unsolicited physician requests.

Clinical Development of Molgradex

Phase 2/3

Savara is currently conducting a Phase 2/3 clinical study on Molgradex in Europe and Japan in PAP patients. Based on the scientific advice received from the EMA, Savara believes the study has the potential to be accepted as the sole pivotal study in support of a marketing authorization application in the European Union. The aim of this randomized, double-blind, placebo-controlled study is to compare efficacy and safety of Molgradex with placebo in up to 51 PAP patients. In the study, Molgradex 300 µg is administered once daily for up to 24 weeks, with a follow-up period up to 48 weeks.

Patients diagnosed with autoimmune PAP and fulfilling all other entry criteria are randomized to receive double-blind treatment for up to 24 weeks in one of three treatment arms: 1) Molgradex 300 µg administered

once daily, 2) Molgradex 300 µg and matching placebo administered daily in 7-day intermittent cycles of each, or 3) inhaled placebo administered once daily. The study is conducted at multiple sites in the European Union, Russia, Israel and Japan.

The primary endpoint is the absolute change from baseline of arterial-alveolar oxygen gradient ((A-a)DO_2) after 24 weeks of treatment. This endpoint is a measure of patient's oxygenation status, and the endpoint value is expected to decrease as the physical obstacle of gas exchange is reduced by clearance of excess surfactant from the lungs. Key secondary endpoints assessed after 24 weeks of treatment include the number of patients in need of WLL during 24-week treatment, as well as change in the vital capacity of the lungs after 24-week treatment.

Based on the sample size calculation for the study, 42 evaluable patients (14 in each treatment group) are required to be randomized to have 90 % power to detect a difference of 10 mmHg in A-a(DO_2) between the two active arms combined and placebo, using a significance level of 0.01. To account for potential study discontinuations or non-evaluable patients, a total of up to 51 patients is planned to be randomized.

A data safety monitoring board, or DSMB, provides safety oversight in the Phase 2/3 study. Following its first meeting in October, 2016, no concerning safety issues were identified and the DSMB endorsed continuation of the study as planned.

Savara has conducted a Type C meeting with the FDA to seek guidance on the nonclinical and clinical requirements for an NDA submission in the United States. The FDA acknowledged that a single Phase 3 study may potentially be sufficient to support approval of Molgradex for treatment of PAP, provided that it demonstrates persuasive evidence of efficacy across clinically meaningful endpoints. Whereas the current study design and sample size of the IMPALA study may not be acceptable to the FDA as a sole pivotal study, the FDA gave initial guidance on modifications of the study that could potentially make it acceptable as the sole study for NDA submission and approval. Savara will diligently continue its interaction with the FDA in order to reach agreement on the clinical program structure and details, and targets to complete the negotiations by the end of the third quarter of 2017. The final outcome may involve the amendment of the IMPALA study to serve as a sole pivotal study, or the conduct of a separate pivotal clinical study prior to submitting an NDA.

Completed Clinical Studies

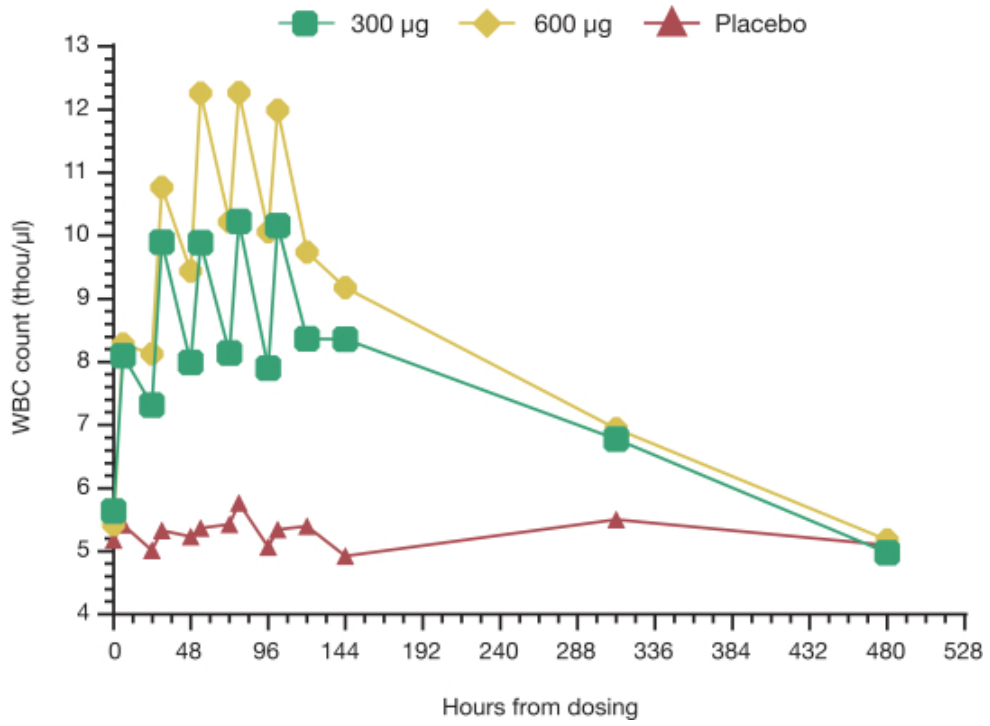
Phase 1

In a Phase 1 Molgradex study in 42 healthy adult volunteers, the drug was generally well tolerated and produced dose-dependent increases in total and differential white blood cell (WBC) counts consistent with the known pharmacologic effect of GM-CSF. The study was a randomized, double-blind, placebo-controlled, single ascending dose (SAD) and multiple ascending dose (MAD) study to assess the safety, tolerability, pharmacokinetics, and pharmacodynamics of Molgradex. In the SAD part, 18 subjects were included with four subjects in each of the three SAD dose levels (150 µg, 300 µg and 600 µg) and six subjects received placebo. In the MAD part, 24 subjects were included with nine subjects in each of the two MAD dose levels (300 µg or 600 µg) and six subjects received placebo for six days.

In the SAD part, GM-CSF was absorbed into the systemic circulation with a t_{max} of two hours after inhalation of Molgradex, however, at picogram levels, 50 to 100 times lower than has been observed after similar doses of GM-CSF administered intravenously. Total systemic exposure (AUC_{last}) increased with dose, ranging between 13 and 138 pg•h/mL and maximum concentration (C_{max}) ranging between 9.1 and 41 pg/mL (C_{max} was similar for the 300 and 600 µg dose levels). In the MAD part, there was evidence of some accumulation after multiple dosing; C_{max} increased from 32 pg/mL on Day 1 to 90 pg/mL on Day 6 at the 300 µg dose, and from 96 pg/mL on Day 1 to 251 pg/mL on Day 6 at the 600 µg dose level. Likewise, AUC_{last} increased from 97 to 248 pg•h/mL from Days 1 to 6 for the 300 µg dose level and from 350 to 802 pg•h/mL for the 600 µg dose level. Minimum measurable plasma concentrations (C_{min}) on Day 6 were 3.6 and 5.1 pg/mL measured at 8 and 12 hours, respectively for the 300 and 600 µg dose levels.

In subjects treated with Molgradex, a slight increase in total WBC and differential counts (primarily within normal reference ranges) was observed in a dose-dependent manner, in-line with the known biological mode-of-action of GM-CSF, as illustrated in the graph below.

Mean WBC Over Time and After Multiple Ascending Doses



The primary aim of the Phase 1 study was to assess the safety and tolerability of Molgradex. No meaningful difference in the frequency or severity of AEs was observed between Molgradex 300 µg and placebo. The most common AE was cough, reported in 21 out of 30 (70 %) subjects receiving Molgradex and 8 out of 12 (67 %) patients receiving placebo, and there was no difference in the causality assessment between the treatment arms. A higher number of treatment-related AEs were observed at the 600 µg dose compared to the 300 µg dose and placebo in the MAD part. There were no serious or severe adverse events, dose-limiting toxicity or other remarkable findings of clinical concern in the safety data.

Nonclinical Studies

AeroVanc Inhalation Toxicology Studies

The nonclinical toxicology profile of AeroVanc has been characterized in a series of acute and repeated dose inhalation toxicity studies in rats and dogs, as well as ICH/FDA prescribed safety pharmacology studies involving the cardiovascular, pulmonary, and central nervous systems. In these studies, a gradation of dose levels, including the maximum tolerated dose or the maximum technically achievable dose, were evaluated in both species.

Following 28 days of inhalation exposure, there were no indications of systemic toxicity noted in either the rats or dogs. As expected, there were a number of microscopic changes noted along the respiratory tract and in the lungs that were considered to represent local irritative effects, adaptive changes, and normal physiological responses to the impaction of particles along the respiratory tract and deposition of particles in the lungs. A 28-day recovery period showed complete to partial reversibility of the findings, with no notable difference between the active dose groups and the vehicle control group when compared to the air control. Based on the results of these 28-day studies, the No Observed Adverse Effect Level (NOAEL) was established for both species, and AeroVanc was considered safe for the purpose of conducting the Phase 2 study.

After completion of the Phase 2 clinical study, Savara received guidance from the FDA regarding the necessary toxicology studies to support the planned Phase 3 study and NDA submission. In accordance with the FDA's guidance, a 91-day inhalation toxicology study was conducted in rats. Savara believes that the NOAEL established in this study supports the proposed Phase 3 study with the intended dose level.

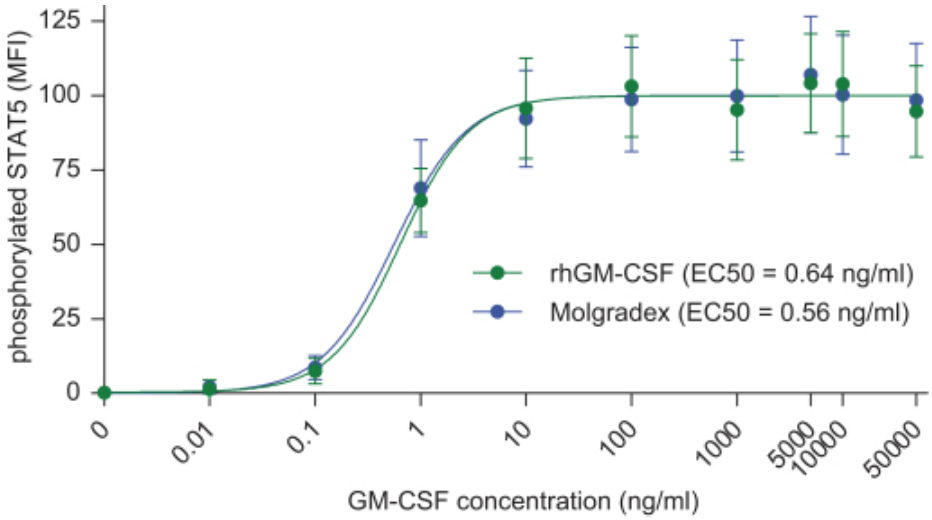
A two-year GLP inhalation carcinogenicity study of AeroVanc in rats is mandated by the FDA prior to submission of an NDA. The purpose of this study is to determine whether lifetime pulmonary exposure to AeroVanc at high doses may result in any gross or microscopic indications of neoplasia in rats. The 91-day inhalation toxicology report and the carcinogenicity study protocol have been evaluated by the FDA Carcinogenicity Assessment Committee (CAC) in a Special Protocol Assessment (SPA) to confirm that the study design and dose levels are adequate to meet scientific and regulatory requirements. The CAC has notified Savara of their feedback, which has been considered in finalizing the protocol. The study will be conducted by a specialized contract research organization that has conducted all prior inhalation toxicology studies of AeroVanc, and has the required capabilities and operating procedures in place.

Molgradex Pharmacology Studies

The pharmacology of GM-CSF in the lungs involves stimulation of alveolar macrophage and neutrophil function to maintain alveolar surfactant homeostasis, alveolar stability, lung function, and lung host defense. For example, pulmonary GM-CSF is required for the terminal differentiation of alveolar macrophages and acquisition of numerous functions including expression of multiple receptors, non-specific and receptor-mediated endocytosis and phagocytosis, for pulmonary neutrophil recruitment during infection, clearance of bacteria, viruses, mycobacteria, and other pathogens, as well as for surfactant clearance.

The pharmacodynamics of human GM-CSF receptor activation by Molgradex was determined as part of Savara's studies of species evaluation and selection for inhalation toxicology and reproductive toxicology studies. As illustrated below, the effective concentration of molgramostim from Molgradex required to stimulate a half maximal receptor signaling response (EC_{50}), as measured by phosphorylation of STAT5, was similar to that of commercially available rhGM-CSF. Thus, Molgradex is expected to possess the expected biological regulatory action of GM-CSF on alveolar macrophages in the lungs.

GM-CSF receptor function by Molgradex or control recombinant human GM-CSF



Further *in vitro* or *in vivo* nonclinical studies investigating the pharmacological activity of Molgradex are not planned.

Molgradex toxicology studies

The nonclinical toxicology profile of Molgradex has been characterized in a series of repeated dose inhalation toxicology studies and safety pharmacology studies in cynomolgus monkeys, as well as reproductive toxicology studies in rabbits. In these studies, a gradation of dose levels was evaluated in the respective species.

Three GLP-compliant inhalation toxicology studies were conducted, including a 6-week inhalation toxicity study in young sexually immature monkeys, a 13-week inhalation toxicity study in sexually mature monkeys used to explore effects on male and female reproductive organs, and a 26-week inhalation toxicity study to investigate chronic toxicity. All studies are fully compliant with relevant guidelines from ICH/FDA.

After inhalation of Molgradex, local effects in the lungs were characterized by infiltrating inflammatory cells, mostly macrophages, accompanied by an increased cellularity in the lymphoid tissue that is associated with the respiratory tract and minimal to mild exudation of red blood cells into the alveoli. The infiltration of inflammatory cells was not associated with any other signs of inflammation or impaired lung function, and it was considered an exaggerated pharmacological effect of molgramostim. The severity of the findings was graded slight at the lowest dose level, and moderate above this level. Duration of treatment did not affect the severity of this finding. Reduced severity of the lung and tracheobronchial changes following a four-week recovery period suggested partial resolution of the changes.

Based on the three studies conducted in monkeys, a NOAEL was established, and Molgradex was considered safe for the purpose of conducting Phase 1 and Phase 2/3 studies, with a safety margin of greater than five-fold using a clinical dose of 300 µg once daily.

Cardiovascular and respiratory parameters and effects on the central nervous system were evaluated in the 6-week and 26-week repeat dose inhalation toxicology studies. It was concluded that repeated daily inhalation of Molgradex does not exert any clinically relevant effects on the heart, the lung or the central nervous system in cynomolgus monkeys.

An embryo-fetal and developmental (EFD) toxicity study with Molgradex was conducted in rabbits, which show a similar pharmacological response as humans or monkeys, although at a lower potency. The EFD study revealed increases in post implantation loss, decreases in the number of live implants, effects on sex ratio and a slight increase in the incidence of major malformations in fetuses at the highest dose (150 µg/kg/day), consistent with findings from other rhGM-CSF products. Studies in sexually mature monkeys have shown that molgramostim has no effect on male and female reproductive organs. Accordingly, appropriate risk minimization strategies are implemented for the clinical studies, and will be implemented for commercial stage use.

In addition to the studies conducted, a pre- and postnatal development study will be conducted prior to NDA submission.

Manufacturing and Supply

Savara does not own or operate manufacturing facilities to produce clinical or commercial quantities of any of its product candidates. Savara has fee-for-service contracts with well-established drug substance manufacturers, as well as drug product manufacturers covering all steps of the manufacturing process of its product candidates, and expects to continue utilizing this outsourcing model in the foreseeable future. All of the vendors used by Savara conduct their operations under current Good Manufacturing Practices, or cGMP, a regulatory standard for the manufacture of pharmaceuticals.

AeroVanc Manufacturing

AeroVanc is a high-performance inhalation powder formulation of vancomycin hydrochloride, applying a commercially-available capsule inhaler. The drug substance used in AeroVanc, Vancomycin Hydrochloride USP, is produced using microbial fermentation followed by purification, and is sourced from Xellia Pharmaceuticals Aps (Copenhagen, Denmark), a commercial manufacturer with two manufacturing facilities, one in China and one in Denmark. Both sites use the same cell line and manufacturing processes, and produce material of comparable quality. A long-term commercial supply agreement has been established with Xellia Pharmaceuticals Aps.

AeroVanc inhalation powder is a spray-dried powder containing a ratio of 9:1 by weight of vancomycin hydrochloride and l-leucine. L-leucine is an essential amino acid and has GRAS status as a food additive. Formulation studies showed that the addition of l-leucine improves inhalation performance *in vitro*, as measured by improved emitted dose and fine particle dose. The powder manufacturing is carried out by Hovione LLC (East Windsor, NJ), a vendor with two operational sites, one in the United States and one in Europe, with the same base equipment in each facility, that could be upgraded to produce material of comparable quality. The proprietary AeroVanc spray drying process creates very fine particles (smaller than five microns) required for efficient delivery to the lungs. Proprietary nozzle and cyclone technologies were developed to meet product performance and manufacturing throughput requirements. The powder production process has been successfully scaled-up from laboratory to commercial equipment. A long-term commercial supply agreement is under negotiation with Hovione LLC.

The finished product is manufactured from bulk AeroVanc powder by GlaxoSmithKline (GSK, Brentford, UK). At this final part of the manufacturing process, AeroVanc powder is conditioned and automatically filled into capsules each containing 16 mg of vancomycin. The capsules are then packaged into aluminum foil blisters to protect them from light and moisture. A long-term commercial supply agreement has been established with GSK for the finished product.

The inhaler device used for AeroVanc is manufactured by Plastiape S.p.A. (Lecco, Italy). The device was approved in the United States as part of the Aridol® new drug application (NDA 022368) on October 5th, 2010. A cosmetically modified version of the device was approved in the United States as part of the Arcapta® Neohaler® new drug application (NDA 022383) on July 1st, 2011. An exclusive long-term commercial supply agreement has been established with Plastiape S.p.A.

Savara has worked with its manufacturing partners to scale up processes, improve yields and production rates, and to transfer processes to commercial facilities with commercial equipment. Savara intends to produce the supplies for the pivotal Phase 3 clinical study utilizing the same manufacturing sites, equipment and processes that will be used for commercial supply.

Molgradex Manufacturing

The drug substance in Molgradex, molgramostim, is currently manufactured by Gema Biotech S.A. (GEMA, Buenos Aires, Argentina). All clinical and nonclinical studies to date have used material sourced from GEMA. In 2015, Savara decided to transfer the production to a European manufacturer, Synco Bio Partners B.V. (Synco, Amsterdam, The Netherlands), to secure commercial supply of the drug substance. The technology transfer process from GEMA to Synco is currently ongoing.

The drug product, Molgradex, is currently manufactured at Miltenyi Biotec GmbH (Berglisch Gladbach, Germany). The Molgradex formulation was initially developed to contain several excipients commonly used in freeze-dried formulations used for IV administration. More detailed formulation studies of the inhaled product showed that the physico-chemical stability and potency of the drug product was independent of the presence of these excipients. Accordingly, a simplified formulation without these excipients is in development, and Savara anticipates using this formulation for commercial supply. After the technology transfer process of the drug substance to Synco is complete, manufacture of the drug product will also be carried out at Synco. A master services agreement covering both the drug substance and the drug product has been established with Synco. A long-term commercial supply agreement will be established following the technology transfer.

Molgradex is administered to the lungs using the eFlow Nebulizer System, manufactured by PARI Pharma GmbH (Stamberg, Germany). The eFlow nebulizer has been CE certified (CE 0123) according to the Medical Devices Directive 93/42/EEC (as amended by Directive 2007/47/EC) as a class IIa device. The device has a 510(k) approval in US as a general device. Savara has an exclusive license and a long-term supply agreement with PARI covering the eFlow nebulizer for the administration of recombinant human GM-CSF.

Commercialization

Savara owns exclusive rights to AeroVanc and Molgradex in the United States, and all other major markets, except for Japan, where Savara has licensed the Molgradex rights to Nobelpharma Co., Ltd (Tokyo, Japan). Savara plans to pursue regulatory approvals for its products in the United States and the European Union, and to independently commercialize AeroVanc and Molgradex in the United States. In doing so, Savara may engage with strategic partners to help implement optimal sales and promotion activities. Savara's commercialization strategy will target key prescribing physicians, as well as provide patients with support programs to ensure product access. Outside of the United States, Savara plans to seek partners to commercialize its products via out-licensing agreements or other similar commercial arrangements.

License and Supply Agreements

Plastiape SpA

In September 2012, Savara entered into a supply agreement related to AeroVanc with Plastiape SpA, which was subsequently amended in June 2016 (the "Plastiape Agreement"). Pursuant to the terms of the Plastiape Agreement, Plastiape will supply dry powder inhalers to Savara on an exclusive basis for use with vancomycin for the diagnosis, management, prevention or treatment of lung diseases. Pricing under the Plastiape Agreement is on a per unit basis, with the per unit price decreasing as the volume increases.

Xellia Pharmaceuticals ApS

In September 2016, Savara entered into a supply agreement related to the supply of the API for AeroVanc with Xellia Pharmaceuticals (the "Xellia Agreement"). Pursuant to the Xellia Agreement, Savara is obligated to

purchase all of its requirements of the API from Xellia. The pricing under the Xellia Agreement is a set price per kg, with the price decreasing upon the commercial launch of AeroVanc.

PARI Pharma GmbH

In November 2014, Serendex entered into a license and collaboration agreement related to Molgradex with PARI Pharma GmbH (the "PARI License Agreement"), which Savara assumed as part of the Serendex Acquisition. Under the PARI License Agreement, Savara has a worldwide, exclusive license to commercialize PARI's eFlow Technology Nebulizer device for the pulmonary delivery of any liquid formulation containing hGM-CSF as the sole active pharmaceutical ingredient for nebulization. Additionally, Savara has the option to change the device subject to the PARI License Agreement to PARI's eFlow Technology Nebulizer CS and, until marketing approval, the option to negotiate an extension to the license to cover commercialization of the drug for pulmonary delivery via the PARI eFlow Inline device for the treatment of VAP and/or ARDS.

Under the terms of the PARI License Agreement, Savara is not permitted to work with third parties to develop any inhalation device or nebulizer for the pulmonary delivery of a pharmaceutical product containing hGM-CSF as the sole active ingredient. This restriction extends until (i) in the European Economic Area, marketing approval of the product in Europe or the United States, whichever is later, or (ii) in the rest of the world, the term of the PARI License Agreement.

In consideration of rights granted by PARI, Serendex paid a onetime upfront fee and agreed to pay an hourly rate for work performed by PARI under work orders issued pursuant to the PARI License Agreement. Additionally, Savara is obligated to make future milestone payments to PARI based upon (i) the successful completion of certain clinical trials, (ii) submissions for regulatory approval in the United States, the European Union or Japan, and (iii) the first marketing approval for the product in the United States, the European Union or Japan.

If Savara successfully commercializes any product candidate subject to the PARI License Agreement in a country, Savara is responsible for royalty payments equal to a percentage of net sales. Savara is obligated to make such royalty payments until the later of (i) the expiration of the last valid claim in an issued patent covering a portion of the PARI device in the applicable country or (ii) 15 years after the first commercial sale of Molgradex with the PARI device in that country (the "PARI Royalty Period"). If there is no such valid patent claim covering the applicable PARI device, the royalty owed to PARI will be decreased by a specified percentage.

The license term extends on a country by country basis until the end of the PARI Royalty Period or until mutually agreed by the parties.

In April 2015, Serendex entered into a commercial supply agreement with PARI (the "PARI Supply Agreement") related to the supply of the PARI eFlow Technology Nebulizer and related accessories for commercial use with its products after marketing approval is obtained. Savara assumed the PARI Supply Agreement as part of the Serendex Acquisition. Pursuant to the terms of the PARI Supply Agreement, Savara is obligated to purchase from PARI (i) within the European Economic Area, (a) during the first five years from marketing approval, all of its requirements for the device and related accessories and (b) thereafter 80% and (ii) in the rest of the world, all of its requirements during the PARI Royalty Period. Pricing is on a per unit basis, with a reduction in price once purchasing volumes reach over 5,000 for devices and starter kits and over 40,000 for nebulizer handsets in a twelve month period.

GEMA Biotech S.A.

In December 2012, Serendex entered into a supply and license agreement related to supplying the API for Molgradex with GEMA Biotech S.A., which was subsequently amended by an addendum in February 2016 (the

"GEMA Agreement"). Savara assumed the GEMA Agreement as part of the Serendex Acquisition. Under the GEMA Agreement, Savara has an exclusive license to market, distribute and sell products based on GEMA recombinant hGM-CSF for any disease to be treated by inhalation, local pulmonary administration, parenteral administration, or local administration of the API in any territory except Latin America, Central America and Mexico. Under the original GEMA Agreement, GEMA is the sole supplier of the API.

As consideration for the rights granted by GEMA, Savara is required to pay GEMA an agreed upon price per vial of 1 gram of the API. Additionally, if Savara successfully develops, registers and obtains approval by the proper health authorities, Savara must pay GEMA a single digit percentage royalty on annual net sales. There is no minimum royalty, and no signing fee or milestones are included in the royalty payments. Additionally, Savara has a commitment to acquire a working cell bank and a master cell bank for $1,950,000 from this API manufacturer in the third quarter of 2017.

Pursuant to the terms of the February 2016 addendum, GEMA granted an exclusive worldwide license to Serendex to transfer the manufacture of the API to Synco Bio Partners B.V., and agreed to sell the master cell bank and working cell bank to Serendex (now Savara). Upon the completion of the purchase by Savara of the master cell bank and working cell bank, the royalty payable to GEMA set forth above decreases.

Government Regulation

The FDA and other regulatory authorities at federal, state, and local levels, as well as in foreign countries, extensively regulate, among other things, the research, development, testing, manufacture, quality control, import, export, safety, effectiveness, labeling, packaging, storage, distribution, record keeping, approval, advertising, promotion, marketing, post-approval monitoring, and post-approval reporting of drugs, such as those Savara is developing. Savara, along with third-party contractors, will be required to navigate the various preclinical, clinical and commercial approval requirements of the governing regulatory agencies of the countries in which it wishes to conduct studies or seek approval or licensure of its product candidates. The process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state, local, and foreign statutes and regulations require the expenditure of substantial time and financial resources.

Government Regulation of Drugs

The process required by the FDA before drug product candidates may be marketed in the United States generally involves the following:

- completion of preclinical laboratory tests and animal studies performed in accordance with the FDA's current Good Laboratory Practices, or GLP, regulation;
- submission to the FDA of an IND, which must become effective before clinical trials may begin and must be updated annually or when significant changes are made;
- approval by an independent Institutional Review Board, or IRB, or ethics committee for each clinical site before a clinical trial can begin;
- performance of adequate and well-controlled human clinical trials to establish the safety, purity and potency of the proposed product candidate for its intended purpose;
- preparation of and submission to the FDA of a New Drug Application, or NDA, after completion of all required clinical trials;
- a determination by the FDA within 60 days of its receipt of a NDA to file the application for review;
- satisfactory completion of an FDA Advisory Committee review, if applicable;
- satisfactory completion of an FDA pre-approval inspection of the manufacturing facility or facilities at which the proposed product is produced to assess compliance with current Good Manufacturing

Practices, or cGMP, and to assure that the facilities, methods and controls are adequate to preserve the product's continued safety, purity and potency, and of selected clinical investigational sites to assess compliance with current Good Clinical Practices, or cGCPs; and

- FDA review and approval of the NDA to permit commercial marketing of the product for particular indications for use in the United States, which must be updated annually and when significant changes are made.

The testing and approval process requires substantial time, effort and financial resources, and Savara cannot be certain that any approvals for its product candidates will be granted on a timely basis, if at all. Prior to beginning the first clinical trial with a product candidate, Savara must submit an IND to the FDA. An IND is a request for authorization from the FDA to administer an investigational new drug product to humans. The central focus of an IND submission is on the general investigational plan and the protocol(s) for clinical studies. The IND also includes results of animal and *in vitro* studies assessing the toxicology, pharmacokinetics, pharmacology, and pharmacodynamic characteristics of the product; chemistry, manufacturing, and controls information; and any available human data or literature to support the use of the investigational product. An IND must become effective before human clinical trials may begin. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, raises safety concerns or questions about the proposed clinical trial. In such a case, the IND may be placed on clinical hold and the IND sponsor and the FDA must resolve any outstanding concerns or questions before the clinical trial can begin. Submission of an IND therefore may or may not result in FDA authorization to begin a clinical trial.

Clinical trials involve the administration of the investigational product to human subjects under the supervision of qualified investigators in accordance with cGCPs, which include the requirement that all research subjects provide their informed consent for their participation in any clinical study. Clinical trials are conducted under protocols detailing, among other things, the objectives of the study, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated. A separate submission to the existing IND must be made for each successive clinical trial conducted during product development and for any subsequent protocol amendments. Furthermore, an independent Institutional Review Board, or IRB, for each site proposing to conduct the clinical trial must review and approve the plan for any clinical trial and its informed consent form before the clinical trial begins at that site, and must monitor the study until completed. Regulatory authorities, the IRB or the sponsor may suspend a clinical trial at any time on various grounds, including a finding that the subjects are being exposed to an unacceptable health risk or that the trial is unlikely to meet its stated objectives. Some studies also include oversight by an independent group of qualified experts organized by the clinical study sponsor, known as a data safety monitoring board, which provides authorization for whether or not a study may move forward at designated check points based on access to certain data from the study and may halt the clinical trial if it determines that there is an unacceptable safety risk for subjects or other grounds, such as no demonstration of efficacy. There are also requirements governing the reporting of ongoing clinical studies and clinical study results to public registries.

For purposes of NDA approval, human clinical trials are typically conducted in three sequential phases that may overlap.

- *Phase 1.* The drug product is initially introduced into healthy human subjects and tested for safety. In the case of some products for severe or life-threatening diseases, the initial human testing is often conducted in patients.
- *Phase 2.* The drug product is evaluated in a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases and to determine dosage tolerance, optimal dosage and dosing schedule.
- *Phase 3.* Clinical trials are undertaken to further evaluate dosage, clinical efficacy, potency, and safety in an expanded patient population at geographically dispersed clinical trial sites. These clinical trials are intended to establish the overall risk to benefit ratio of the product and provide an adequate basis for product labeling.

- *Phase 4*. In some cases, the FDA may require, or companies may voluntarily pursue, additional clinical trials after a product is approved to gain more information about the product. These so-called Phase 4 studies may be required as a condition to approval of the NDA.

Phase 1, Phase 2 and Phase 3 testing may not be completed successfully within a specified period, if at all, and there can be no assurance that the data collected will support FDA approval or licensure of the product. Concurrent with clinical trials, companies may complete additional animal studies and develop additional information about the drug characteristics of the product candidate, and must finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

NDA Submission and Review by the FDA

Assuming successful completion of all required testing in accordance with all applicable regulatory requirements, the results of product development, nonclinical studies and clinical trials are submitted to the FDA as part of a NDA requesting approval to market the product for one or more indications. The NDA must include all relevant data available from pertinent preclinical and clinical studies, including negative or ambiguous results as well as positive findings, together with detailed information relating to the product's chemistry, manufacturing, controls, and proposed labeling, among other things. Data can come from company-sponsored clinical studies intended to test the safety and effectiveness of a use of the product, or from a number of alternative sources, including studies initiated by investigators. The submission of a NDA requires payment of a substantial User Fee to FDA, and the sponsor of an approved NDA is also subject to annual product and establishment user fees. These fees are typically increased annually. A waiver of user fees may be obtained under certain limited circumstances.

Within 60 days following submission of the application, the FDA reviews a NDA to determine if it is substantially complete before the agency accepts it for filing. The FDA may refuse to file any NDA that it deems incomplete or not properly reviewable at the time of submission and may request additional information. In this event, the NDA must be resubmitted with the additional information. Once a NDA has been filed, the FDA's goal is to review the application within ten months after it accepts the application for filing, or, if the application relates to an unmet medical need in a serious or life-threatening indication, six months after the FDA accepts the application for filing. The review process is often significantly extended by FDA requests for additional information or clarification. The FDA reviews a NDA to determine, among other things, whether a product is safe and effective for the indication being pursued, and the facility in which it is manufactured, processed, packed, or held meets standards designed to assure the product's continued safety and effectiveness. The FDA may convene an advisory committee to provide clinical insight on application review questions. Before approving a NDA, the FDA will typically inspect the facility or facilities where the product is manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving a NDA, the FDA will typically inspect one or more clinical sites to assure compliance with cGCP. If the FDA determines that the application, manufacturing process or manufacturing facilities are not acceptable, it will outline the deficiencies in the submission and often will request additional testing or information. Notwithstanding the submission of any requested additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval.

The testing and approval process requires substantial time, effort and financial resources, and each may take several years to complete. The FDA may not grant approval on a timely basis, or at all, and Savara may encounter difficulties or unanticipated costs in its efforts to secure necessary governmental approvals, which could delay or preclude us from marketing its products. After the FDA evaluates a NDA and conducts

inspections of manufacturing facilities where the investigational product and/or its drug substance will be produced, the FDA may issue an approval letter or a Complete Response Letter. An approval letter authorizes commercial marketing of the product with specific prescribing information for specific indications. A Complete Response Letter indicates that the review cycle of the application is complete and the application is not ready for approval. A Complete Response Letter may request additional information or clarification. The FDA may delay or refuse approval of a NDA if applicable regulatory criteria are not satisfied, require additional testing or information and/or require post-marketing testing and surveillance to monitor safety or efficacy of a product.

If regulatory approval of a product is granted, such approval may entail limitations on the indicated uses for which such product may be marketed. For example, the FDA may approve the NDA with a Risk Evaluation and Mitigation Strategy, or REMS, plan to mitigate risks, which could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. The FDA also may condition approval on, among other things, changes to proposed labeling or the development of adequate controls and specifications. Once approved, the FDA may withdraw the product approval if compliance with pre- and post-marketing regulatory standards is not maintained or if problems occur after the product reaches the marketplace. The FDA may require one or more Phase 4 post-market studies and surveillance to further assess and monitor the product's safety and effectiveness after commercialization, and may limit further marketing of the product based on the results of these post-marketing studies. In addition, new government requirements, including those resulting from new legislation, may be established, or the FDA's policies may change, which could delay or prevent regulatory approval of its products under development.

A sponsor may seek approval of its product candidate under programs designed to accelerate FDA's review and approval of new drugs that meet certain criteria. Specifically, new drug products are eligible for fast track designation if they are intended to treat a serious or life-threatening condition and demonstrate the potential to address unmet medical needs for the condition. For a fast track product, the FDA may consider sections of the NDA for review on a rolling basis before the complete application is submitted if relevant criteria are met. A fast track designated product candidate may also qualify for priority review, under which the FDA sets the target date for FDA action on the NDA at six months after the FDA accepts the application for filing. Priority review is granted when there is evidence that the proposed product would be a significant improvement in the safety or effectiveness of the treatment, diagnosis, or prevention of a serious condition. If criteria are not met for priority review, the application is subject to the standard FDA review period of 10 months after FDA accepts the application for filing. Priority review designation does not change the scientific/medical standard for approval or the quality of evidence necessary to support approval.

Under the accelerated approval program, the FDA may approve a NDA on the basis of either a surrogate endpoint that is reasonably likely to predict clinical benefit, or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality, that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit, taking into account the severity, rarity, or prevalence of the condition and the availability or lack of alternative treatments. Post-marketing studies or completion of ongoing studies after marketing approval are generally required to verify the biologic's clinical benefit in relationship to the surrogate endpoint or ultimate outcome in relationship to the clinical benefit. In addition, the Food and Drug Administration Safety and Innovation Act, or FDASIA, which was enacted and signed into law in 2012, established breakthrough therapy designation. A sponsor may seek FDA designation of its product candidate as a breakthrough therapy if the product candidate is intended, alone or in combination with one or more other drugs or biologics, to treat a serious or life-threatening disease or condition and preliminary clinical evidence indicates that the therapy may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. Sponsors may request the FDA to designate a breakthrough therapy at the time of or any time after the submission of an IND, but ideally before an end-of-phase 2 meeting with FDA. If the FDA designates a breakthrough therapy, it may take actions appropriate to expedite the development and review of the application, which may include holding meetings with the sponsor and the review team throughout the development of the therapy; providing timely advice to, and interactive communication with, the sponsor regarding the development of the drug to ensure that the development program to gather the nonclinical

and clinical data necessary for approval is as efficient as practicable; involving senior managers and experienced review staff, as appropriate, in a collaborative, cross-disciplinary review; assigning a cross-disciplinary project lead for the FDA review team to facilitate an efficient review of the development program and to serve as a scientific liaison between the review team and the sponsor; and considering alternative clinical trial designs when scientifically appropriate, which may result in smaller or more efficient clinical trials that require less time to complete and may minimize the number of patients exposed to a potentially less efficacious treatment. Breakthrough designation also allows the sponsor to file sections of the NDA for review on a rolling basis. Savara may seek designation as a breakthrough therapy for some or all of its product candidates.

Fast Track designation, priority review and breakthrough therapy designation do not change the standards for approval but may expedite the development or approval process.

Orphan Drug Status

Under the Orphan Drug Act, the FDA may grant orphan drug designation to drug candidates intended to treat a rare disease or condition, which is generally a disease or condition that affects fewer than 200,000 individuals in the United States, or more than 200,000 individuals in the United States and for which there is no reasonable expectation that costs of research and development of the drug for the indication can be recovered by sales of the drug in the United States. Orphan drug designation must be requested before submitting an NDA. After the FDA grants orphan drug designation, the generic identity of the therapeutic agent and its potential orphan use are disclosed publicly by the FDA. Although there may be some increased communication opportunities, orphan drug designation does not convey any advantage in or shorten the duration of the regulatory review and approval process.

If a drug candidate that has orphan drug designation subsequently receives the first FDA approval for the disease for which it has such designation, the product is entitled to orphan drug exclusivity, which means that the FDA may not approve any other applications, including a full NDA, to market the same drug for the same indication for seven years, except in very limited circumstances, such as if the second applicant demonstrates the clinical superiority of its product or if FDA finds that the holder of the orphan drug exclusivity has not shown that it can assure the availability of sufficient quantities of the orphan drug to meet the needs of patients with the disease or condition for which the drug was designated. Orphan drug exclusivity does not prevent the FDA from approving a different drug for the same disease or condition, or the same drug for a different disease or condition. Among the other benefits of orphan drug designation are tax credits for certain research and a waiver of the NDA application user fee.

Orphan drug exclusivity could block the approval of Savara’s drug candidates for seven years if a competitor obtains approval of the same product as defined by the FDA or if Savara’s drug candidate is determined to be contained within the competitor’s product for the same indication or disease.

As in the United States, designation as an orphan drug for the treatment of a specific indication in the European Union, must be made before the application for marketing authorization is made. Orphan drugs in Europe enjoy economic and marketing benefits, including up to 10 years of market exclusivity for the approved indication unless another applicant can show that its product is safer, more effective or otherwise clinically superior to the orphan designated product.

The FDA and foreign regulators expect holders of exclusivity for orphan drugs to assure the availability of sufficient quantities of their orphan drugs to meet the needs of patients. Failure to do so could result in the withdrawal of marketing exclusivity for the orphan drug.

GAIN Exclusivity for Antibiotics

In 2012, Congress passed legislation known as the Generating Antibiotic Incentives Now Act, or GAIN Act. This legislation is designed to encourage the development of antibacterial and antifungal drug products that treat

pathogens that cause serious and life-threatening infections. To that end, the new law grants an additional five years of exclusivity upon the approval of an NDA for a drug product designated by FDA as a QIDP. Thus, for a QIDP with Orphan Designation, the periods of five-year exclusivity and seven-year orphan drug exclusivity, would become 12 years.

A QIDP is defined in the GAIN Act to mean "an antibacterial or antifungal drug for human use intended to treat serious or life-threatening infections, including those caused by (1) an antibacterial or antifungal resistant pathogen, including novel or emerging infectious pathogens" or (2) certain "qualifying pathogens." A "qualifying pathogen" is a pathogen that has the potential to pose a serious threat to public health (such as resistant Gram-positive pathogens, multi-drug resistant Gram-negative bacteria, multi-drug resistant tuberculosis, and C. difficile) and that is included in a list established and maintained by FDA. A drug sponsor may request the FDA to designate its product as a QIDP any time before the submission of an NDA. The FDA must make a QIDP determination within 60 days of the designation request. A product designated as a QIDP will be granted priority review by the FDA and can qualify for "fast track" status.

The additional five years of exclusivity under the GAIN Act for drug products designated by the FDA as QIDPs applies only to a drug that is first approved on or after July 9, 2012. Additionally, the five year exclusivity extension does not apply to: a supplement to an application under FDCA Section 505(b) for any QIDP for which an extension is in effect or has expired; a subsequent application filed with respect to a product approved by the FDA for a change that results in a new indication, route of administration, dosing schedule, dosage form, delivery system, delivery device or strength; or a product that does not meet the definition of a QIDP under Section 505(g) based upon its approved uses.

Post-Approval Requirements

Any products manufactured or distributed by us pursuant to FDA approvals are subject to pervasive and continuing regulation by the FDA, including, among other things, requirements relating to record-keeping, reporting of adverse experiences, periodic reporting, distribution, and advertising and promotion of the product. After approval, most changes to the approved product, such as adding new indications or other labeling claims, are subject to prior FDA review and approval. There also are continuing, annual user fee requirements for any marketed products and the establishments at which such products are manufactured, as well as new application fees for supplemental applications with clinical data. Drug manufacturers and their subcontractors are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with GMP, which impose certain procedural and documentation requirements upon Savara and its third-party manufacturers. Changes to the manufacturing process are strictly regulated, and, depending on the significance of the change, may require prior FDA approval before being implemented. FDA regulations also require investigation and correction of any deviations from cGMP and impose reporting requirements upon us and any third-party manufacturers that Savara may decide to use. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain compliance with cGMP and other aspects of regulatory compliance. Savara cannot be certain that it or its present or future suppliers will be able to comply with the cGMP regulations and other FDA regulatory requirements. If Savara's present or future suppliers are not able to comply with these requirements, the FDA may, among other things, halt its clinical trials, require them to recall a product from distribution, or withdraw approval of the NDA.

Future FDA and state inspections may identify compliance issues at Savara's facilities or at the facilities of its contract manufacturers that may disrupt production or distribution, or require substantial resources to correct. In addition, discovery of previously unknown problems with a product or the failure to comply with applicable requirements may result in restrictions on a product, manufacturer or holder of an approved NDA, including withdrawal or recall of the product from the market or other voluntary, FDA-initiated or judicial action that could delay or prohibit further marketing.

The FDA may withdraw approval of an NDA if compliance with regulatory requirements and standards is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown

problems with a product, including adverse events of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical studies to assess new safety risks; or imposition of distribution restrictions or other restrictions under a REMS program. Other potential consequences include, among other things:

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

The FDA closely regulates the marketing, labeling, advertising and promotion of drugs and biologics. A company can make only those claims relating to safety and efficacy that are approved by the FDA and in accordance with the provisions of the approved label. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses. Failure to comply with these requirements can result in, among other things, adverse publicity, warning letters, corrective advertising and potential civil and criminal penalties. Physicians may prescribe legally available products for uses that are not described in the product's labeling and that differ from those tested by Savara and approved by the FDA. Such off-label uses are common across medical specialties. Physicians may believe that such off-label uses are the best treatment for many patients in varied circumstances. The FDA does not regulate the behavior of physicians in their choice of treatments. The FDA does, however, restrict manufacturer's communications on the subject of off-label use of their products.

Government Regulation of Combination Products

Savara's products under development will be regulated as combination products, which means that they are comprised of two or more different components that, if marketed individually, would be subject to different regulatory paths and would require approval of independent marketing applications by the FDA. A combination product, however, is assigned to a Center with the FDA that will have primary jurisdiction over its regulation on a determination of the combination product's primary mode of action, which is the single mode of action that provides the most important therapeutic action. Savara believes its product candidates include both a drug and medical device component, and will be regulated as a drug, subject to the review of the FDA's Center for Drug Evaluation and Research, or CDER, which will have primary jurisdiction over premarket development and approval. FDA's Center for Devices and Radiological Health, or CDRH, will provide support and review of the inhaler component of the product candidate.

Other Healthcare Laws and Compliance Requirements

Savara's sales, promotion, medical education, clinical research and other activities following product approval will be subject to regulation by numerous regulatory and law enforcement authorities in the United States in addition to FDA, including potentially the Federal Trade Commission, the Department of Justice, the Centers for Medicare and Medicaid Services, or CMS, other divisions of the U.S. Department of Health and Human Services and state and local governments. Savara's promotional and scientific/educational programs and interactions with healthcare professionals must comply with the federal Anti-Kickback Statute, the civil False Claims Act, physician payment transparency laws, privacy laws, security laws, and additional federal and state laws similar to the foregoing.

The federal Anti-Kickback Statute prohibits, among other things, the knowing and willing, direct or indirect offer, receipt, solicitation or payment of remuneration in exchange for or to induce the referral of patients,

including the purchase, order or lease of any good, facility, item or service that would be paid for in whole or part by Medicare, Medicaid or other federal health care programs. Remuneration has been broadly defined to include anything of value, including cash, improper discounts, and free or reduced price items and services. The federal Anti-Kickback Statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on one hand and prescribers, purchasers, formulary managers, and beneficiaries on the other. Although there are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution, the exceptions and safe harbors are drawn narrowly. Practices that involve remuneration that may be alleged to be intended to induce prescribing, purchases or recommendations may be subject to increased scrutiny and review if they do not qualify for an exception or safe harbor. Failure to meet all of the requirements of a particular applicable statutory exception or regulatory safe harbor does not make the conduct per se illegal under the federal Anti-Kickback Statute. Instead, the legality of the arrangement will be evaluated on a case-by-case basis based on a cumulative review of all its facts and circumstances. Several courts have interpreted the statute's intent requirement to mean that if any one purpose of an arrangement involving remuneration is to induce referrals of federal healthcare covered business, the federal Anti-Kickback Statute has been violated. The government has enforced the federal Anti-Kickback Statute to reach large settlements with healthcare companies based on sham research or consulting and other financial arrangements with physicians. Further, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it to have committed a violation. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act. Many states have similar laws that apply to their state health care programs as well as private payers.

Federal false claims and false statement laws, including the federal civil False Claims Act, or FCA, imposes liability on persons and/or entities that, among other things, knowingly present or cause to be presented claims that are false or fraudulent or not provided as claimed for payment or approval by a federal health care program. The FCA has been used to prosecute persons or entities that "cause" the submission of claims for payment that are inaccurate or fraudulent, by, for example, providing inaccurate billing or coding information to customers, promoting a product off-label, submitting claims for services not provided as claimed, or submitting claims for services that were provided but not medically necessary. Actions under the FCA may be brought by the Attorney General or as a qui tam action by a private individual, or whistleblower, in the name of the government. Violations of the FCA can result in significant monetary penalties and treble damages. The federal government is using the FCA, and the accompanying threat of significant liability, in its investigation and prosecution of pharmaceutical and biotechnology companies throughout the country, for example, in connection with the promotion of products for unapproved uses and other illegal sales and marketing practices. The government has obtained multi-million and multi-billion dollar settlements under the FCA in addition to individual criminal convictions under applicable criminal statutes. In addition, certain companies that were found to be in violation of the FCA have been forced to implement extensive corrective action plans, and have often become subject to consent decrees or corporate integrity agreements, restricting the manner in which they conduct their business.

The federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, created additional federal criminal statutes that prohibit, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payers; knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services; and willfully obstructing a criminal investigation of a healthcare offense. Like the federal Anti-Kickback Statute, the Affordable Care Act amended the intent standard for certain healthcare fraud statutes under HIPAA such that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

Given the significant size of actual and potential settlements, it is expected that the government will continue to devote substantial resources to investigating healthcare providers' and manufacturers' compliance with applicable fraud and abuse laws. Also, many states have similar fraud and abuse statutes or regulations that may be broader in scope and may apply regardless of payer, in addition to items and services reimbursed under

Medicaid and other state programs. Additionally, to the extent that Savara's products, once commercialized, are sold in a foreign country, Savara may be subject to similar foreign laws.

In addition, there has been a recent trend of increased federal and state regulation of payments made to physicians and other healthcare providers. The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively, the Affordable Care Act, among other things, imposed new reporting requirements on certain manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program, with specific exceptions, for payments or other transfers of value made by them to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Covered manufacturers are required to collect and report detailed payment data and submit legal attestation to the accuracy of such data to the government each year. Failure to submit required information may result in civil monetary penalties of up to an aggregate of $150,000 per year (or up to an aggregate of $1 million per year for "knowing failures"), for all payments, transfers of value or ownership or investment interests that are not timely, accurately and completely reported in an annual submission. Additionally, entities that do not comply with mandatory reporting requirements may be subject to a corporate integrity agreement. Certain states also mandate implementation of commercial compliance programs, impose restrictions on covered manufacturers' marketing practices and/or require the tracking and reporting of gifts, compensation and other remuneration to physicians and other healthcare professionals.

Savara may also be subject to data privacy and security regulation by both the federal government and the states in which it conducts its business. HIPAA, as amended by the Health Information Technology and Clinical Health Act, or HITECH, and their respective implementing regulations, imposes specified requirements on certain health care providers, plans and clearinghouses (collectively, "covered entities") and their "business associates," relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA's security standards directly applicable to "business associates," defined as independent contractors or agents of covered entities that create, receive, maintain or transmit protected health information in connection with providing a service for or on behalf of a covered entity. HITECH also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce HIPAA and seek attorney's fees and costs associated with pursuing federal civil actions. In addition, certain states have their own laws that govern the privacy and security of health information in certain circumstances, many of which differ from each other and/or HIPAA in significant ways and may not have the same effect, thus complicating compliance efforts.

If Savara's operations are found to be in violation of any of such laws or any other governmental regulations that apply to them, Savara may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, disgorgement, the curtailment or restructuring of its operations, exclusion from participation in federal and state healthcare programs, imprisonment, contractual damages, reputational harm, and diminished profits and future earnings, any of which could adversely affect its ability to operate its business and its financial results.

In addition to the foregoing health care laws, Savara is also subject to the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws, which generally prohibit companies and their intermediaries from making improper payments to government officials or private-sector recipients for the purpose of obtaining or retaining business. Savara has plans to adopt an anti-corruption policy, which will become effective upon the completion of this offering, and expect to prepare and implement procedures to ensure compliance with such policy. The anti-corruption policy mandates compliance with the FCPA and similar anti-bribery laws applicable to its business throughout the world. However, Savara cannot assure you that such a policy or procedures implemented to enforce such a policy will protect them from intentional, reckless or negligent acts committed by its employees, distributors, partners, collaborators or agents. Violations of these laws, or allegations of such violations, could result in fines, penalties or prosecution and have a negative impact on its business, results of operations and reputation.

Coverage and Reimbursement

Sales of pharmaceutical products depend significantly on the extent to which coverage and adequate reimbursement are provided by third-party payers. Third-party payers include state and federal government health care programs, managed care providers, private health insurers and other organizations. Although Savara currently believes that third-party payers will provide coverage and reimbursement for its product candidates, if approved, Savara cannot be certain of this. Third-party payers are increasingly challenging the price, examining the cost-effectiveness, and reducing reimbursement for medical products and services. In addition, significant uncertainty exists as to the reimbursement status of newly approved healthcare products. The U.S. government, state legislatures and foreign governments have continued implementing cost containment programs, including price controls, restrictions on coverage and reimbursement and requirements for substitution of generic products. Adoption of price controls and cost containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit Savara's net revenue and results. Savara may need to conduct expensive clinical studies to demonstrate the comparative cost-effectiveness of its products. The product candidates that Savara develops may not be considered cost-effective and thus may not be covered or sufficiently reimbursed. It is time consuming and expensive for them to seek coverage and reimbursement from third-party payers, as each payer will make its own determination as to whether to cover a product and at what level of reimbursement. Thus, one payer's decision to provide coverage and adequate reimbursement for a product does not assure that another payer will provide coverage or that the reimbursement levels will be adequate. Moreover, a payer's decision to provide coverage for a drug product does not imply that an adequate reimbursement rate will be approved. Reimbursement may not be available or sufficient to allow them to sell its products on a competitive and profitable basis.

Healthcare Reform

The United States and some foreign jurisdictions are considering or have enacted a number of legislative and regulatory proposals to change the healthcare system in ways that could materially affect Savara's ability to sell its products profitably. Among policy makers and payers in the United States and elsewhere, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality and/or expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives.

By way of example, in March 2010, the Affordable Care Act was signed into law, intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for the healthcare and health insurance industries, impose new taxes and fees on the health industry and impose additional health policy reforms. Among the provisions of the Affordable Care Act of importance to Savara's potential drug candidates are:

- an annual, nondeductible fee on any entity that manufactures or imports specified branded prescription drugs and biologic agents, apportioned among these entities according to their market share in certain government healthcare programs;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program to 23.1% and 13.0% of the average manufacturer price for branded and generic drugs, respectively;
- a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted or injected;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for a manufacturer's outpatient drugs to be covered under Medicare Part D;
- extension of a manufacturer's Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;

- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals and by adding new mandatory eligibility categories for certain individuals with income at or below 133% of the federal poverty level, thereby potentially increasing a manufacturer's Medicaid rebate liability;
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program; and
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research.

In addition, other legislative changes have been proposed and adopted since the Affordable Care Act was enacted. These changes include, among others, the Budget Control Act of 2011, which mandates aggregate reductions to Medicare payments to providers of up to 2% per fiscal year effective April 1, 2013, and, due to subsequent legislative amendments, will remain in effect through 2024 unless additional Congressional action is taken. In January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, further reduced Medicare payments to several providers, including hospitals and cancer treatment centers, increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws may result in additional reductions in Medicare and other healthcare funding, which could have a material adverse effect on customers for Savara's product candidates, if approved, and, accordingly, its financial operations.

Savara expects 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 Savara's operations and financial position are uncertain, but may result in more rigorous coverage criteria and lower reimbursement, and place additional downward pressure on the price that it receives for any 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 Savara from being able to generate revenue, attain profitability or commercialize their drugs.

Foreign Regulation

In addition to regulations in the United States, Savara will be subject to a variety of foreign regulations governing clinical trials and commercial sales and distribution of its products to the extent Savara chooses to develop or sell any products outside of the United States. The approval process varies from country to country and the time may be longer or shorter than that required to obtain FDA approval. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country.

Intellectual Property

Savara strives to protect the proprietary technology that Savara believes is important to its business, including its product candidates and its processes. Savara seeks patent protection in the United States and internationally for its products, their methods of use and processes of manufacture and any other technology to which Savara has rights, as appropriate. Savara also relies on trade secrets that may be important to the development of its business.

Savara owns five issued patents and additional pending patent applications worldwide for a proprietary formulation of AeroVanc. The patents and pending applications are derived from a PCT application (Pub. No. WO2012159103) entitled "Dry Powder Vancomycin Compositions and Associated Methods." As of January 31, 2017, patents have issued in Australia, China, Japan, New Zealand, and Singapore. Additionally, Savara recently received a Notice of Allowance in the United States, the primary market for AeroVanc.

While Savara does not have any issued patents or pending applications covering Molgradex or its use in pulmonary alveolar proteinosis (PAP), Savara does own a family of issued patents and pending applications derived from a PCT application (Pub. No. WO2008052567) entitled “Enhancing Pulmonary Host Defense via Administration of Granulocyte-Macrophage Colony-Stimulating Factor” covering inhaled GM-CSF for treatment of bacterial, mycobacterial (including Mycobacterium tuberculosis and non-tuberculous Mycobacterium), yeast, and virus infections in the lungs. Patents have been granted in Japan, Australia, and Mexico. Patent applications are currently pending in several other countries, including the United States. An application is also pending in the European Union, where an allowance has been indicated.

Savara’s success will in part depend on the ability to obtain and maintain patent and other proprietary rights in commercially important technology, inventions and know-how related to its business, the validity and enforceability of its patents, the continued confidentiality of its trade secrets as well as its ability to operate without infringing the valid and enforceable patents and proprietary rights of third parties. Savara also relies on continuing technological innovation and in-licensing opportunities to develop and maintain its proprietary position.

Savara cannot be sure that patents will be granted with respect to any of its pending patent applications or with respect to any patent applications it may own or license in the future, nor can Savara be sure that any of its existing patents or any patents it may own or license in the future will be useful in protecting its technology and products. For this and more comprehensive risks related to Savara’s intellectual property, please see “Risk Factors — Risks Related to Savara’s Intellectual Property.”

Trade Secrets

In addition to patents, Savara relies on trade secrets and know-how to develop and maintain its competitive position. For example, significant aspects of Savara’s processes and proprietary technology portfolio are based on unpatented trade secrets and know-how. Trade secrets and know-how can be difficult to protect. Savara seeks to protect its proprietary technology and processes, in part, by confidentiality agreements and invention assignment agreements with its employees, consultants, scientific advisors, contractors and commercial partners. These agreements are designed to protect the proprietary information and, in the case of the invention assignment agreements, to grant the company ownership of technologies that are developed through a relationship with a third party. While Savara has confidence in its key individuals, consultants, partner organizations and systems, agreements or security measures may be breached, and there may not be adequate remedies for any breach. In addition, Savara’s trade secrets may otherwise become known or be independently discovered by competitors. To the extent that Savara’s contractors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Competition

The pharmaceutical industry is highly competitive and subject to continuous technological change. Savara’s potential competitors include large pharmaceutical and biotechnology companies, specialty pharmaceutical and generic drug companies, academic institutions, government agencies and research institutions. Savara believes that key competitive factors affecting the commercial success of its product candidates will be efficacy, safety and tolerability profile, reliability, convenience of dosing, price and reimbursement. Many of Savara’s potential competitors, either alone or with their collaboration partners have substantially greater financial, technical and human resources than Savara, and significantly greater experience in the discovery and development of product candidates, manufacturing, obtaining FDA and other regulatory approvals of products and the commercialization of those products. Accordingly, Savara’s competitors may be faster and more successful in obtaining FDA approval for therapies and achieving widespread market acceptance. Mergers and acquisitions in the pharmaceutical and biotechnology industry may result in even more resources being concentrated among a smaller number of very capable competitors. Savara anticipates facing intense and increasing competition as new drugs enter the market and advanced technologies become available. Savara’s competitors’ products may be

more effective, or more effectively marketed and sold, than any product candidate Savara may commercialize and may render Savara's therapies obsolete or non-competitive before Savara can recover development and commercialization expenses.

Savara is not aware of any other companies developing inhaled forms of vancomycin. There are several inhaled antibiotics on the market or in development, but Savara is not aware of any other inhaled antibiotic product that would be specifically developed for the treatment of MRSA infection. Certain inhaled antibiotics in development, including levofloxacin, and ciprofloxacin inhalation formulations, may possess some level of *in vitro* or *in vivo* activity against MRSA, even though the compounds are not generally considered MRSA-antibiotics. It is therefore possible that such products, if approved, may present a competitive threat to AeroVanc. A combination product containing fosfomycin and tobramycin for inhalation (FTI) was developed by Gilead Sciences (Foster City, CA), and shown in a Phase 2 study to possess activity against Gram-negative and Gram-positive bacteria, including MRSA. Gilead terminated the development of the product, and licensed it to CURx Pharmaceuticals (San Diego, CA) in February, 2014. No clinical studies on FTI have been initiated by CURx. If FTI is developed, and approved, for the treatment of MRSA lung infection in CF, Savara believes it has the potential to present a competitive threat to the commercial success of AeroVanc.

Many small and large pharmaceutical companies have intravenously or orally administered MRSA-antibiotics on the market, and/or in development. Whereas such antibiotics are important in the treatment of many acute and chronic MRSA-infections, such as skin and soft tissue infections, pneumonia, or endocarditis, Savara does not believe these products are practical or sufficiently efficacious and/or safe for long-term management of chronic MRSA lung infection in CF patients. Therefore, Savara does not believe these products and product candidates are a material competitive threat to the commercial success of AeroVanc.

Savara is not aware of any other companies developing an inhaled form of GM-CSF. A glycosylated GM-CSF product, sargramostim (Leukine, Sanofi), is available on the market in the United States, intended for IV or subcutaneous delivery in patients with neutropenia following cancer chemotherapy. Leukine has not been approved, and according to Savara's knowledge, is not being developed for the treatment of PAP or any other acute or chronic lung disease. The drug substance in Leukine, sargramostim, has been used in a nonclinical research project conducted by NIH/TRND in collaboration with the University of Cincinnati College of Medicine on the potential application of inhaled GM-CSF as a treatment for PAP. No clinical studies have been conducted to date under this collaboration project. Savara is aware of a multicenter clinical study of inhaled Leukine, using a standard commercially available nebulizer, which is currently ongoing in Japan, conducted by a consortium of independent clinical investigators. It is not known to Savara if this study, together with other possibly available related clinical or nonclinical information, may be, or will be, used to support a potential new product approval in Japan. If such a new product would be approved and launched in Japan, Savara believes it has the potential to present a material competitive threat to the commercial success of Molgradex in Japan.

Asset Purchase Agreement with Serendex A/S

On May 13, 2016, Savara entered into a Business Transfer Agreement with Serendex A/S (subsequently named to Serenova) under which Serendex agreed to sell, transfer and assign to Savara all of its assets and subsidiaries, certain of its contracts, and certain of its employees and liabilities ("Serendex Acquisition"). Serendex was a limited liability company incorporated in Denmark and was listed on the Oslo Stock Exchange until May 4, 2016. On July 15, 2016, Savara completed the Serendex Acquisition through its wholly-owned subsidiary, Savara ApS, a limited liability company established under the laws of Denmark.

The Serendex Acquisition was an important step in fulfilling Savara's vision to become a specialty pharmaceutical company focused on rare respiratory diseases. Serendex was a biopharmaceutical development company advancing a pipeline and portfolio of novel inhalation therapies for the treatment of severe pulmonary conditions. Through the Serendex Acquisition, Savara gained access to the late-stage Molgradex program for the

treatment of PAP, with a Phase 2/3 clinical study (IMPALA study) ongoing in EU and Japan. In addition to Molgradex, Savara gained access to an experienced development team familiar with all aspects of the Molgradex program.

As the purchase consideration, Savara agreed to provide the seller with 3,353,925 shares of Savara's common stock representing approximately 17.1% of the total outstanding common stock of Savara at the time of purchase. In addition to these purchase consideration shares, Savara agreed to pay the seller (i) $5,000,000 upon receipt of marketing approval of Molgradex for the treatment of PAP (the Product) by the European Medicines Agency, (ii) $15,000,000 upon receipt of marketing approval of the Product by the United States Food and Drug Administration, and (iii) $1,500,000 upon receipt of marketing approval of the Product by the Japanese Pharmaceuticals and Medical Devices Agency (the Contingent Milestone Payments).

Employees

As of December 31, 2016, Savara had 15 full-time employees, as well as several full-time or part time consultants. None of Savara's employees are represented by a labor union or covered by a collective bargaining agreement. Savara considers its relationship with its employees to be good.

Facilities

Savara's corporate headquarters is located in Austin, Texas, where the company leases approximately 2,800 square feet of office space pursuant to a lease that expires in 2019.

Savara believes that its existing facilities are adequate for its near-term needs. When the lease expires, Savara may look for alternate space for its operations. Savara believes that suitable alternative space would be available if required in the future on commercially reasonable terms.

Legal Proceedings

Savara is not currently a party to any material legal proceedings.

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

The following discussion and analysis of the financial condition and results of operations of Mast should be read in conjunction with the condensed consolidated financial statements and accompanying notes appearing elsewhere in this proxy statement/prospectus/information statement. For additional context with which to understand the financial condition and results of operations of Mast, see the discussion and analysis included in Part II, Item 7 of Mast's annual report on Form 10-K for the year ended December 31, 2015, filed with the U.S. Securities and Exchange Commission, or SEC, on March 14, 2016, as well as the 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. The discussion of the Mast financial condition and results of operations contains certain statements that are not strictly historical and are "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995 and involve a high degree of risk and uncertainty. Actual results may differ materially from those projected in the forward-looking statements due to other risks and uncertainties that exist in the Mast operations, development efforts and business environment, including those set forth in the section entitled "Risk Factors —Risks Related to Mast" in this proxy statement/prospectus/information statement, the other risks and uncertainties described in the section entitled "Risk Factors" in this proxy statement/prospectus/information statement and the other risks and uncertainties described elsewhere in this proxy statement/prospectus/information statement. All forward-looking statements included in this proxy statement/prospectus/information statement are based on information available to Mast as of the date hereof, and Mast assumes no obligation to update any such forward-looking statement. Mast Therapeutics, Mast's corporate logo, Aires Pharmaceuticals, Inc., VOICE Crisis Alert, and SynthRx are trademarks of Mast. All trademarks, service marks or trade names appearing in this proxy statement/prospectus/information statement are the property of their respective owners. Use or display by Mast 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, Mast by the trademark, service mark or trade name owners.

Overview

Mast is a biopharmaceutical company developing clinical-stage therapies for serious or life-threatening diseases with significant unmet needs. Mast's lead product candidate, AIR001, a sodium nitrite solution for inhalation via nebulization, has demonstrated positive hemodynamic benefits in patients with heart failure with preserved ejection fraction, or HFpEF, and pulmonary hypertension, and currently is in clinical development for HFpEF. Three Phase 2 studies of AIR001 in patients with HFpEF are being conducted by prestigious research institutions. Positive interim results from one of those studies were published in November 2016. Results from another of the studies, a 100-patient, randomized, double-blind, placebo-controlled crossover study being conducted by the Heart Failure Clinical Research Network, are expected in the first quarter of 2018.

Mast's second product candidate, vepoloxamer (also known as MST-188), is currently in a nonclinical study that is being funded by a grant from the National Institutes of Health to evaluate vepoloxamer's potential therapeutic use in ischemic stroke. Vepoloxamer was previously in clinical development in sickle cell disease and heart failure, but following negative top-line results of the Phase 3 study in sickle cell disease known as EPIC in September 2016, Mast determined to discontinue the clinical development of vepoloxamer and wind down all of the clinical studies. Vepoloxamer has demonstrated multiple pharmacologic effects that may provide clinical benefit in a wide range of diseases and conditions typically characterized by impaired microvascular blood flow and/or damaged cell membranes, but Mast has limited its development of vepoloxamer to the grant-funded nonclinical study in ischemic stroke while it explores opportunities to monetize its vepoloxamer-related assets in order to focus its resources on AIR001's development.

Mast has devoted substantially all of its resources to research and development, or R&D, and to acquisition of its product candidates. Mast has not yet marketed or sold any products or generated any significant revenue

and Mast has incurred significant annual operating losses since inception. Mast incurred a loss from operations of $28.2 million for the nine months ended September 30, 2016. As of September 30, 2016, Mast had an accumulated deficit of $305.0 million. Mast's cash, cash equivalents, and investment securities were $27.0 million and its working capital was $7.4 million as of September 30, 2016.

As discussed below under "Management Outlook," the management of Mast does not believe Mast's cash, cash equivalents and investment securities as of September 30, 2016 will be sufficient to fund its currently planned operations for the next 12 months and its ability to raise additional capital as needed is uncertain. These circumstances raise substantial doubt about Mast's ability to continue as a going concern. Mast's financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should Mast be unable to continue as a going concern. Mast's ability to continue as a going concern depends on its ability to manage its operating costs and raise additional capital to fund continued development of its product candidates and ongoing operations. Mast estimates that its existing capital resources will be sufficient to fund its operations into the second quarter of 2017. Significant funds will be needed for Mast to continue to execute on its business strategy and advance its AIR001 program. Mast has implemented cost-saving measures to significantly reduce its operating costs, including the wind-down of all vepoloxamer clinical development activities and an approximately 70% reduction in its workforce, and, in addition to the Merger, Mast is exploring opportunities to strategically monetize its vepoloxamer-related assets, including through sale and licensing transactions. However, there can be no assurance Mast will be successful in these efforts.

Critical Accounting Policies and Significant Judgments and Estimates

The discussion and analysis of the financial condition and results of operations of Mast included in this proxy statement/prospectus/information statement is based upon consolidated financial statements and condensed consolidated financial statements that Mast has prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The preparation of these financial statements requires Mast 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, Mast evaluates 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. Mast bases its 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.

Mast believes the following accounting estimates are those that can have a material impact on the financial condition or operating performance of Mast 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 its significant accounting policies. See the notes accompanying the consolidated financial statements of Mast appearing in the most recent annual report on Form 10-K of Mast 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 its financial statements, Mast is required to estimate its accrued expenses. This process involves reviewing open contracts and purchase orders, communicating with its 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 Mast has not yet been invoiced or otherwise notified of the actual cost. Many of its service providers invoice Mast monthly in arrears for services performed or when contractual milestones are met. Mast makes estimates of its accrued expenses as of each balance sheet date in its financial statements based on facts and circumstances known to

Mast at that time. Mast periodically confirms the accuracy of its estimates with the service providers and makes adjustments, if necessary. The majority of Mast's 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.

Mast bases its accrued expenses related to CROs and CMOs on its 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 its clinical trial material on Mast's behalf. The financial terms of its arrangements with its 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, Mast estimates, 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 Mast's estimate, Mast adjusts 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 Mast reports 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 Mast has accrued in a prior period are recorded in the subsequent period in which the actual costs become known to Mast. Historically, these differences have not resulted in material adjustments, but such differences may occur in the future and have a material impact on the consolidated results of operations or financial position of Mast.

Business Combinations. Mast accounts for business combinations, such as its acquisitions of SynthRx in April 2011 and Aires Pharmaceuticals in February 2014, 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 Mast's common stock, Mast calculates 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, Mast's 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 Mast. Mast recognizes estimated fair values of the tangible assets and intangible assets acquired, including IPR&D, and liabilities assumed as of the acquisition date, and Mast records 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, the goodwill and acquired IPR&D of Mast are determined to have indefinite lives and, therefore, are not amortized. Instead, they are tested for impairment annually and between annual tests if Mast becomes aware of an event or a change in circumstances that would indicate the carrying value may be impaired. Mast performs its annual impairment testing as of September 30 of each year, or, in the case of initially acquired IPR&D, on the first anniversary of the date Mast acquired it 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*, Mast has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads Mast to determine that it is more likely than not (that is, a likelihood of more than 50%) that the goodwill or the acquired IPR&D of Mast is impaired. If Mast chooses to first assess qualitative factors and Mast determines that it is not more likely than not that goodwill or acquired IPR&D is impaired, Mast is not required to take further action to test for impairment. Mast also has the option to bypass the qualitative assessment and perform only the quantitative impairment test, which it may choose to do in some periods but not in others.

If Mast performs a quantitative assessment of goodwill, it utilizes 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. Mast tests for impairment at the entity level because it operates on the basis of a single reporting unit. If the carrying value exceeds the fair value, Mast then performs Step 2 to measure the amount of impairment loss, if any. In Step 2, Mast estimates the fair value of its individual assets, including identifiable intangible assets, and liabilities to determine the implied fair value of goodwill. Mast then compares the carrying value of its 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.

If Mast performs a quantitative assessment of IPR&D, it calculates the estimated fair value of acquired IPR&D by using the Multi-Period Excess Earnings Method, or MPEEM, which is a form of the income approach. 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.

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

Share-based Compensation Expenses. Mast accounts for share-based compensation awards granted to employees, including non-employee members of the Mast Board, 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. Mast estimates forfeitures at the time of grant based on the expected forfeiture rate for Mast's unvested stock options, which is based in large part on its historical forfeiture rates, but also on assumptions believed to be reasonable under the circumstances. Mast revises its estimates in subsequent periods if actual forfeitures differ from those estimates. Although share-based compensation expense can be significant to its consolidated financial statements, it does not involve the payment of any cash by Mast.

Mast estimates 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, Mast must make a number of assumptions, including the term of the award, the volatility of the price of Mast's 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 Mast recognizes.

Results of Operations — Overview

Mast operates its business and evaluates its company 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 to date, and it does not expect to generate revenue from product sales until at least such time, if any, that Mast obtains approval from a regulatory agency to sell one or more of its product candidates, which Mast cannot predict with certainty will occur. If Mast enters into any licensing or other collaborative arrangements regarding its development programs, Mast may recognize revenue from those arrangements prior to commercial sale of any products.

Mast recognizes revenues from federal government research grants during the period in which it receives the grant funds, or their collection is reasonably assured, and Mast incurs 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 its R&D expenses by the type of cost incurred rather than by project. Mast dose this primarily because it outsources a substantial portion of its work and its R&D personnel and consultants work across multiple programs rather than dedicating their time to one particular program. Mast categorizes its R&D expenses as external clinical study fees and expenses, external nonclinical study fees and expenses, personnel costs and share-based compensation expense. The major components of Mast's external clinical study fees and expenses are fees and expenses related to CROs and clinical study investigative sites and investigators. The major components of Mast's 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, its 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 Mast 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, Mast cannot estimate with any reasonable certainty the duration of or costs to complete its 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 Mast's 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 Mast may establish; and
- the cost, requirements, timing of and the ability to secure regulatory approvals.

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

As a result of cost-saving measures Mast has begun implementing, Mast expects its annual R&D expenses (excluding share-based compensation expense) will be approximately 15% less in 2016 compared to 2015. This decrease would be due primarily to the discontinuation of development of vepoloxamer in sickle cell disease and heart failure.

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.

As a result of cost-saving measures it began implementing, Mast expects its annual SG&A expenses (excluding share-based compensation expense) to be approximately 10% less in 2016 compared to 2015. This decrease would be due primarily to less investment than previously anticipated in external costs related to commercial-readiness activities for vepoloxamer in sickle cell disease.

Interest Income. Interest income includes interest earned on Mast's 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 Mast's debt facility 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.

Results of Operations — Comparison of Nine Months Ended September 30, 2016 and 2015

Revenue. Mast recognized $45,000 of revenue for the nine months ended September 30, 2016. The revenue represents reimbursement of costs related to the nonclinical study of vepoloxamer that is being funded by a grant from the National Institute of Neurological Disorders and Stroke of the NIH. Mast recognized no revenue for the nine months ended September 30, 2015.

R&D Expenses. Mast's most significant R&D expenses for the nine months ended September 30, 2016 were external costs associated with the EPIC study, research-related manufacturing for vepoloxamer, Mast's Phase 2 study of vepoloxamer in heart failure and preparing a NDA for vepoloxamer. These expenses consisted primarily of CRO and CMO expenses, clinical study and regulatory-related consulting expenses, and study site expenses, which include start-up costs as well as patient costs. 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):

	Nine Months Ended September 30,			
	2016	%	2015	%
External clinical study fees and expenses	$11,150	54%	$10,573	50%
External nonclinical study fees and expenses	5,960	29%	7,177	34%
Personnel costs	2,927	14%	2,921	14%
Share-based compensation expense	678	3%	435	2%
Total	$20,715	100%	$21,106	100%

R&D expenses decreased by $0.4 million, or approximately 1.8%, to $20.7 million for the nine months ended September 30, 2016, compared to $21.1 million for the same period in 2015. This decrease was primarily due to a decrease of $1.2 million in external nonclinical study fees and expenses, which was offset by increases of $0.6 million in external clinical study fees and expenses and $0.2 million in share-based compensation expense.

The $1.2 million decrease in external nonclinical study fees and expenses was due primarily to decreases of $2.1 million in research-related manufacturing costs for vepoloxamer and $1.0 million in costs for nonclinical studies of vepoloxamer, offset by increases of $1.8 million in external costs related to preparing a NDA for vepoloxamer and $0.1 million in research-related manufacturing costs for AIR001. The $0.6 million increase in external clinical study fees and expenses was due primarily to an increase of $1.4 million in costs for the Phase 2 study of vepoloxamer in heart failure and an increase of $0.7 million in costs for the Phase 2 studies of AIR001 in HFpEF, offset by a net decrease of $0.9 million in costs associated with clinical studies of vepoloxamer for its development in sickle cell disease and a decrease of $0.5 million in costs for the Phase 2 study of vepoloxamer in ALI.

SG&A Expenses. SG&A expenses decreased by $1.0 million, or approximately 12.3%, to $7.4 million for the nine months ended September 30, 2016, compared to $8.4 million for the same period in 2015. SG&A expenses in the nine months ended September 30, 2015 included $0.4 million of severance expenses and $0.3 million of share-based compensation expense resulting from the termination of employment of Mast's former president and chief operating officer in February 2015 and the acceleration of stock option vesting pursuant to the terms of his option agreements. Additionally, fees for consulting and legal services for the nine months ended September 30, 2016 were $0.2 million less than for the same period in 2015.

Interest Expense. Interest expense for the nine months ended September 30, 2016 was $2.0 million compared to $0.1 million for the same period in 2015. The increase in interest expense was primarily due to a full nine months of interest expense on a $15 million principal balance under Mast's debt facility in 2016 versus approximately a month in 2015, as well as increased amortization of debt issuance costs as a result of a change in the amortization schedule of such costs due to prepayment of $10.0 million of the principal balance in October 2016.

Net Loss. Net loss was $30.1 million, or $0.15 per share, for the nine months ended September 30, 2016, compared to net loss of $29.7 million, or $0.18 per share, for the same period in 2015.

Results of Operations — Comparison of 2015 and 2014

Revenue. Mast recognized no revenue for the years ended December 31, 2015 and 2014.

Operating Expenses. The following table illustrates the types of operating expenses Mast incurred in 2015 and 2014 and their respective percent of its total operating costs for those periods:

	Operating Expenses Years Ended	
	2015	2014
Research and development	72%	66%
Selling, general and administrative	28%	33%
Transaction-related expenses	0%	1%
Depreciation and amortization	0%	0%
Total operating expenses	100%	100%

R&D Expenses. In 2015, Mast's most significant R&D expenses were external costs associated with the EPIC study, its Phase 2 studies of vepoloxamer in ALI, which Mast discontinued in the third quarter of 2015, and heart failure, which is ongoing, and research-related manufacturing for vepoloxamer and AIR001. These expenses consisted primarily of CRO and CMO expenses, clinical study-related consulting and study site expenses, which include start-up costs as well as patient expenses. In 2014, Mast's most significant R&D expenses were external costs associated with the EPIC study, its Phase 2 study of vepoloxamer in ALI, and research-related manufacturing for vepoloxamer.

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):

	Years Ended December 31,			
	2015	%	2014	%
External clinical study fees and expenses	$14,089	50%	$11,158	57%
External nonclinical study fees and expenses	9,519	34%	4,451	23%
Personnel costs	4,058	14%	3,401	18%
Share-based compensation expense	598	2%	425	2%
Total	$28,264	100%	$19,435	100%

R&D expenses increased by $8.8 million, or 45.4%, to $28.3 million for the year ended December 31, 2015, compared to $19.4 million for the year ended December 31, 2014. The increase in R&D expenses in 2015 compared to 2014 was due to a $5.1 million increase in external nonclinical study fees and expenses, a $2.9 million increase in external clinical study fees and expenses, a $0.7 million increase in personnel costs and a $0.2 million increase in share-based compensation expense.

The $5.1 million increase in external nonclinical study fees and expenses resulted primarily from increases of: 1) $2.9 million in research-related manufacturing costs for vepoloxamer, 2) $1.8 million primarily related to nonclinical toxicology studies of vepoloxamer to support Mast's NDA submission, and 3) $0.4 million in consulting expenses for NDA-readiness activities related to vepoloxamer. The $2.9 million increase in external clinical study fees and expenses was related primarily to increases of $3.3 million in EPIC study costs and $0.9 million in costs for Mast's Phase 2 study of vepoloxamer in heart failure, offset by decreases of $0.8 million in costs for the discontinued Phase 2 study of vepoloxamer in ALI and $0.5 million in costs related to AIR001 clinical study expenses. The $0.7 million increase in personnel costs resulted primarily from additional regulatory, clinical operations, and research-related manufacturing staff hired in 2015.

Selling, General and Administrative Expenses. In 2015 and 2014, Mast's SG&A expenses primarily consisted of employee salaries and benefits, share-based compensation expense, facility lease and insurance costs, and professional and consulting fees for accounting, legal, investor relations, market strategy and research, human resources, facilities, internal systems support, and share-based compensation expense.

SG&A expenses increased by $1.5 million, or 15.6%, to $11.0 million for the year ended December 31, 2015, compared to $9.5 million for the year ended December 31, 2014. This increase was due primarily to a $0.7 million increase in professional and consulting fees and a $0.5 million increase in personnel costs. Personnel costs for 2015 include $0.4 million of severance expense and $0.3 million of share-based compensation expense resulting from the termination of employment of Mast's former president and chief operating officer in February 2015 and the acceleration of stock option vesting pursuant to the terms of his option agreements.

Transaction-Related Expenses. There were no transaction-related expenses for the year ended December 31, 2015. Transaction-related expenses of $0.3 million for the year ended December 31, 2014 consisted primarily of legal fees associated with the acquisition of Aires.

Interest Income. Interest income for the year ended December 31, 2015 was $130,000 compared to $69,000 for the year ended December 31, 2014.

Interest Expense. Interest expense for the year ended December 31, 2015 was $603,000, $601,000 of which was related to the debt facility with Hercules. There was no interest expense in the year ended December 31, 2014.

Other Income, Net. Other income, net for the year ended December 31, 2015 was negligible. Other income, net for the year ended December 31, 2014 consisted primarily of a $0.5 million bargain purchase gain associated with the acquisition of Aires.

Net Loss. Net loss was $39.8 million, or $0.25 per share (basic and diluted), for the year ended December 31, 2015, compared to a net loss of $28.7 million, or $0.23 per share (basic and diluted), for the year ended December 31, 2014.

Liquidity and Capital Resources

Mast has a history of annual losses from operations and Mast anticipates that it will continue to incur losses for at least the next several years. For the nine months ended September 30, 2016, Mast incurred a loss from operations of $28.2 million. Mast's cash, cash equivalents and investment securities were $27.0 million and its working capital was $7.4 million as of September 30, 2016.

Mast historically has funded its operations principally through proceeds from sales of Mast's equity securities. In February 2016, Mast completed an underwritten public offering with gross proceeds of $8.0 million from the sale and issuance of 29,090,910 units, each consisting of one share of Mast's common stock and one warrant to purchase one share of its 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 $0.42 per share, are exercisable any time on or after August 17, 2016, subject to certain beneficial ownership limitations, and will expire on February 16, 2021.

As of September 30, 2016, Mast may receive up to $11.7 million, $18.3 million, $16.5 million and $11.9 million of additional net proceeds from the exercise of warrants issued in the underwritten public offerings it completed in November 2011, June 2013, November 2014 and February 2016. However, the timing of the exercise and extent to which any of these warrants are exercised before they expire are beyond Mast's control and depend on a number of factors, including certain beneficial ownership limitations and the market price of Mast's common stock. The exercise prices of these warrants are $1.10, $0.65, $0.75 and $0.42 per share, respectively. In comparison, the closing sale price of Mast's common stock on February 2, 2017 was $0.13 per share and Mast does not expect the holders of the warrants to exercise them unless and until Mast's common stock trades at or above the exercise price of their warrants. In addition, if at the time of exercise there is not an effective registration statement available for the issuance of the shares subject to the warrants, the warrants may be exercised on a "cashless" net issuance basis, in which case Mast would not receive any proceeds from the exercise of these warrants.

In February 2014, Mast entered into a sales agreement with Cowen and Company, LLC, or Cowen, to sell shares of Mast's 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, under which Cowen acts as sales agent. In August 2015, Mast terminated this agreement upon entry into a new sales agreement with Cowen to sell shares of its common stock, with aggregate gross sales proceeds of up to $30.0 million, from time to time, through an ATM program. As of September 30, 2016, Mast, through Cowen, had sold an aggregate of 51,148,582 shares at a weighted-average sales price of $0.54 per share under the ATM programs for aggregate gross proceeds of $27.4 million and $26.2 million in aggregate net proceeds, after deducting sales agent commission and discounts and Mast's other offering costs.

In 2015, Mast borrowed $15.0 million under a debt facility whereby Mast received proceeds of approximately $14.8 million, net of fees. The debt facility is governed by a loan and security agreement, as amended, among Mast, Hercules Technology III, L.P., and Hercules Capital, Inc. (formerly known as Hercules Technology Growth Capital, Inc.), together referred to as Hercules. During the three months ended September 30, 2016, the top-line results of the Phase 3 clinical study of vepoloxamer triggered a prepayment provision under the loan and security agreement requiring Mast to prepay to Hercules $10.0 million of the principal balance of the loan and any accrued but unpaid fees and expenses (referred to as the Second Advance Prepayment). Mast made the Second Advance Prepayment on October 3, 2016. Mast is required to repay the remaining principal balance in equal monthly installments of principal and interest payments on the first business day of each month through the scheduled maturity date of January 1, 2019. The principal balance as of February 2, 2017 was $3.1 million.

Under the loan and security agreement with Hercules, the merger would result in a change in control of Mast, 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). Subject to completion of Hercules due diligence, internal approvals, and agreement to the terms and conditions in definitive legal documents, Mast expects to enter into an amendment to its agreement with Hercules, to become effective contingent upon consummation of the merger, whereby the merger would not trigger the Change in Control Repayment Provisions and the loan would remain in place upon its existing terms, including the January 1, 2019 scheduled maturity date. However, Mast and Hercules contemplate that the amendment will require the combined company to maintain (a) at least $4 million of cash unless and until Mast, Savara or the combined company raised $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, Savara or the combined company raised $20 million in net cash proceeds from equity and/or subordinated debt financings and/or certain research grant awards on or before August 31, 2017. In consideration for this amendment and the consents and waivers to be provided by Hercules, Mast expects to pay a service fee of $50,000 to Hercules and amend its warrant agreement with Hercules such that the current warrant exercise price of $0.275 per share would be reduced to the lesser of (a) $0.10 per share and (b) if the closing market price of Mast'scommon stock is lower than $0.10 per share for three consecutive days before consummation of the merger with Savara, the lowest three-day volume-weighted average price of Mast's common stock during that period. The service fee payment would be made upon execution of the amendment, but the change to the warrant exercise price would be contingent upon the amendment becoming effective.

See Note 9, "Debt Facility," of the Notes to the Mast Condensed Consolidated Financial Statements in this proxy statement/prospectus/information statement for additional information regarding Mast's debt facility with Hercules. Mast's obligations under Mast's agreement with Hercules are secured by substantially all of Mast's assets other than its intellectual property, but including proceeds from the sale, licensing or other disposition of its intellectual property. Mast's intellectual property is subject to negative covenants, which, among other things, prohibit Mast from selling, transferring, assigning, mortgaging, pledging, leasing, granting a security interest in or otherwise encumbering Mast's intellectual property, subject to limited exceptions. The agreement includes a number of other restrictive covenants that may limit Mast's 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 Hercules with the right to exercise remedies against Mast and the collateral securing its indebtedness, which include declaring payment of all or any part of the debt, together with an end of term charge of $712,500 and a prepayment charge of 1% or 2% of the then outstanding principal balance, immediately due and payable. These events of default include, among other things, its failure to pay any amount due on the due date, Mast's breach or default in the performance of any covenant under the debt facility, Mast's insolvency, the attachment, seizure, or filing of a levy against Mast's assets or a judgment entered against it in an amount greater than $250,000, the occurrence of any default under certain other indebtedness, and, subject to limited exceptions, the occurrence of an event or circumstance that would reasonably be expected to have a material adverse effect on the business, operations, assets or financial condition of Mast, its ability to repay its indebtedness in accordance with the terms of the debt facility, or on the collateral securing Mast's indebtedness.

Operating activities. Net cash used in operating activities was $29.9 million for the nine months ended September 30, 2016, reflecting primarily a net loss of $30.1 million and a decrease in accounts payable and accrued liabilities of $2.9 million, adjusted for share-based compensation expenses of $2.0 million and amortization of debt issuance costs and debt discount of $0.9 million. Net cash used in operating activities was $24.1 million for the nine months ended September 30, 2015, reflecting primarily a net loss of $29.7 million, adjusted for share-based compensation expenses of $2.1 million and an increase in accounts payable and accrued liabilities of $3.5 million, offset by $0.3 million an increase in prepaid expenses and other assets.

Net cash used in operating activities was $32.9 million for the year ended December 31, 2015 and consisted primarily of a net loss of $39.8 million adjusted for non-cash items, including share-based compensation expense of $2.7 million, a net increase of $3.9 million due to changes in assets and liabilities, and $0.2 million of amortization of debt issuance costs and debt discount. Net cash used in operating activities was $24.6 million for the year ended December 31, 2014 and consisted primarily of a net loss of $28.7 million adjusted for non-cash items, including share-based compensation expense of $2.0 million, a net increase of $2.4 million due to changes in assets and liabilities, offset by a gain on bargain purchase for the Aires acquisition of $0.5 million.

Investing activities. Net cash provided by investing activities was $11.5 million for the nine months ended September 30, 2016 compared to $3.7 million for the same period in 2015. Net cash provided by investing activities for the nine months ended September 30, 2016 was primarily due to $11.5 million in proceeds from the maturity of certificates of deposit. Net cash provided by investing activities for the nine months ended September 30, 2015 was primarily due to $12.0 million in proceeds from the maturity of certificates of deposit, offset by $8.2 million used to purchase certificates of deposit.

Net cash provided by investing activities was $3.4 million for the year ended December 31, 2015, compared to $0.5 million in 2014. The difference was due primarily to a decrease of $5.7 million in purchases of certificates of deposit, an increase of $0.4 million in proceeds from maturities of certificates of deposit, offset by $3.5 million in cash obtained in Mast's acquisition of Aires for the year ended December 31, 2014.

Financing activities. Net cash provided by financing activities was $15.9 million for the nine months ended September 30, 2016 compared to $16.8 million for the same period in 2015. Cash provided by financing activities for the nine months ended September 30, 2016 was primarily a result of net proceeds of $9.6 million from the sale of common stock under its ATM equity offering program, net proceeds of $7.3 million from the sale of units consisting of shares of Mast's common stock and warrants to purchase Mast's common stock in February 2016, and proceeds of $0.4 million from the exercise of warrants. Net cash provided by sales of Mast's equity securities were offset by $1.4 million in payments made on and costs related to Mast's debt facility in the nine months ended September 30, 2016. Net cash provided by financing activities for the nine months ended September 30, 2015 was primarily a result of net proceeds of $14.8 million under its debt facility and net proceeds of $2.0 million from the sale of common stock under Mast's ATM equity offering program.

Net cash provided by financing activities was $16.8 million for the year ended December 31, 2015, compared to $34.3 million for the year ended December 31, 2014. The cash provided by financing activities in

2015 consisted of net proceeds of $14.8 million under Mast's debt facility with Hercules and $2.0 million from sales of its shares of common stock through Mast's ATM program. Net cash provided by financing activities in 2014 consisted of net proceeds of $19.7 million from the underwritten public offering of Mast's equity securities completed in November 2014 and net proceeds of $14.6 million from sales of Mast's common stock under the ATM program.

Management Outlook

Based on its projected capital needs, Mast's current cash, cash equivalents and investment securities and working capital will not be sufficient to fund its operations for the next 12 months. Mast expects that its cash, cash equivalents and investment securities as of September 30, 2016 will be sufficient to fund its operations into the second quarter of 2017. Subject to restrictions in the Merger Agreement, Mast intends to raise additional capital through its ATM program, other equity or debt financings, and/or through collaborations, including licensing arrangements, to pursue its current business strategy and planned operations. However, these efforts may not be successful and adequate additional capital may not be available to Mast on acceptable terms, on a timely basis, or at all. These uncertainties raise substantial doubt about its ability to continue as a going concern.

Estimates of the period of time through which its current financial resources will be adequate to support its operations are forward-looking statements based on significant assumptions. Mast could utilize its financial resources sooner than it currently expects. Forward-looking statements involve a number of risks and uncertainties and actual results could differ materially if the assumptions on which Mast has based its forward-looking statements prove to be wrong. Factors that will affect Mast's operating expenses and future capital requirements include, but are not limited to:

- the extent of expenses incurred in connection with seeking stockholder approval of the merger and completing the transaction contemplated by the Merger Agreement;
- Mast's ability to manage its operating costs;
- the scope and nature of activities Mast pursues to advance development of its product candidates, including clinical and nonclinical studies and research-related manufacturing activities;
- delays in commencement and completion of clinical and nonclinical studies of Mast's product candidates and the extent to which results are negative or inconclusive;
- resources allocated to pursue strategic opportunities for Mast's vepoloxamer-related assets or, if Mast and Savara do not consummate the merger, to pursue potential financing transactions or strategic opportunities for all of its assets, and the nature of any such transaction, if executed; and
- Mast's ability to avoid an event of default under its loan agreement with Hercules that would accelerate repayment of all or part of its obligations under the agreement.

Mast may utilize its current financial resources sooner than it currently expects if it is not successful in managing its operating costs, including costs related to consummating the merger, or if Mast incurs unanticipated expenses, or if other assumptions on which Mast has based its plans and forecasts prove to be wrong. If Mast is unable to raise sufficient additional capital as needed, Mast may further reduce its operations and may also be compelled to repay all of its outstanding debt to Hercules and/or sell certain assets, including intellectual property assets, for less than what Mast believes their value may be under other circumstances, any of which would have a material and adverse effect on Mast's financial condition and ability to pursue its business strategy.

Recent Accounting Pronouncements

See Note 3, "Summary of Significant Accounting Policies," of the Notes to the Mast Condensed Consolidated Financial Statements (Unaudited) in this proxy statement/prospectus/information statement for a discussion of recent accounting pronouncements and their effect, if any, on Mast.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MAST MARKET RISK

Mast has market risk exposure related to its cash, cash equivalents and investment securities. Mast invests its excess cash in FDIC-insured certificates of deposit. Changes in interest rates affect the interest income Mast earns on its investments and therefore impacts its cash flows and results of operations.

Mast does not believe that its cash, cash equivalents and investment securities have significant risk of default or illiquidity. While Mast believes its cash and cash equivalents do not contain excessive risk, Mast cannot provide absolute assurance that in the future its investments will not be subject to adverse changes in market value. In addition, Mast maintains significant amounts of cash and cash equivalents at one or more financial institutions that are in excess of federally insured limits.

Mast also has interest rate exposure as a result of its debt facility with Hercules. As of September 30, 2016, the outstanding principal amount of the term loan was $13.7 million. The outstanding principal under the loan accrues interest at a rate equal to the greater of (i) 8.95% plus the prime rate as reported from time to time in The Wall Street Journal minus 3.25%, and (ii) 8.95%. Changes in the prime rate may therefore affect Mast’s interest expense associated with its secured term loan.

If a 10% change in interest rates from the interest rates on September 30, 2016 were to have occurred, this change would not have had a material effect on the value of Mast’s investment portfolio or on Mast’s interest expense obligations with respect to outstanding borrowed amounts.

Inflation generally affects Mast by increasing its cost of labor and clinical trial costs. Mast does not believe that inflation has had a material effect on its results of operations during the periods presented.

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

You should read the following discussion and analysis of Savara's financial condition and results of operations together with the section entitled "Selected Historical and Unaudited Pro Forma Condensed Combined Financial Data — Selected Historical Consolidated Financial Data of Savara" and Savara's consolidated financial statements and related notes included elsewhere in this proxy statement/prospectus/information statement. This discussion and other parts of this proxy statement/prospectus/information statement contain forward-looking statements that involve risks and uncertainties, such as its plans, objectives, expectations, intentions and beliefs. Savara's actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section entitled "Risk Factors Related to Savara" included elsewhere in this proxy statement/prospectus/information statement.

Overview

Savara is a clinical stage specialty pharmaceutical company focused on the development and commercialization of product candidates for patients with rare respiratory diseases, including cystic fibrosis (CF), and pulmonary alveolar proteinosis (PAP). Savara's lead clinical stage product candidate, AeroVanc, is an inhaled formulation of vancomycin, intended for the treatment of persistent methicillin-resistant *Staphylococcus aureus* (MRSA) lung infection in CF patients. Savara's second clinical stage product candidate, Molgradex, is an inhaled formulation of recombinant human granulocyte-macrophage colony-stimulating factor (GM-CSF), intended for the treatment of PAP. Savara was formed as a corporation in Delaware in 2007. Savara operates in one segment and has its principal offices in Austin, Texas. Since inception, Savara has devoted substantially all of its efforts and resources to identifying and developing its product candidates, recruiting personnel, and raising capital. Savara has incurred operating losses and negative cash flow from operations and has no material product revenue from inception to date. Savara has not yet commenced commercial operations. From inception to September 30, 2016, Savara has raised net cash proceeds of approximately $42.9 million, primarily from private placements of convertible preferred stock and bridge financings.

Savara has never been profitable and has incurred operating losses in each year since inception. Savara's net losses were $9.0 million, $6.3 million and $7.0 million for the years ended December 31, 2015 and 2014 and for the nine months ended September 30, 2016, respectively. As of September 30, 2016, Savara had an accumulated deficit of $34.4 million. Substantially all of Savara's operating losses resulted from expenses incurred in connection with its research and development programs and from general and administrative costs associated with its operations.

Savara has chosen to operate by outsourcing its manufacturing and most of its clinical operations. Savara expects to incur significant additional expenses and increasing operating losses for at least the next several years as it initiates and continues the clinical development of, and seeks regulatory approval for, its product candidates and adds personnel necessary to operate as a public company with an advanced clinical candidate pipeline of products. In addition, operating as a publicly traded company would involve the hiring of additional financial and other personnel, upgrading its financial information systems and incurring costs associated with operating as a public company. Savara expects that its operating losses will fluctuate significantly from quarter to quarter and year to year due to timing of clinical development programs and efforts to achieve regulatory approval.

As of September 30, 2016, Savara had cash of $15.5 million. Savara will continue to require substantial additional capital to continue its clinical development and potential commercialization activities. Accordingly, Savara will need to raise substantial additional capital to continue to fund its operations. The amount and timing of its future funding requirements will depend on many factors, including the pace and results of its clinical development efforts. Failure to raise capital as and when needed, on favorable terms or at all, would have a negative impact on its financial condition and its ability to develop its product candidates.

Recent Events

On January 6, 2017, Savara entered into the Merger Agreement with Mast pursuant to which, among other things, subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement, that a wholly owned subsidiary of Mast will merge with and into Savara, with Savara becoming a wholly-owned subsidiary of Mast and the surviving corporation of the merger. At the closing of the merger, each outstanding share of Savara's common stock will be converted into the right to receive approximately 40 pre-split shares of common stock of Mast (or [●] shares post-split), as well as the payment of cash in lieu of fractional shares. Immediately following the effective time of the Merger, Mast equity holders are expected to own approximately 24% of the combined company, with Savara's preexisting equity holders expected to own approximately 76%.

Financial Operations Overview

Research and Development Expenses

Research and development expenses represent costs incurred to conduct research and development, such as the development of Savara's product candidates. Savara recognizes all research and development costs as they are incurred. Research and development expenses consist primarily of the following:

- expenses incurred under agreements with consultants and clinical trial sites that conduct research and development activities on Savara's behalf;
- laboratory and vendor expenses related to the execution of clinical trials;
- contract manufacturing expenses, primarily for the production of clinical supplies; and
- internal costs that are associated with activities performed by Savara's research and development organization and generally benefit multiple programs. Where appropriate, these costs are allocated by product candidate. Unallocated internal research and development costs consist primarily of:
  - personnel costs, which include salaries, benefits and stock-based compensation expense;
  - allocated facilities and other expenses, which include expenses for rent and maintenance of facilities and depreciation expense; and
  - regulatory expenses and technology license fees related to development activities.

The largest component of Savara's operating expenses has historically been its investment in research and development activities. The following table shows Savara's research and development expenses for the years ended December 31, 2015 and 2014 and for the nine months ended September 30, 2016 and 2015:

	Year Ended December 31,		Nine Months Ended September 30,	
	2015	2014	2016	2015
	(in thousands)			
Product candidates:				
AeroVanc	$4,321	$5,383	$4,303	$ 2,818
Molgradex	—	—	391	—
Other clinical programs and research related costs	—	46	—	—
Total research and development expenses	$4,321	$5,429	$4,694	$ 2,818

Savara expects research and development expenses will increase in the future as Savara advances its product candidates into and through clinical trials and pursues regulatory approvals, which will require a significant increased investment in regulatory support and contract manufacturing and inventory build-up related costs. In addition, Savara continues to evaluate opportunities to acquire or in-license other product candidates and technologies, which may result in higher research and development expenses due to license fee and/or milestone payments.

The process of conducting clinical trials necessary to obtain regulatory approval is costly and time consuming. Savara may never succeed in timely developing and achieving regulatory approval for its product candidates. The probability of success of Savara's product candidates may be affected by numerous factors, including clinical data, competition, intellectual property rights, manufacturing capability and commercial viability. As a result, Savara is unable to accurately determine the duration and completion costs of Savara's development projects or when and to what extent Savara will generate revenue from the commercialization and sale of any of its product candidates.

General and Administrative Expenses

General and administrative expenses consist of personnel costs, facility expenses and expenses for outside professional services, including legal, audit and accounting services. Personnel costs consist of salaries, benefits and stock-based compensation. Facility expenses consist of rent and other related costs. General and administrative costs also include depreciation expense and other supplies. Savara expects to incur additional expenses as a result of becoming a public company following completion of the merger, including expenses related to compliance with the rules and regulations of the SEC and the NYSE, additional insurance, investor relations and other administrative expenses and professional services.

Critical Accounting Policies and Estimates

Savara's management's discussion and analysis of financial condition and results of operations is based on its consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires Savara to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses. On an ongoing basis, Savara evaluates these estimates and judgments. Savara bases its estimates on historical experience and on various assumptions that Savara believes to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities and the recording of expenses that are not readily apparent from other sources. Actual results may differ materially from these estimates. Savara believes that the accounting policies discussed below are critical to understanding its historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

Accrued Research and Development Expenses

Savara records accrued expenses for estimated costs of its research and development activities conducted by external service providers, which include the conduct of clinical trial and contract formulation and manufacturing activities. Savara records the estimated costs of development activities based upon the estimated amount of services provided but not yet invoiced, and includes these costs in accrued liabilities in the consolidated balance sheet and within development expense in the consolidated statement of operations and comprehensive loss. These costs are a significant component of Savara's research and development expenses. Savara records accrued expenses for these costs based on the estimated amount of work completed and in accordance with agreements established with these external service providers.

Savara estimates the amount of work completed through discussions with internal personnel and external service providers as to the progress or stage of completion of the services and the agreed-upon fee to be paid for such services. Savara makes significant judgments and estimates in determining the accrued balance in each reporting period. As actual costs become known, Savara adjusts their accrued estimates.

Stock-based Compensation

Savara recognizes stock-based awards to employees and directors, including stock options, based on the fair value on the grant date using the Black-Scholes option pricing model. The related stock-based compensation is recognized as expense on a straight line-basis over the employee's or director's requisite service period

(generally the vesting period). Noncash stock compensation expense is based on awards ultimately expected to vest and is reduced by an estimate for future forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from estimates.

Savara accounts for stock-based compensation arrangements with non-employees using a fair value approach. The fair value of options granted to non-employees is measured using the Black-Scholes option pricing model reflecting similar assumptions for employees except that the expected term is based on the options' remaining contractual term instead of the simplified method in each of the reported periods. The compensation costs of these arrangements are subject to remeasurement over the vesting terms as earned.

In determining the fair value of the stock-based awards, Savara uses the Black-Scholes option-pricing model and assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment to determine.

Fair Value of Common Stock. The fair value of the shares of common stock underlying stock options has historically been determined by Savara's board of directors. In order to determine the fair value of the common stock at the time of grant of the option, the Savara Board considered, among other things, valuations performed by an independent third-party. Because there has been no public market for Savara's common stock, the Savara Board exercised reasonable judgment and considered a number of objective and subjective factors to determine the best estimate of the fair value of Savara's common stock, including important developments in Savara's operations, sales of convertible preferred stock, actual operating results and financial performance, the conditions in the life sciences industry and the economy in general, the stock price performance and volatility of comparable public companies, and the lack of liquidity of its common stock, among other factors.

Expected Term. Savara's expected term represents the period that their stock-based awards are expected to be outstanding and is determined using the simplified method (based on the mid-point between the vesting date and the end of the contractual term) for employee options and the contractual term for non-employee options.

Expected Volatility. Since Savara is privately held and does not have any trading history for its common stock, the expected volatility was estimated based on the average volatility for comparable publicly traded biotechnology companies over a period equal to the expected term of the stock option grants. The comparable companies were chosen based on their similar size, or stage in the life cycle.

Risk-Free Interest Rate. The risk-free interest rate is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of option.

Expected Dividend. Savara has never paid dividends on its common stock and has no plans to pay dividends on its common stock. Therefore, Savara used an expected dividend yield of zero.

For the years ended December 31, 2015 and 2014, stock-based compensation expense was $153,000 and $141,000, respectively. For the nine months ended September 30, 2016 and 2015, stock-based compensation expense was $154,000 and $117,000, respectively. As of September 30, 2016, Savara had $0.4 million of total unrecognized stock-based compensation costs, net of estimated forfeitures, which it expects to recognize over a weighted-average period of 7.7 years.

Results of Operations — Comparison of Nine Months Ended September 30, 2016 and 2015

	Nine Months Ended September 30,		Dollar Change
	2016	2015	
	(in thousands)		
Grant revenue	$ —	$ 54	$ (54)
Operating expenses:			
Research and development	$ 4,694	$ 2,818	$ 1,876
General and administrative	2,211	1,173	1,038
Total operating expenses	6,905	3,991	2,914
Loss from operations	(6,905)	(3,937)	(2,968)
Other expense	50	2,312	2,262
Net loss	$(6,955)	$(6,249)	$ (706)

Research and development

Research and development expenses increased by $1.9 million, or 67%, to $4.7 million for the nine months ended September 30, 2016 from $2.8 million for the nine months ended September 30, 2015. The increase was due to $1.5 million in increased development costs associated with AeroVanc which is preparing to initiate the Phase 3 study, which will begin in 2017, of which the majority of this increase related to CMC activity associated with the Phase 3. Additionally, research and development increased $0.4 million related to the acquisition of Serendex and the costs associated with Savara's development of Molgradex.

General and administrative

General and administrative expenses increased by $1.0 million, or 88%, to $2.2 million for the nine months ended September 30, 2016 from $1.2 million for the nine months ended September 30, 2015. The increase was due to an increase of $0.4 million in connection with various business development activities, including the acquisition costs of Serendex, $0.1 million in personnel related costs due to increase in headcount, and $0.2 million in accounting/auditing fees and related services.

Other expense

Other expense decreased by $2.2 million, or 98%, to $0.1 million for the nine months ended September 30, 2016 from $2.3 million for the nine months ended September 30, 2015. The decrease was due to no longer recording interest expense and discount accretion of the 2014 Notes Payable as these automatically converted in the fourth quarter of 2015.

Results of Operations — Comparison of the Years Ended December 31, 2015 and 2014

	Year Ended December 31,		Dollar Change
	2015	2014	
	(in thousands)		
Grant revenue	$ 54	$ 1,548	$(1,494)
Operating expenses:			
Research and development	$ 4,321	$ 5,429	$(1,108)
General and administrative	1,656	1,568	88
Total operating expenses	5,977	6,997	(1,020)
Loss from operations	(5,923)	(5,449)	474
Other expense	3,076	833	2,243
Net loss	$ (8,999)	$ (6,282)	$(2,717)

Grant Revenue

Grant revenue decreased by $1.5 million, or 97%, to $0.1 million for the year ended December 31, 2015 from $1.5 million for the year ended December 31, 2014. The decrease was due to the fact that the grant revenue was associated with the Phase 2 clinical trial for AeroVanc for which the majority of the activity was completed in 2014.

Research and development

Research and development expenses decreased by $1.1 million, or 20%, to $4.3 million for the year ended December 31, 2015 from $5.4 million for the year ended December 31, 2014. The decrease was due to reduced Phase 2 clinical trial activity in 2015 compared to 2014 in connection with Savara's AeroVanc program as the majority of the Phase 2 activity was completed in 2014.

General and administrative

General and administrative expenses increased by $0.1 million or 6%, to $1.7 million for the year ended December 31, 2015 from $1.6 million for the year ended December 31, 2014. The increase was the result of increased accounting and audit services in 2015 as compared to 2014.

Other expense

Other expense increased by $2.2 million on 269% to $3.1 million for the year ended December 31, 2015 from $0.8 million for the year ended December 31, 2014. The increase was due to interest expense and accretion of the 2014 Notes Payable, which automatically converted into shares of Savara Series C redeemable convertible preferred stock (Series C Preferred Stock") in the fourth quarter of 2015.

Liquidity and Capital Resources

Sources of Liquidity

Since inception through September 30, 2016, Savara's operations have been financed primarily by net cash proceeds of $23.3 million from the sale of its convertible preferred stock and the offering of convertible bridge notes in the amount of $19.6 million. As of September 30, 2016, Savara had $15.5 million in cash and an accumulated deficit of $34.4 million. Savara expects that its research and development and general and administrative expenses will increase, and, as a result, Savara anticipates that it will continue to incur increasing losses in the foreseeable future. Therefore, Savara will need to raise additional capital to fund its operations, which may be through the issuance of additional equity, including in connection with the contemplated merger with Mast, and potentially through borrowings.

Note and Warrant Purchase Agreement

During 2014, Savara borrowed $10 million from several investors under convertible subordinate promissory notes (the "2014 Notes"). On December 3, 2015, the 2014 Notes were converted into Series C Preferred Stock in accordance with the automatic conversion provision of the 2014 Notes. The 2014 Notes had an 8.0% simple interest rate per annum computed on the basis of the actual number of days elapsed and a year of 365 days. All unpaid principal, together with any then accrued but unpaid interest was due and payable on the earliest of (i) December 31, 2015 (the "Maturity Date"), (ii) the closing of a change of control as defined, or (iii) the occurrence of an event of default, as defined. The 2014 Notes were pre-payable only with the written consent of the holders of a majority of the principal amount of the then-outstanding 2014 Notes.

On December 3, 2015, the date of the automatic conversion, the 2014 Notes and separated put option liability were surrendered in exchange for Series C Preferred Stock. The debt contract and separated derivative

liability were both subject to extinguishment accounting, and a loss in the amount of $226,000 was recorded in the Savara statement of operations and comprehensive loss. The loss was calculated as the difference between the net book value of the 2014 Notes plus the fair value of the put option immediately prior to the automatic conversion, and the fair value of the Series C Preferred Stock into which the 2014 Notes were converted.

Savara has authorized and is pursing the subscription of up to $15 million, in a 2016 Convertible Promissory Note (the "2016 Note") financing. The 2016 Note carries an annual simple interest rate of 8.0% and is convertible into certain shares of Savara's equity dependent upon the earlier of the maturity date of June 30, 2018, a subsequent qualified financing, change of control event, Regulation A offering, an Initial Public Offering ("IPO"). The 2016 Notes were amended such that they automatically convert at a stipulated discount upon the consummation of the proposed merger with Mast. In consideration for the purchase of the 2016 Notes on or prior to August 15, 2016, Savara will issue to each investor who purchases a 2016 Note, a warrant to purchase Savara's Series C Preferred Stock. Each warrant will be exercisable for that number of whole shares equal to the quotient obtained by dividing (a) by (b), where (a) is an amount equal to 15% of the principal amount of 2016 Note issued to the investor and (b) is the Series C Preferred Stock price. The exercise price per share shall be the Series C Preferred Stock price. The Warrants will expire five (5) years from the date of issuance, or earlier upon an Acquisition or IPO. The Warrants will be exercisable upon the earlier to occur of an Acquisition or an IPO. As of September 30, 2016, the carrying value of the 2016 Note was approximately $3.2 million. These Warrants have also been amended such that the contemplated merger with Mast would enable the warrant holder to have the right to exercise the warrant any time during the five year expiration period.

Cash Flows

The following table summarizes Savara's cash flows for the periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,	
	2015	2014	2016	2015
	(in thousands)			
Cash used in operating activities	$ (4,778)	$ (3,512)	$(6,180)	$(3,249)
Cash used in investing activities	—	(3)	(8)	—
Cash provided by financing activities	8,773	10,000	5,017	—
Net increase/(decrease) in cash	$ 3,995	$ 6,485	$(1,171)	$(3,249)

Cash flows from operating activities

Cash used in operating activities for the nine months ended September 30, 2016 was $6.2 million, consisting of a net loss of $7.0 million, which was partially offset by noncash charges of $0.5 million, mainly comprised of depreciation and stock-based compensation, and by a net increase in liabilities of $0.4 million. The change in Savara's net operating assets and liabilities was primarily due to an increase accrued liabilities mostly related to research and development costs for both AeroVanc and Molgradex.

Cash used in operating activities for the nine months ended September 30, 2015 was $3.2 million, consisting of a net loss of $6.2 million, which was partially offset by noncash charges of $2.4 million, including $1.5 million related to the accretion of discount to convertible promissory notes, and by net changes in operating assets and liabilities of $0.5 million. The change in Savara's net operating assets and liabilities was due primarily to an increase of $1.0 million in grant award receivables and a decrease in accrued liabilities of $0.5 million related to the decrease in research and development activities.

Cash used in operating activities for the year ended December 31, 2015 was $4.8 million, consisting of a net loss of $9.0 million, which was partially offset by noncash charges of $3.2 million and by net changes in operating assets and liabilities of $1.0 million. The change in Savara's net operating assets and liabilities was due primarily to an increase of $1.0 million in grant award receivables.

Cash used in operating activities for the year ended December 31, 2014 was $3.5 million, consisting of a net loss of $6.3 million, which was partially offset by noncash charges of $1.0 million and by $1.8 million in net changes in operating assets and liabilities, mostly consisting of an increase in grant award receivables of $1.6 million.

Cash flows from investing activities

Cash used in investing activities for all periods presented was related to purchases of property and equipment, primarily related to office and computer equipment.

Cash flows from financing activities

Cash provided by financing activities for all periods presented was related to proceeds from the issuance of convertible preferred stock, net of issuance costs and/or issuance of convertible promissory notes.

Future Funding Requirements

Savara has not generated any revenue from product sales. Savara does not know when, or if, it will generate any revenue from product sales. Savara does not expect to generate any revenue from product sales unless and until it obtains regulatory approval for and commercializes any of its product candidates. At the same time, Savara expects its expenses to increase in connection with its ongoing development and manufacturing activities, particularly as Savara continues the research, development, manufacture and clinical trials of, and seeks regulatory approval for, its product candidates. Upon the closing of the merger, Savara expects to incur additional costs associated with operating as a public company. In addition, subject to obtaining regulatory approval of any of its product candidates, Savara anticipates that it will need substantial additional funding in connection with its continuing operations.

As of September 30, 2016, Savara had cash of $15.5 million. Savara will continue to require substantial additional capital to continue its clinical development and potential commercialization activities. Accordingly, Savara will need to raise substantial additional capital to continue to fund its operations. The amount and timing of its future funding requirements will depend on many factors, including the pace and results of its clinical development efforts. Failure to raise capital as and when needed, on favorable terms or at all, would have a negative impact on its financial condition and Savara's ability to develop its product candidates.

Until Savara can generate a sufficient amount of product revenue to finance its cash requirements, it expects to finance its future cash needs primarily through the issuance of additional equity subsequent to this contemplated merger, and potentially through borrowings, grants and strategic alliances with partner companies. To the extent that Savara raises additional capital through the issuance of additional equity or convertible debt securities, the ownership interest of Savara's 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 Savara's ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If Savara raises additional funds through marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, Savara may have to relinquish valuable rights to its technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to Savara. If Savara is unable to raise additional funds through equity or debt financings when needed, Savara may be required to delay, limit, reduce or terminate its product development or commercialization efforts or grant rights to develop and market product candidates to third parties that Savara would otherwise prefer to develop and market itself.

Contractual Obligations and Other Commitments

As of December 31, 2015, Savara leased its office facilities under a non-cancellable operating lease. The lease term was extended for a period of 48 months, commencing on December 1, 2015, and expiring on

November 30, 2019. Savara recognizes rent expense on a straight-line basis over the operating lease term. The lease is cancellable three years after execution of the lease if Savara notifies the property owner of its intention to cancel the lease by the end of second year of the lease. The future minimum annual lease payments under the operating lease are as follows (in thousands):

Year ending December 31,	
2016	$110
2017	111
2018	113
2019	106
Total minimum lease payments	$440

As of December 31, 2015, Savara leases certain research and development equipment as part of a contract manufacturing arrangement. The leased equipment is accounted for as a capital lease, and the present value of the future minimum lease payments are recorded as a liability on the balance sheet as of December 31, 2015. The future minimum annual lease payments under the capital lease are as follows (in thousands):

Year ending December 31,	
2016	$ 312
2017	312
2018	312
2019	313
Total minimum lease payments	1,249
Less: imputed interest	(147)
Total capital lease obligation	$1,102

License and Royalty Agreements

Savara is also subject to certain contingent payments to the Cystic Fibrosis Foundation Therapeutics (CFFT) in connection with a $1.7 million award from the CFFT that was provided to Savara in support of AeroVanc research (CFF Award). A payment is due to the CFFT equal to three (3) times the amount of the CFF Award upon approval of AeroVanc for commercial use. The payment is owed in equal installments of 33% due 60 days after first commercial sale; 33% due 90 days of the first anniversary of the first commercial sale; and 34% due within 90 days of 2nd anniversary of first commercial sale. As Savara's product has not yet been approved for commercial use, Savara has not recorded a liability for the commercial approval payment.

In addition, if net sales exceed $50.0 million for any calendar year occurring during the first five years after the first commercial sale, Savara must remit payment to the CFFT equal to one (1) times the CFF Award. Furthermore, if net sales exceed $100.0 million for any calendar year occurring during the first five years after first commercial sale, Savara must remit an additional payment to the CFFT equal to one (1) times the CFF Award. Given Savara has not recognized any sales from AeroVanc, Savara has not recorded a liability for any amounts due as additional royalties.

Savara is subject to various manufacturing royalties and payments related to Molgradex. Upon the successful development, registration and attainment of approval by the proper health authorities, such as the FDA, in any territory except Latin America, Central America and Mexico, Savara must pay a royalty of three percent (3%) on annual net sales to the manufacturer of its Active Pharmaceutical Ingredients ("API"). Under this agreement with the API manufacturer, no signing fee or milestones are included in the royalty payments, and there is no minimum royalty. Additionally, Savara has a commitment to acquire a working cell bank and a master cell bank for $1,950,000 from this API manufacture in the third quarter of 2017.

Savara is also subject to certain contingent milestone payments up to approximately seven million euros based upon various development activities and regulatory approvals payable to Savara's manufacturer of its nebulizer used to administer Molgradex. In addition to these milestones, Savara will owe a royalty to the manufacturer of its nebulizer based on net sales. The royalty rate ranges from three and a half percent (3.5%) to five percent (5%) depending on the device technology used by Savara to administer to product.

Additionally, should Savara choose to sublicense AeroVanc or Molgradex, it may be required to make milestone payments and remit royalties and other amounts to third parties.

Acquisition of Serendex Pharmaceuticals

On July 15, 2016, Savara closed on a Business Transaction Agreement ("BTA") under which Savara acquired certain assets, liabilities, employees, and subsidiaries of Serendex Pharmaceuticals A/S ("Seller"), a limited liability company incorporated under the laws of Denmark which delisted from the Oslo Axxes ("Oslo Stock Exchange") on or about May 4, 2016. The Seller's wholly owned subsidiaries include Pharmaorigin ApS and Drugrecure ApS (the "Subsidiaries") which are limited liability companies incorporated under the laws of Denmark. The Seller was a biopharmaceutical development company which, directly and through its Subsidiaries, advanced a pipeline and portfolio of novel inhalation therapies and related technologies for the treatment of severe pulmonary conditions. Its primary focus was on the medicinal product Molgradex® (an inhalation formulation of recombinant human GM-CSF for the treatment of pulmonary alveolar proteinosis). The purchase price consists of 3,353,925 shares of Savara's common stock, subject to a hold back of 670,785 shares of common stock by Savara in the name of the Seller as security for the Seller's obligations under the BTA until the lapse of the deadline for submission of claims, and $21.5 million of contingent cash consideration based upon the achievement of certain milestones.

Other Contracts

Savara enters into contracts in the normal course of business with various third parties for research studies, clinical trials, testing and other services. These contracts generally provide for termination upon notice, and therefore Savara believes that its non-cancelable obligations under these agreements are not material except for certain obligations under its agreement for its capitalized lease asset.

Off-Balance Sheet Arrangements

Savara has not entered into any off-balance sheet arrangements and do not have any holdings in variable interest entities.

Recent Accounting Pronouncements

In November 2015, the FASB issued Accounting Standards Update 2015-17, "Income Taxes, Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"), which eliminates the current requirement for reporting entities to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, reporting entities will be required to classify all deferred tax assets and liabilities as noncurrent. This guidance is effective for fiscal years beginning after December 15, 2016. The adoption of this standard is not expected to have a material impact on Savara's financial statements.

In February 2016, the FASB issued Accounting Standards Update 2016-02, "Leases" ("ASU 2016-02"). The update aims at making leasing activities more transparent and comparable, and requires substantially all leases be recognized by lessees on their balance sheet as a right-of-use asset and a corresponding lease liability, including leases currently accounted for as operating leases. The update also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 with early adoption permitted. Savara is currently evaluating the impact of the adoption of ASU 2016-02 on its financial statements.

In March 2016, the FASB issued Accounting Standards Update 2016-09, “Compensation — Stock Compensation: Improvements to Employee Share-Based Payment Accounting” (“ASU 2016-09”). ASU 2016-09 changes certain aspects of the accounting for share-based payment awards, including accounting and cash flow classification for excess tax benefits and deficiencies; income tax withholding obligations; forfeitures; and cash flow classification. ASU 2016-09 is effective for Savara for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018 with early adoption permitted. Savara is currently evaluating the effect of this new guidance on its financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*. The ASU clarifies the classification and presentation of changes in restricted cash on the statement of cash flows. The ASU is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Savara does not expect the adoption of ASU 2016-18 will have a material impact on its consolidated financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT SAVARA MARKET RISK

As of September 30, 2016, Savara had cash of $15.5 million, which consisted of bank deposits. Such interest-earning instruments carry a degree of interest rate risk; however, historical fluctuations of interest income have not been significant. Savara has not been exposed nor does it anticipate being exposed to material risks due to changes in interest rates. A hypothetical 1% change in interest rates during any of the periods presented would not have had a material impact on Savara's consolidated financial statements.

Savara has ongoing operations in Denmark as a result of its acquisition of Serendex and pays those vendors in local currency (Danish Krone) or Euros. Savara does not participate in any foreign currency hedging activities and it does not have any other derivative financial instruments. Savara did not recognize any significant exchange rate losses during the nine-month period ended September 30, 2016. A 10% change in the krone-to-dollar or euro-to-dollar exchange rate on September 30, 2016 would not have had a material effect on Savara's results of operations or financial condition.

MANAGEMENT FOLLOWING THE MERGER

Executive Officers and Directors

Resignation of Current Executive Officers of Mast

Pursuant to the Merger Agreement, all of the current executive officers of Mast will resign immediately prior to the completion of the merger.

Executive Officers and Directors of the Combined Company Following the Merger

The Mast Board is currently composed of five directors. Pursuant to the Merger Agreement, all of the directors of Mast who will no longer be members of the Mast Board immediately after the effective time of the merger will resign at or prior to the effective time of the merger. As of the effective time of the merger, the board of directors will initially consist of the five directors currently serving on the Savara Board and two independent directors designated by Mast.

Following the merger, the management team of Mast is expected to be composed of the management team of Savara. The following table lists the names, ages as of January 1, 2017 and positions of the individuals who are expected to serve as executive officers and directors of Mast upon completion of the merger:

Name	Age	Position(s)
Executive Officers		
Robert Neville	50	Chairman, Chief Executive Officer and President
Taneli Jouhikainen	50	Chief Operating Officer
David Lowrance	49	Chief Financial Officer
Non-Employee Directors		
Nevan Elam	49	Director
Richard J. Hawkins	68	Director
Joseph S. McCracken	63	Director
Yuri Pikover	55	Director
[●]		Director
[●]		Director

Executive Officers

Robert Neville has served as Savara's Chairman, CEO and President since he co-founded the company in June 2008. From January 2003 to December 2004, he served as managing director of Clockwise Consulting, where he worked with the Texas Children's Hospital and the Baylor College of Medicine to develop an ICU-based monitoring and diagnostic device. From June 2000 to December 2002, he served as Vice President of Engineering at BMC Software, a software company providing information technology management solutions, where he oversaw the integration and expansion of the product line based on the acquisition of his previous company, Evity, Inc.. From June 1998 to May 2000, Mr. Neville served as co-founder and CEO of Evity, Inc., a developer of a web-based application that enables customers to measure their transaction performance, where he led the development of the company until its acquisition by BMC Software. Based on his work at Savara and Evity, Mr. Neville was honored as a two-time finalist for the Ernst & Young Entrepreneur of the Year award. Mr. Neville holds a post-graduate Engineering degree from the University of Natal South Africa. Mast believes Mr. Neville's experience as Chief Executive Officer of Savara and his previous service in executive positions at various companies qualifies him to serve on the Mast Board.

Dr. Taneli Jouhikainen is a co-founder of Savara, and has served as Chief Operating Officer since October 2009. From October 2006 until September 2009, he served at Akela Pharma, Inc., a public clinical stage

specialty pharmaceutical company focused on orphan drugs and inhalation products, first as Head of Corporate Development, and subsequently as interim CEO until the company's merger with Nventa Biopharmaceuticals. From January 2004 to September 2006, he served as President of LAB Pharma Oy, and Head of the Drug Development Business Unit of its parent company, LAB International, Inc., a public clinical stage specialty pharmaceutical company. From January 2001 to January 2004, he served at Focus Inhalation Oy, a clinical stage specialty pharmaceutical company focusing on inhaled products, first as Vice President of Business Development & Strategy, and subsequently as President and Chief Executive Officer, until the merger of Focus Inhalation with LAB International, Inc. From May 1994 to December 2000, he served at Schering AG, a global pharmaceutical company, first as Research Manager, and subsequently as Head of Clinical Development. Dr. Jouhikainen holds an MD and a Ph.D. in hematology and immunology from the University of Helsinki, and an MBA from the Helsinki School of Economics.

David Lowrance has served as Savara's Chief Financial Officer since November 2016. From September 2014 to October 2016, Mr. Lowrance served as the Chief Financial Officer and Treasurer of Edgemont Pharmaceuticals, a fully-integrated specialty pharmaceutical company with multiple marketed products in the CNS space. From April 2011 to September 2014, Mr. Lowrance served as the Chief Financial Officer and Secretary of Acucela Inc., a clinical-stage biotechnology company that specializes in ophthalmic therapeutics, where he was responsible for overseeing all aspects of Acucela's day-to-day operations, business development and growth endeavors, investor relations and corporate communications. While at Acucela, Mr. Lowrance helped lead a $162 million international IPO, with a listing on the Tokyo Stock Exchange. From March 2003 to April 2011, Mr. Lowrance was Vice President and Chief Financial Officer of Cumberland Pharmaceuticals Inc., a specialty pharmaceutical company focused on commercializing branded prescription products, where he oversaw all aspects of finance and accounting, business and growth strategy and product development. Mr. Lowrance, a CPA, holds a B.B.A. in Accounting from the University of Georgia.

Non-Employee Directors

Nevan Elam has served as a member of the Savara Board since February 2009. Mr. Elam is currently the President, Chief Executive Officer and Chairman of AntriaBio, Inc., a biopharmaceutical company focused on developing novel extended release therapies. Prior to his tenure at AntiraBio which began in October 2012, Mr. Elam served for three years as the Chief Executive Officer and President of AeroSurgical Ltd., a medical device company operating out of Ireland. Prior to his service with AeroSurgical Ltd., Mr. Elam was Head of the Pulmonary Business Unit and Senior Vice President of Nektar Therapeutics. Earlier in his career he was a founder and Chief Financial Officer of E2open as well as a Partner in the corporate practice of the law firm of WSGR. In addition to serving on the AntriaBio Board of Directors, he also serves on the Board of Directors of pH Pharmaceuticals in Seoul, Korea. Mr. Elam received his Juris Doctorate from Harvard Law School and a Bachelors of Arts from Howard University. Mast believes Mr. Elam's broad experience with pharmaceutical companies, including advising them of their unique legal and regulatory obligations, qualifies him to serve on the Mast Board.

Richard J. Hawkins has served as a member of the Savara Board since October 2010. Since September 2010, Mr. Hawkins has served as President and Chief Executive Officer of Lumos Pharma, Inc., a clinical stage biotechnology company focused on bringing novel therapies to patients with severe, rare, and genetic diseases, whose medical needs are unmet. From 2000 to 2010, Mr. Hawkins, founded and advised numerous pharmaceutical companies including Sensus, where he served as co-founder and Chairman until being sold to Pfizer. From 1981 to 2000, Mr. Hawkins was founder, President and CEO of Pharmaco and guided the company's growth to over 2,000 employees. The company later merged with PPD of Wilmington, NC to form PPD Pharmaco, one of the largest clinical contract research organizations in the world. Mr. Hawkins received his Bachelor of Science in Biology from Ohio University. Mast believes Mr. Hawkins's experience in the pharmaceutical and life sciences industries as well as his broad management experience qualify him to serve on the Mast Board.

Joseph S. McCracken has served as a member of the Savara Board since October 2013 and currently advises biopharmaceutical companies on the design and implementation of corporate strategy and business development initiatives. Joe also serves on the boards of several biopharmaceutical companies, including Alkahest, Inc., Genkyotex S.A., Nexvet Biopharma (NASDAQ: NVET) and Regimmune Inc. From July 2011 to September 2013, Dr. McCracken was Vice President and Global Head of Business Development & Licensing for Roche Pharma, a research-focused healthcare company, where he was responsible for Roche Pharma's global in-licensing and out-licensing activities. From October 2009 until July 2011 he was General Manager, Roche Pharma Japan & Asia Regional Head, Roche Partnering. Prior to joining Roche Pharma, Dr. McCracken held the position of Vice President, Business Development at Genentech for more than 10 years, and previously held similar positions at Aventis Pharma and Rhone-Poulenc Rorer. Dr. McCracken holds a Bachelor of Science in Microbiology, a Master of Science in Pharmacology and a Doctorate of Veterinary Medicine from The Ohio State University. Mast believes Dr. McCracken's extensive experience in the biotechnology and pharmaceutical industries qualifies him to serve on the Mast Board.

Yuri Pikover has served as a member of the Savara Board since October 2013. Since 1999 Mr. Pikover served as Managing Director of 37Ventures, a boutique venture fund focusing on growing early-stage startups. From 1999-2002 Mr. Pikover was Chairman and Chief Executive Officer of Access360. From 1993 to 1999, Mr. Pikover was co-founder and Executive Vice President of Xylan and helped lead the fast growing organization going public in 1996 and acquisition by Alcatel in 1999. Mast believes Mr. Pikover's extensive experience as an investor and board member in pharmaceutical and life sciences companies and his knowledge gained from service on such boards qualify him to be a member of the Mast Board.

Composition of the Board of Directors

The Mast Board currently consists of five directors, and each director's term expires upon the election and qualification of successor directors at the annual meeting of the stockholders to be held in 2017.

Pursuant to the Merger Agreement, all of the directors of Mast who will no longer be members of the Mast Board immediately after the effective time of the merger will resign at or prior to the effective time of the merger. As of the effective time of the merger, the board of directors will consist of seven directors, five of whom are currently serving on the Savara Board and two of whom shall be independent directors designated by Mast, who shall be [●] and [●].

There are no family relationships among any of the current Mast directors and executive officers, and there are no family relationships among any of the proposed post-merger company directors and executive officers.

Director Independence

The Mast Board has determined that each of its current directors other than Brian M. Culley is independent as defined under NYSE MKT listing standards. The Mast Board has also determined that each current member of the Nominating and Governance Committee is independent as defined under the NYSE MKT listing standards, and that each current member of the Audit Committee and Compensation Committee is independent as defined under the NYSE MKT listing standards and applicable SEC rules. In making this determination, Mast's board of directors found that none of these directors had a material or other disqualifying relationship with Mast.

Based upon information requested from and provided by each proposed director concerning his or her background, employment and affiliations, including family relationships, other than Robert Neville by virtue of his position as President and Chief Executive Officer of Savara, the Savara Board has determined that each of the Savara director designees anticipated to serve on the board of directors of the combined company as of the effective time of the merger is independent as defined under the NYSE MKT listing standards. Savara anticipates that the directors who will be appointed to the Compensation Committee and the Nominating and Governance Committee will satisfy the independence standards for such committees established by the SEC and NYSE MKT

listing standards, as applicable. With respect to the Audit Committee, Savara anticipates that the directors who will be appointed will satisfy the independence standards for such committee established by Rule 10A-3 under the Exchange Act, the SEC and NYSE MKT listing standards, as applicable. In making such determination, the relationships that each such director has with Mast or Savara and all other facts and circumstances deemed relevant in determining their independence have been and will be considered.

Committees of the Board of Directors

The Mast Board currently has, and after completion of the merger the combined organization will continue to have, an Audit Committee, a Compensation Committee and a Nominating and Governance Committee.

Audit Committee

The Audit Committee of the Mast Board was established by Mast's board of directors in accordance with Section 3(a)(58)(A) of the Exchange Act to oversee Mast's corporate accounting and financial reporting processes and audits of its financial statements. For this purpose, the Audit Committee performs several functions, including, among other things:

- appointing and providing for the compensation of the independent registered public accounting firm to be engaged to prepare and issue an audit report and perform other audit, review or attest services for Mast;
- approving any other permissible non-audit services to be provided to Mast by the independent auditor;
- overseeing the work and evaluating the performance of the independent auditor, and, if so determined by the audit committee, terminating and replacing the independent auditor;
- reviewing and discussing, including with management and the independent auditor, Mast's annual and quarterly financial statements;
- reviewing any proposed significant changes to Mast's accounting principles and practices;
- reviewing any material changes to Mast's system of internal control over financial reporting;
- reviewing management's report on effectiveness of Mast's internal control over financial reporting and, if applicable, Mast's independent auditor's audit of the effectiveness of Mast's internal control over financial reporting;
- establishing a procedure for receipt, retention and treatment of any complaints or concerns received by Mast about Mast's accounting, internal accounting controls or auditing matters;
- reviewing, approving and overseeing any related party transaction that would require disclosure pursuant to Item 404 of Regulation S-K;
- overseeing the implementation and enforcement of Mast's insider trading policy; and
- reviewing and evaluating any significant financial risk exposures facing Mast and the steps Mast's management has taken to control and monitor such exposures.

The Audit Committee of the combined organization is expected to retain these duties and responsibilities following completion of the merger.

Mast's management has the primary responsibility for its consolidated financial statements and the reporting process including its system of internal accounting and financial controls.

Mast's Audit Committee currently consists of Mr. Ramsay, who serves as its chairman, Mr. Greenleaf and Mr. Pauls. The Mast Board reviews the NYSE MKT listing standards definition of independence for Audit

Committee members on an annual basis and has determined that all current members of Mast's Audit Committee are independent (as independence is currently defined in Section 803(A)(2) of the NYSE MKT listing standards and Rule 10A-3 of the Exchange Act and meets the applicable additional eligibility standards for Audit Committee service under Section 803(B)(2) of the NYSE MKT listing standards).

The Mast Board has also determined that Mr. Ramsay qualifies as an "audit committee financial expert," as defined in applicable SEC rules. The Mast Board made a qualitative assessment of Mr. Ramsay's level of knowledge and experience based on a number of factors, including his formal education and experience in financial roles.

Savara believes that, after the completion of the merger, the composition of the Audit Committee will meet the requirements for independence under, and the Audit Committee will comply with, any applicable requirements of the rules and regulations of NYSE MKT and the SEC.

Compensation Committee

The Compensation Committee of the Mast Board acts on behalf of the Mast Board to review, adopt or recommend for adoption, and oversee Mast's compensation strategy, policies, plans and programs. For this purpose, the Compensation Committee performs several functions, including, among other things:

- reviewing and recommending to Mast's board of directors for its determination and approval the amount, form and terms of compensation of Mast's Chief Executive Officer and other "officers" (as such term is defined under the NYSE MKT listing standards);
- reviewing and making recommendations to Mast's board of directors regarding Mast's overall compensation strategy and policies;
- reviewing and making recommendations regarding Mast's equity and/or cash incentive plans and other benefit plans and, to the extent as may be permitted or required under such plans, the committee has the power and authority to administer the plans, establishes guidelines, interpret plan documents, select participants, and approve grants and awards thereunder;
- granting equity awards to non-officer employees and consultants in accordance with the terms of Mast's equity incentive plan and to establish compensation policies and practices applicable to non-officer employees;
- evaluating the relationship between executive officer compensation policies and practices and corporate risk management to confirm those policies and practices do not incentivize excessive risk-taking;
- evaluating and making recommendations to Mast's board of directors regarding the compensation of Mast's non-employee directors;
- retaining, obtaining the advice of, engaging, compensating and terminating compensation consultants, legal counsel and such other advisors as it deems necessary and advisable to assist it in carrying out its responsibilities and functions; and
- appointing, compensating and overseeing the work of any of its compensation consultants, legal counsel and other advisors.

The Compensation Committee of the combined organization is expected to retain these duties and responsibilities following completion of the merger.

Mast's Compensation Committee currently consists of Dr. Dittrich, who serves as its chairman, Mr. Greenleaf and Mr. Pauls. All members of the Compensation Committee are independent as independence is currently defined in Sections 803(A)(2) and 805(c)(1) of the NYST MKT listing standards and Rule 10C-1 of the Exchange Act.

Savara believes that, after the completion of the merger, the composition of the Compensation Committee will meet the requirements for independence under, and the Compensation Committee will comply with, any applicable requirements of the rules and regulations of NYSE MKT and the SEC.

Nominating and Governance Committee

The Nominating and Governance Committee of the Mast Board is responsible for identifying, reviewing and evaluating candidates to serve as directors of Mast (consistent with criteria approved by the Mast Board), reviewing and evaluating incumbent directors, selecting or recommending to the Mast Board for selection candidates for election to the Mast Board, making recommendations to the Mast Board regarding the membership of the committees of the Mast Board, assessing the performance of the Mast Board, and developing a set of corporate governance principles for Mast. The responsibilities of the Nominating and Governance Committee relating to the nomination of directors include, among other things, the following:

- identifying and recommending to Mast's board of directors nominees for possible election to Mast's board of directors;
- evaluating and making recommendations to Mast's board of directors regarding its size, composition and leadership structure;
- reviewing and assessing Mast's corporate governance guidelines and recommending any proposed changes thereto to Mast's board of directors;
- reviewing and making recommendations to Mast's board of directors regarding issues of executive officer succession planning and providing oversight with respect to corporate governance matters.

In recommending candidates for appointment or election to the Mast Board, the Nominating and Governance Committee considers the appropriate balance of experience, skills and characteristics required of the Mast Board and seeks to insure that at least a majority of the directors are independent under NYSE MKT listing standards and that the Mast Board's Audit Committee and Compensation Committee will be comprised of directors who meet applicable NYSE MKT listing standards and SEC rules regarding qualifications to serve on such committees. Candidates for director are selected on the basis of their depth and breadth of experience, wisdom, integrity, ability to make independent analytical inquiries, understanding of Mast's business environment, willingness to devote adequate time to board duties, the interplay of the candidate's experience and skills with those of other Mast directors and the extent to which the candidate would be a desirable addition to the Mast Board and any of its committees. Directors generally will not be nominated for re-election at any annual or special meeting held after their 75th birthday. In addition, Mast's corporate governance guidelines require that Mast's directors limit their service on boards of directors of public companies to a total of four (including service on the Mast Board). Other than the foregoing, there are no stated minimum criteria for Mast director nominees, although the Nominating and Governance Committee may also consider such other factors as it may deem are in the best interests of Mast and its stockholders. The Nominating and Governance Committee does not have a policy regarding board diversity, but it takes diversity of professional experience and perspective within the pharmaceutical and biotechnology industries into account in identifying and selecting director nominees. In the case of incumbent directors whose terms of office are set to expire, the Nominating and Governance Committee reviews these directors' overall service to Mast during their terms, including the number of meetings attended, level of participation, quality of performance and any other relationships and transactions that might impair the directors' independence. In the case of new director candidates, the Nominating and Governance Committee also determines whether the nominee is independent for NYSE MKT purposes, which determination is based upon applicable NYSE MKT listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. The Nominating and Governance Committee then uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The Nominating and Governance Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Mast Board. The Nominating and Governance Committee meets to discuss and consider the candidates' qualifications and then selects a nominee by majority vote which is typically recommended to the full board of directors.

The Nominating and Governance Committee will consider director candidates recommended by stockholders. The Nominating and Governance Committee does not intend to alter the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether or not the candidate was recommended by a stockholder. Stockholders who wish to recommend individuals for consideration by the Nominating and Governance Committee to become nominees for election to the Mast Board may do so by delivering a written recommendation to the Nominating and Governance Committee at the following address: c/o Mast Therapeutics, Inc., 3611 Valley Centre Drive, Suite 500, San Diego, California 92130, Attn: Secretary. Submissions must include the following information: the name, age, business address and residence address of the proposed nominee; a statement of the proposed nominee's business experience and educational background; the proposed nominee's principal occupation or employment; the class and number of shares of Mast capital stock beneficially owned by the proposed nominee; a detailed description of all relationships, arrangements or understandings between the proposing stockholder and the proposed nominee and any other person or persons (naming such person or persons) pursuant to which such proposed nomination is being made by the stockholder; a detailed description of all relationships, arrangements or understandings between the proposed nominee and any service-provider or supplier to, or competitor of, Mast; information regarding each of the criteria for board membership described above in sufficient detail to allow the Nominating and Governance Committee to evaluate the proposed nominee; and a statement from the proposed nominee that he or she is willing to be considered and willing to serve as a director if nominated and elected. The proposing stockholder must also include the following information with respect to such stockholder: documentation supporting that the proposing stockholder is a stockholder of Mast; the proposing stockholder's name and address, as they appear on Mast's books; and the class and number of shares of Mast capital stock beneficially owned by the proposing stockholder. If a stockholder submits a director recommendation in compliance with the procedure described above, the Nominating and Governance Committee will conduct an initial evaluation of the proposed nominee and, if it determines the proposed nominee may be a qualified candidate, the nominating and governance committee and one or more members of the Mast management team will interview the proposed nominee to determine whether he or she might be suitable to be a director. If the Nominating and Governance Committee determines the proposed nominee would be a valuable addition to the Mast Board, based on the criteria for board membership described above and the specific needs of the Mast Board at the time, it will recommend to the Mast Board such person's nomination. In connection with its evaluation, the Nominating and Governance Committee may request additional information from the proposed nominee and/or the proposing stockholder. Separately, Mast's bylaws contain provisions that address the process by which a stockholder may nominate an individual to stand for election to Mast Board at Mast's annual meeting of stockholders. Such nominations may be made only if the stockholder has given timely written notice to Mast's corporate secretary containing the information required by Mast's bylaws. To be timely, such notice must be received at Mast's principal executive offices not earlier than the 120th day, nor later than the close of business on the 90th day, prior to the first anniversary of the date of the preceding year's annual meeting as first specified in Mast's notice of meeting (without regard to any postponements or adjournments of such meeting after such notice was first sent), except that if no annual meeting was held in the previous year or the date of the annual meeting is more than 30 days earlier or later than such anniversary date, such notice must be received not earlier than the 120th day prior to the date of such annual meeting and not later than the close of business on the later of the 90th day prior to the date of such annual meeting or the 10th day following the date on which Mast first publicly announces the date of such meeting.

The Nominating and Governance Committee of the combined organization is expected to retain these duties and responsibilities following completion of the merger.

The Nominating and Governance Committee currently consists of Dr. Dittrich, who serves as its chairman, Mr. Pauls and Mr. Ramsay. All members of the Nominating and Governance Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the NYSE MKT listing standards).

Savara believes that, after the completion of the merger, the composition of the Nominating and Governance Committee will meet the requirements for independence under, and the Nominating and Governance Committee will comply with, any applicable requirements of the rules and regulations of NYSE MKT and the SEC.

The board of directors of Mast may from time to time establish other committees.

2016 Savara Director Compensation

The table below shows all compensation earned by or paid to Savara's non-employee directors during the year ended December 31, 2016.

Name	Fees Earned or Paid in Cash	Option Awards	Total
Nevan Elam	$ 0	$ 11,993	$11,993
Richard J. Hawkins	$ 0	$ 11,993	$11,993
Yuri Pikover	$ 0	$ 11,993	$11,993
Joseph S. McCracken	$ 0	$ 11,993	$11,993

Compensation Committee Interlocks and Insider

Composition of the Compensation Committee for the combined company has not yet been determined. Following completion of the merger, each member designated by Savara and appointed to the Compensation Committee is expected to be an "outside" director as that term is defined in Section 162(m) of the Internal Revenue Code, a "non-employee" director within the meaning of Rule 16b-3 of the rules promulgated under the Exchange Act and independent within the meaning of the independent director guidelines of the NYSE MKT. None of the proposed combined company's executive officers serve as a member of the board of directors or compensation committee of any entity that has one or more executive officers who is proposed to serve on the combined company's board of directors or Compensation Committee following the merger.

Executive Compensation

This section discusses the material components of the executive compensation program offered to Savara's named executive officers identified below.

2016 Summary Compensation Table

The following table provides information regarding Savara's named executive officers during the fiscal year ended December 31, 2016. For the management of the combined company after the closing of the merger, see "Management Following the Merger — Executive Officers and Directors — Executive Officers and Directors of the Combined Company Following the Merger." These individuals are referred to elsewhere in this proxy statement/prospectus/information statement as the "named executive officers" of Savara.

Name and Principal Position	Year	Salary(1)	Option Awards(2)	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
Robert Neville *Chief Executive Officer*	2016	$302,500	$162,069	$ 20,000	$ 18,000	$502,569
Taneli Jouhikainen *Chief Operating Officer*	2016	$302,500	$162,069	$ 32,000	$ 18,000	$514,569
David Lowrance *Chief Financial Officer*	2016	$ 50,417	$118,405	$ —	$ —	$168,822

(1) Mr. Lowrance was hired on November 1, 2016. His annual salary as of December 31, 2016 was $302,500.

(2) The amounts in the "Option Awards" column reflect the aggregate grant date fair value of stock options granted during the calendar year computed in accordance with the provisions of Accounting Standards Codification (ASC) 718, Compensation — Stock Compensation. The assumptions that Savara used to

calculate these amounts are discussed in the notes to the unaudited interim condensed consolidated financial statements of Savara included elsewhere in this proxy statement/prospectus/information statement. These amounts do not reflect the actual economic value that will be realized by the named executive officer upon the vesting of the stock options, the exercise of the stock options, or the sale of the common stock underlying such stock options.

Narrative Disclosure to Summary Compensation Table

The primary elements of compensation for Savara's named executive officers are base salary, non-equity incentive plan awards and long-term, equity-based compensation awards. The named executive officers also participate in employee benefit plans and programs that Savara offers to its other full-time employees on the same basis.

Base Salary

The base salary payable to Savara's named executive officers is intended to provide a fixed component of compensation that reflects the executive's skill set, experience, role and responsibilities.

Non-Equity Incentive Plan

Although Savara does not have a written bonus plan, the Savara Board sets performance targets annually for each of the named executive officers, and the named executive officers receive bonuses at the end of each year based on achievement of those targets.

Health, Welfare and Additional Benefits

Each of Savara's named executive officers is eligible to participate in Savara's employee benefit plans and programs, including medical, dental and vision benefits, flexible spending accounts with company contribution, long-term care benefits, and short- and long-term disability, 401k retirement plan with company match potential to the same extent as its other full-time employees, subject to the terms and eligibility requirements of those plans.

Although Savara does not have a formal policy with respect to the grant of equity incentive awards to its executive officers or any formal equity ownership guidelines applicable to them, Savara believes that equity grants provide its executives with a strong link to Savara's long-term performance, create an ownership culture and help to align the interests of Savara's executives and its stockholders. In addition, Savara believes that equity grants with a time-based vesting feature promote executive retention because this feature incentivizes executive officers to remain in Savara's employment during the vesting period. In 2016, Savara granted Mr. Neville an option to purchase 250,000 shares of Savara common stock, Dr. Jouhikainen an option to purchase 250,000 shares of Savara common stock and Mr. Lowrance an option to purchase 217,710 shares of its common stock.

Grants of Plan-Based Awards

The following table presents the awards to Savara's named executive officers in 2016.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value
		Threshold	Target	Maximum			
Robert Neville	12/15/16	$ —	$ 63,525	$ 90,750	250,000	$ 1.03	$ 162,069
Taneli Jouhikainen	12/15/16	$ —	$ 63,525	$ 90,750	250,000	$ 1.03	$ 162,069
David Lowrance	10/25/16	$ —	$ 63,525	$ 90,750	217,710	$ 0.88	$ 118,405

2016 Outstanding Equity Awards at Year-End

The following table presents the outstanding equity awards held by Savara's named executive officers as of December 31, 2016.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise price	Option Expiration date	Number of shares of stock that have not vested	Market value of shares of stock that have not vested
Robert Neville	—	250,000	$ 1.03	12/15/2026		
	75,000	225,000	$ 0.85	12/15/2025		
	55,259	55,258	$ 0.38	12/16/2024		
	170,000	0	$ 0.38	09/14/2022	27,845	$ 31,186
Taneli Jouhikainen	—	250,000	$ 1.03	12/16/2026		
	75,000	225,000	$ 0.85	12/15/2025	83,104	$ 93,076
	90,000	0	$ 0.38	12/14/2022		
David Lowrance	—	217,710	$ 0.88	11/1/2026		

Employment and Severance Agreements

Savara entered into an employment agreement with Mr. Neville in March 2012. The agreement is for an unspecified term and entitles Mr. Neville to an initial annual base salary of $150,000. Mr. Neville's current annual base salary is $302,500. The agreement also provides that he will be eligible to receive a bonus as determined by Savara and based upon his performance and the attainment of company objectives. Pursuant to the terms of the agreement, Mr. Neville is subject to certain confidentiality obligations and is obligated to sign and comply with an agreement relating to proprietary information and inventions. Further provisions of the agreement are discussed below in the section entitled, "Potential Payments Upon Termination of Employment or Change in Control."

Savara entered into an employment agreement with Dr. Jouhikainen in October 2009. The agreement is for an unspecified term and entitles Dr. Jouhikainen to an initial annual base salary of $175,000 with an automatic increase in base salary to $225,000 upon the completion of certain objectives. Dr. Jouhikainen's current annual base salary is $302,500. The agreement also provides that Dr. Jouhikainen will be eligible to receive a bonus as determined by Savara based upon his performance and the attainment of company objectives. In connection with Dr. Jouhikainen entering into his employment agreement, and pursuant to its terms, Savara issued 83,703 shares of common stock to Dr. Jouhikainen; all such shares are now fully vested. Pursuant to the terms of the agreement, Dr. Jouhikainen is subject to certain confidentiality obligations and is obligated to sign and comply with an agreement relating to proprietary information and inventions.

Savara entered into an offer letter agreement with Mr. Lowrance in September 2016. The agreement is for an unspecified term and entitles Mr. Lowrance to an initial annual base salary of $302,500. The agreement also provides that Mr. Lowrance will be eligible to receive a bonus of up to 25% of base salary based upon his performance and the attainment of company objectives. In connection with Mr. Lowrance entering into his employment agreement, and pursuant to its terms, Savara issued Mr. Lowrance an option to purchase 217,710 shares of Savara's common stock, subject to standard vesting provisions. Pursuant to the terms of the agreement, Mr. Lowrance is subject to certain confidentiality obligations and is obligated to sign and comply with an agreement relating to proprietary information and inventions. Further provisions of the agreement are discussed below in the section entitled, "Potential Payments Upon Termination of Employment or Change in Control."

Potential Payments Upon Termination of Employment or Change in Control

Pursuant to the terms of his employment agreement, upon termination of his employment without cause or (i) a relocation that requires a move of Mr. Neville's place of employment over 50 miles (without Mr. Neville's consent) or (ii) a substantial reduction in his responsibilities or compensation, Mr. Neville is entitled to receive three months of base salary and six months of COBRA coverage, as well as accelerated vesting of his equity awards.

Pursuant to the terms of his employment agreement, Dr. Jouhikainen is entitled to three months' notice prior to the termination of his employment by Savara other than for cause. In lieu of such notice, Savara may pay Dr. Jouhikainen severance equal to three months of his base salary. In addition, if Dr. Jouhikainen's employment is terminated without cause following a change in control, the vesting of his outstanding equity awards accelerates.

Pursuant to the terms of his offer letter agreement, upon termination of his employment without cause, Mr. Lowrance is entitled to receive three months of base salary and a bonus payment equal to the cost of three months of health, vision and dental benefits. In addition, if Mr. Lowrance's employment is terminated without cause following a change in control, then the vesting of his outstanding equity awards accelerates.

Employment Benefits Plans

Savara's 2008 Stock Option Plan

The Savara Inc. Stock Option Plan, or the 2008 Plan, was adopted by Savara's board of directors in February 2008 and approved by Savara's stockholders in July 2008. The 2008 Plan provides for the grant of incentive stock options, nonstatutory stock options, awards of restricted stock, restricted stock units, stock appreciation rights, dividend equivalents, phantom stock and performance units. Savara's employees, directors and consultants are eligible to receive awards under the 2008 Plan; however, incentive stock options may only be granted to Savara's employees. A maximum of 5,300,076 shares of Savara's common stock are authorized for issuance under the 2008 plan.

The terms of each award granted under the 2008 Plan are set forth in the applicable award agreement.

Pursuant to the terms of the 2008 Plan, Savara's board of directors (or a committee appointed by Savara's board of directors) administers the 2008 Plan and, subject to any limitations set forth in the plan and has the ability to:

- determine the recipient, type, number, and terms and conditions of awards to be granted;
- determine the fair market value applicable to an award;
- determine the satisfaction of conditions applicable to awards;
- amend or waive the provisions of any award;
- prescribe, amend and rescind rules and regulations for administration of the 2008 Plan;
- correct any defect, supply any omission, or reconcile any inconsistency in the 2008 Plan or any agreement entered into thereunder;
- settle disputed questions arising under the 2008 Plan;
- determine whether an award's exercisability will be extended; and
- alter, amend, suspend or terminate the 2008 Plan and modify, extend or renew awards granted thereunder, with certain exceptions.

In the event of a change in Savara's outstanding common stock without the receipt of consideration by Savara (through stock dividend, subdivision, reclassification, recapitalization, merger, consolidation, stock split,

combination or exchange of stock, or other similar circumstances not involving the receipt of consideration by Savara), the Savara Board will make an appropriate adjustment in the aggregate number or kind of shares of common stock available under the 2008 Plan, the number or kind of shares of common stock subject to each outstanding award, or the option price in order to prevent the dilution or enlargement in any participant's rights.

In the event of a change in control or reorganization of Savara, if the surviving or acquiring entity does not assume or substitute similar stock awards for outstanding awards under the 2008 Plan, Savara's board of directors has the discretion to take either of the following actions with respect to stock awards:

- provide for the cancellation, forfeiture or purchase of any award in the agreement governing the corporate transaction; or
- provide, upon written notice to all 2008 Plan participants holding awards, that all unexercised awards must be exercised within a specified number of days of the date of such notice or such awards will terminate.

Mast's 2015 Omnibus Incentive Plan

Purpose of the Plan. The purpose of the Mast Therapeutics, Inc. 2015 Omnibus Incentive Plan (the "2015 Plan"), is to assist Mast, through the incentives inherent in the awards under the plan, in attracting and retaining selected individuals to serve as Mast's employees, directors, consultants and/or advisors and contribute to its success and achievement of long-term objectives that will benefit Mast's stockholders.

Shares Available. The maximum number of shares of Mast's common stock authorized for issuance under the 2015 Plan, subject to adjustment for certain corporate events, including mergers and stock splits, is 30,888,691 shares of Mast's common stock. This amount consists of 10,388,691 shares that were available for grant under the Mast Therapeutics, Inc. 2014 Omnibus Incentive Plan (the "2014 Plan") as of December 31, 2014 and 20,500,000 new shares. Stock options and stock appreciate rights, or SARs, granted under the 2014 Plan after December 31, 2014 or under the 2015 Plan reduce the number of available shares under the 2015 Plan by one (1) share for each share subject to such awards. Awards other than stock options and SARs granted under the 2014 Plan after December 31, 2014 or under the 2015 Plan reduce the number of available shares under the 2015 Plan by 1.34 shares for each share subject to such awards.

Shares that, after December 31, 2014, are released from awards granted under the 2014 Plan, any prior Mast inventive plan or the 2015 Plan because the awards are forfeited, expire, or are settled for cash will increase the number of shares available under the 2015 Plan by one (1) share for each share released from a stock option or SAR and by 1.34 shares for each share released from an award other than a stock option or SAR. However, the following shares will *not* be added to the number of shares available for issuance under the 2015 Plan: (i) shares tendered or withheld in payment of the purchase price of an option, (ii) shares tendered or withheld to satisfy any tax withholding obligation with respect to any award, (iii) shares subject to a SAR that are not issued in connection with the stock settlement of the SAR on exercise thereof, and (iv) shares reacquired by Mast in the open market or otherwise using cash proceeds from the exercise of options granted under the 2015 Plan, the 2014 Plan or any of the Prior Plans.

Shares of Mast's common stock issued under awards granted under the 2015 Plan in assumption of or in substitution or exchange for awards previously granted by a company acquired by Mast or a subsidiary or parent of Mast, or with which Mast or a subsidiary or parent combines ("Substitute Awards"), will not reduce the shares available for grant under the 2015 Plan. In addition, if a company acquired by Mast or a subsidiary or parent of Mast, or with which Mast or a subsidiary or parent combines, has shares remaining available under a plan approved by its stockholders and not adopted in contemplation of such acquisition or combination, the available shares (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio of formula applied to determine the consideration payable to stockholders in the acquisition or combination) may be used for awards under the 2015 Plan and will not reduce the shares available for grant; provided that awards

using such available shares shall not be made after the date awards or grants could have been made under the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Mast's employees or directors prior to the acquisition or combination.

Shares issued under the 2015 Plan may consist of authorized and unissued shares, treasury shares or shares purchased in the open market or otherwise.

The maximum number of shares of Mast's common stock that may be issued under the 2015 Plan pursuant to the exercise of options intended to qualify as "incentive stock options" as defined in Section 422 of the Code is the same as the maximum number of shares authorized for issuance under the 2015 Plan.

Eligibility; Awards to Certain Individuals and Groups. Options, SARs, restricted stock awards, restricted stock unit awards, other share-based awards and performance awards may be granted under the 2015 Plan. Options may be either incentive stock options (as defined in Section 422 of the Code) or nonstatutory stock options. Awards may be granted under the 2015 Plan to any employee, non-employee member of the Mast Board, consultant or advisor who is a natural person and provides services to Mast or a subsidiary or parent of Mast, except for incentive stock options, which may be granted only to Mast employees.

The Mast Board will select the individuals to whom awards under the 2015 Plan may be granted and will determine the type or types of awards to be granted, the time or times at which such awards will be granted, the number of shares subject to each such award (or the dollar value of certain performance awards) and other terms and conditions relating to the awards, except to the extent it delegates its authority to its compensation committee or any other committee or subcommittee formed by the board of directors or by the compensation committee with the approval of the board of directors. Consequently, it is not possible to determine the benefits or amounts that will be received by or allocated to any particular individual or group of individuals in the future under the 2015 Plan.

Limits on Awards to Participants. With respect to awards intended to qualify as performance-based compensation under Section 162(m) of the Code, the 2015 Plan provides that, subject to adjustment as provided in the plan, no participant may, in any 12-month period (i) be granted options or SARs with respect to more than 4,000,000 shares of Mast's common stock, (ii) earn more than 4,000,000 shares of Mast's common stock under restricted stock awards, restricted stock unit awards, performance awards and/or other share-based awards, or (iii) earn more than $2,000,000 under an award; provided, however, that each of these limitations shall be multiplied by two (2) with respect to awards granted to a participant during the first calendar year in which the participant commences employment with Mast or any of its subsidiaries. If an award is cancelled, the cancelled award will continue to count against the applicable limitations.

The 2015 Plan also imposes a limit on awards to non-employee directors. The aggregate grant date fair value (calculated as of the date of grant in accordance with applicable financial accounting rules) of all awards granted to any non-employee member of Mast's board of directors during any 12-month period shall not exceed $3,000,000.

Administration. The 2015 Plan is administered by the Mast Board, except to the extent the board of directors delegates its authority to its compensation committee or any other committee or subcommittee formed by the board of directors or by the compensation committee with the approval of the board of directors. Notwithstanding the foregoing, to the extent required by the rules of principal U.S. national securities exchange on which Mast's common stock is traded, or the Principal Exchange, or to the extent required by applicable law, any award under the 2015 Plan to Mast's chief executive officer or any other officer (as defined in Rule 16(a)-1(f) of the Exchange Act) shall be determined and granted solely by directors who qualify as "independent directors" under the rules of that securities exchange or applicable law. The Mast Board has authorized the compensation committee to determine and grant awards under the 2015 Plan to non-officer participants. The Mast Board or the compensation committee, pursuant to authority delegated to it by the board,

has the authority to select the participants who will receive awards under the 2015 Plan, determine the types and terms and conditions of awards, and to interpret and administer the 2015 Plan. The board of directors may (i) delegate to a committee of one or more directors the right to grant, cancel, suspend or amend awards and otherwise take action on its behalf under the 2015 Plan (to the extent not inconsistent with applicable law, including Section 162(m) of the Code, and the rules of the Principal Exchange), and (ii) to the extent permitted by law, delegate to an one or more officers (as that term is defined in Rule 16(a)-1(f) of the Exchange Act) or a committee of such officers the right to grant awards to employees who are not directors or such officers and the authority to take action on behalf of the board of directors, or the compensation committee (if applicable), pursuant to the 2015 Plan to cancel or suspend awards under the 2015 Plan to employees who are not directors or such officers of Mast's company.

Stock Options. The Mast Board, or the compensation committee (as applicable), may grant either nonstatutory stock options or incentive stock options (as defined in Section 422 of the Code). A stock option entitles the recipient to purchase a specified number of shares of Mast's common stock at a fixed price subject to terms and conditions set by the board of directors, or the compensation committee (as applicable). The purchase price of shares of common stock covered by a stock option cannot be less than 100% of the fair market value of the common stock on the date the option is granted, except in the case of Substitute Awards. Fair market value of the common stock is generally equal to the closing price for the common stock on the Principal Exchange on the date the option is granted (or if there was no closing price on that date, on the last preceding date on which a closing price was reported), except for Substitute Awards.

The 2015 Plan permits payment of the purchase price of stock options to be made by cash or cash equivalents, shares of Mast's common stock previously acquired by the participant, through same-day sales through a broker, any other form of consideration approved by the Mast Board, or the compensation committee (as applicable), and permitted by applicable law (including withholding of shares of common stock that would otherwise be issued on exercise, including the specified net exercise procedure), or any combination thereof. In no event may any option be exercised for a fraction of a share. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of issuance of shares upon exercise. Options granted under the 2015 Plan expire no later than 10 years from the date of grant, except in the event of the participant's death or disability or if the exercise of an option, other than an incentive stock option, is prohibited by applicable law or the holder cannot purchase or sell shares of Mast's common stock due to a "black-out period" under Mast's insider trading policy, in which case the term of the option shall be automatically extended for a 30-day period from the end of the prohibition or black-out period.

The written agreement governing an option award may provide for the automatic exercise on the last day of the term of an "in the money" option through payment of the purchase price and required withholding taxes by withholding of shares otherwise issuable in connection with the exercise of the option.

Stock Appreciation Rights. The Mast Board, or the compensation committee (as applicable), is authorized to grant SARs in conjunction with a stock option or other award granted under the 2015 Plan, and to grant SARs separately. The grant price of a SAR may not be less than 100% of the fair market value of a share of Mast's common stock on the date the SAR is granted, except in the case of Substitute Awards. The term of an SAR may be no more than 10 years from the date of grant, except in the event of the participant's death or disability or if the exercise of the SAR is prohibited by applicable law or the holder cannot purchase or sell shares of Mast's common stock due to a "black-out period" under Mast's insider trading policy, in which case the term of the option shall be automatically extended for a 30-day period from the end of the prohibition or black-out period. SARs are subject to terms and conditions set by the board of directors, or the compensation committee (as applicable).

Upon exercise of an SAR, the participant will have the right to receive the excess of the fair market value of the shares covered by the SAR on the date of exercise over the grant price. Payment may be made in cash, shares of Mast's common stock or other property, or any combination thereof, as the board of directors, or the

compensation committee (as applicable), may determine. Shares issued upon the exercise of SARs are valued at their fair market value as of the date of exercise. In no event may any SAR be exercised for a fraction of a share. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of issuance of shares upon exercise.

The written agreement governing a SAR may provide for the automatic exercise on the last day of the term of an "in the money" SAR through payment of the required withholding taxes by withholding of shares otherwise issuable in connection with the exercise of the SAR.

Restricted Stock Awards. Restricted stock awards may be issued either alone or in addition to other awards granted under the 2015 Plan, and are also available as a form of payment of performance awards and other earned cash-based incentive compensation. The Mast Board, or the compensation committee (as applicable), determines the terms and conditions of restricted stock awards, including the number of shares of common stock granted, and conditions for vesting that must be satisfied, which may be based principally or solely on continued provision of services, and also may include a performance-based component. Unless otherwise provided in the award agreement, the holder of a restricted stock award will have the rights of a stockholder from the date of grant of the award, including the right to vote the shares of common stock and the right to receive distributions on the shares (subject to the requirements for dividends on restricted stock awards that vest based on the achievement of performance goals). Except as otherwise provided in the award agreement, any shares or other property (other than cash) distributed with respect to the award will be subject to the same restrictions as the award (subject to the requirements for dividends on restricted stock awards that vest based on the achievement of performance goals).

Restricted Stock Unit Awards. Awards of RSUs having a value equal to an identical number of shares of common stock may be granted either alone or in addition to other awards granted under the 2015 Plan, and are also available as a form of payment of performance awards granted under the 2015 Plan and other earned cash-based incentive compensation. The Mast Board, or the compensation committee (as applicable), determines the terms and conditions of RSUs, including conditions for vesting that must be satisfied, which may be based principally or solely on continued provision of services, and also may include a performance-based component. The holder of a restricted stock unit award will not have voting rights with respect to the award. Except as otherwise provided in the award agreement, any shares or other property (other than cash) distributed with respect to the award will be subject to the same restrictions as the award (subject to the requirements for dividend equivalents on restricted stock unit awards that vest based on the achievement of performance goals).

Other Share-Based Awards. The 2015 Plan also provides for the award of shares of Mast's common stock and other awards that are valued by reference to Mast's common stock or other property, or Other Share-Based Awards. Such awards may be granted above or in addition to other awards under the 2015 Plan. Other Share-Based Awards may be paid in cash, shares of Mast's common stock or other property, or a combination thereof, as determined by the Mast Board, or the compensation committee (as applicable). The Mast Board, or the compensation committee (as applicable), determines the terms and conditions of Other Share-Based Awards, including any conditions for vesting that must be satisfied.

Performance Awards. Performance awards provide participants with the opportunity to receive shares of Mast's common stock, cash or other property based on performance and other vesting conditions. Performance awards may be granted from time to time as determined at the discretion of the board of directors, or the compensation committee (as applicable). Subject to the share limit and maximum dollar value set forth above under "Limits on Awards to Participants," the Mast Board, or the compensation committee (as applicable), has the discretion to determine (i) the number of shares of common stock under, or the dollar value of, a performance award and (ii) the conditions that must be satisfied for grant or for vesting, which typically will be based principally or solely on achievement of performance goals.

Performance Criteria. With respect to awards intended to qualify as performance-based compensation under Code Section 162(m), a committee of "outside directors" (as defined in Code Section 162(m)) with authority

delegated by the Mast Board will determine the terms and conditions of such awards, including the performance criteria. The performance goals for restricted stock awards, restricted stock units, performance awards or other share-based awards shall be based on the attainment of specified levels of one or any combination of the following:

- net sales;
- revenue;
- revenue growth or product revenue growth;
- operating income (before or after taxes);
- pre- or after-tax income (before or after allocation of corporate overhead and bonus);
- earnings per share;
- net income (before or after taxes);
- return on equity;
- total shareholder return;
- return on assets or net assets;
- return on capital (including return on total capital or return on invested capital);
- cash flow return on investment;
- appreciation in and/or maintenance of the price of Mast's common stock or any of Mast's other securities, including publicly-traded securities or a tracking security whether actual or constructed;
- appreciation in and/or maintenance of Mast's market capitalization;
- market share;
- gross profits;
- earnings (including earnings before taxes, earnings before interest and taxes or earnings before interest, taxes, depreciation and amortization);
- economic value-added models or equivalent metrics;
- comparisons with various stock market indices or other companies;
- reductions in costs;
- cash flow or cash flow per share (before or after dividends);
- improvement in or attainment of expense levels, working capital levels or other levels of cash, cash equivalents and/or short-term investments at specified points in time, including year-end;
- operating margins, gross margins or cash margin;
- reductions in debt or accrued liabilities;
- stockholders' equity;
- research and development achievements;
- manufacturing achievements (including manufacturing registration on process validation batches, scale- up activities, obtaining particular yields from manufacturing runs and other measurable objectives related to process development activities);
- regulatory achievements (including submitting or filing applications or other documents with regulatory authorities, having any such applications or other documents accepted for review by the applicable regulatory authority or receiving approval of any such applications or other documents);

- passing pre-approval inspections (whether of Mast or a third-party manufacturer of Mast) and validation of manufacturing processes (whether Mast or that of a third-party manufacturer of Mast);
- clinical achievements (including initiating clinical or bioequivalence studies; initiating enrollment, achieving particular rates of enrollment or enrollment of particular numbers of subjects, or completing enrollment in clinical or bioequivalence studies; dosing the first patient in a clinical or bioequivalence study; completing phases of a clinical or bioequivalence study (including the treatment phase) or announcing or presenting preliminary or final data from clinical or bioequivalence studies (in each case, whether on particular timelines or generally));
- strategic partnerships or transactions (including in-licensing and out-licensing of intellectual property; establishing relationships with commercial entities with respect to the marketing, distribution and sale of Mast's products (including with group purchasing organizations, distributors and other vendors);
- supply chain achievements (including establishing relationships with manufacturers or suppliers of active pharmaceutical ingredients and other component materials and manufacturers of Mast's products);
- co-development, co-marketing, profit sharing, joint venture or other similar arrangements);
- financing and other capital raising transactions (including sales of Mast's equity or debt securities; factoring transactions; sales or licenses of Mast's assets, including its intellectual property, whether in a particular jurisdiction or territory or globally; or through partnering transactions); and
- implementation, completion or attainment of measurable objectives with respect to research, development, manufacturing, commercialization, products or projects, production volume levels, acquisitions and divestitures and recruiting and maintaining personnel.

The performance goals may be based solely by reference to Mast's performance or the performance of one or more of its subsidiaries, parents, divisions, business segments or business units, or based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to other companies. The authorized committee of outside directors may also exclude under the terms of the performance awards, the impact of an event or occurrence that the committee determines should appropriately be excluded, including (i) restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring charges, (ii) an event either not directly related to Mast's operations or not within its management's reasonable control, or (iii) the cumulative effects of tax or accounting changes in accordance with U.S. generally accepted accounting principles.

Adjustments to Awards Subject to Performance Criteria. The authorized committee of outside Mast directors may make downward, but not upward, adjustments with respect to any amount payable pursuant to any restricted stock award, restricted stock unit award, performance award or other share-based payment award that is subject to performance criteria. The committee may not waive achievement of performance goals, except in the case of death, disability or as otherwise determined by the committee in special circumstances.

Dividends; Dividend Equivalents. Awards other than options and SARs may, if determined by the Mast Board, or the compensation committee (as applicable), provide that the participant will be entitled to receive, currently or on a deferred basis, cash, stock or other property dividends, or cash payments in amounts equivalent to cash, stock, or other property dividends declared with respect to shares of common stock covered by an award. The Mast Board, or the compensation committee (as applicable), may provide that such amounts will be deemed to have been reinvested in additional shares of common stock or otherwise, and that they are subject to the same vesting or performance conditions as the underlying award. Any dividends or dividend equivalents provided with respect to performance awards or restricted stock, restricted stock unit or other share-based awards that are subject to the attainment of specified performance goals will be subject to the same restrictions and risk of forfeiture as the underlying awards.

No Repricing. The 2015 Plan prohibits option and SAR repricings (other than to reflect mergers, stock splits, spin-offs or other corporate events as described under "Adjustments upon Changes in Capitalization" below, or in connection with a change in control of Mast) unless stockholder approval is obtained. For purposes of the 2015 Plan, a "repricing" means a reduction in the exercise price of an option or the grant price of a SAR, the exchange or cancellation of an option or SAR for cash or another award under the 2015 Plan if the exercise price or grant price of the option or SAR is greater than the fair market value of Mast's common stock (except in connection with a change in control, or for awards granted in assumption of or in substitution for awards previously granted by a company acquired by Mast or a subsidiary or with which Mast or a subsidiary combines), or any other action with respect to an option or SAR that may be treated as a repricing under the rules of the Principal Exchange.

Nontransferability of Awards. No award under the 2015 Plan, and no shares subject to awards that have not been issued or as to which any applicable restriction, performance or deferral period has not lapsed, may be sold, assigned, transferred, pledged or otherwise encumbered, other than by will or the laws of descent and distribution, and an award may be exercised during the participant's lifetime only by the participant or the participant's guardian or legal representative, except that the Mast Board, or the compensation committee (as applicable), may provide in an award agreement that a participant may transfer an award without consideration to certain family members, family trusts, or other family-owned entities, or for charitable donations under such terms and conditions determined by the Mast Board, or the compensation committee (as applicable).

Adjustments upon Changes in Capitalization. In the event of any merger, reorganization, consolidation, recapitalization, dividend or distribution (whether in cash, shares or other property, other than a regular cash dividend), stock split, reverse stock split, spin-off or similar transaction or other change in Mast's corporate structure affecting its common stock or the value thereof, appropriate adjustments to the 2015 Plan and awards will be made as the Mast Board determines to be equitable or appropriate, including adjustments in the number and class of shares of stock available for awards under the 2015 Plan, the number, class and exercise or grant price of shares subject to awards outstanding under the 2015 Plan, and the limits on the number of awards that any person may receive.

Change in Control. Agreements evidencing awards under the 2015 Plan may provide that upon a Change in Control (as defined in the 2015 Plan), unless otherwise provided in the agreement evidencing an award), outstanding options and SARs shall be cancelled and terminated without payment if the fair market value of one share of Mast's common stock as of the date of the change in control is less than the per share option exercise price or SAR grant price.

Except as otherwise provided in the agreement evidencing an award, in the event of a Change in Control in which the successor company assumes or substitutes for an option, SAR, restricted stock award, restricted stock unit award or other share-based award, if a participant's employment with such successor company terminates within 24 months following such Change in Control, outstanding options and SARs will immediately vest, become fully exercisable and may thereafter be exercised for 24 months and restrictions, limitations and other conditions applicable to restricted stock, restricted stock units and other share-based compensation shall lapse and they shall become free of all restrictions and limitations and become fully vested. Except as otherwise provided in the agreement evidencing an award, to the extent the successor company does not assume or substitute for outstanding awards, then upon such Change in Control those outstanding options and SARs shall immediately vest and become fully exercisable and restrictions and other limitations on restricted stock, restricted stock units and other share-based awards shall lapse and they shall become fully vested.

Except as otherwise provided in the agreement evidencing an award, in the event of a Change in Control in which the successor company does not assume or substitute for an option, SAR, restricted stock award, restricted stock unit award, other share-based award, or performance award, (i) options and SARs outstanding as of the date of the Change in Control that are not assumed or substituted for shall immediately vest and become fully exercisable, (ii) restrictions and other limitations placed on restricted stock and restricted stock units that are not

assumed or substituted for shall become free of all restrictions and limitations and become fully vested, (iii) the restrictions, other limitations and other conditions applicable to any other share-based award or any other awards shall become free of all restrictions, limitations or conditions and become fully vested and transferable to the full extent of the original grant, (iv) all performance awards not assumed or substituted for shall be considered earned and payable in full, and any deferral or other restriction shall lapse and the performance award shall be settled or distributed immediately, and (v) all awards not assumed or substituted for shall terminate immediately after the Change in Control.

The Mast Board, in its discretion, may determine that, upon a Change in Control, each outstanding option and SAR shall terminate within a specified number of days after notice to the participant, and/or that each participant shall receive, with respect to each share subject to such option or SAR, an amount equal to the excess of fair market value of such share immediately prior to the occurrence of such Change in Control over the exercise price per share of such option and/or SAR; such amount to be payable in cash, in one or more kinds of stock or property, or in a combination thereof, as the board of directors, in its discretion, shall determine.

Generally, under the 2015 Plan, a Change in Control occurs upon (i) the consummation of a merger or consolidation of Mast's company with or into another entity, (ii) the consummation of the sale, transfer or other disposition of all or substantially all of Mast's assets, (iii) certain changes in the majority of the Mast Board within a period of 36 consecutive months, (iv) the acquisition, pursuant to a tender or exchange offer made directly to Mast's stockholders that the Mast Board does not recommend, of more than 50% of the total combined voting power in Mast's outstanding securities, or (v) approval by Mast's stockholders of a plan of complete liquidation or dissolution.

Termination of Employment. The Mast Board, or the compensation committee (as applicable), will determine and set forth in the award agreement whether any awards will continue to be exercisable, and the terms of such exercise, on and after the date the participant ceases to be employed by, or to otherwise provide services to, Mast, whether by reason of death, disability, voluntary or involuntary termination of employment or service, or otherwise.

Recoupment of Compensation; Forfeiture Events. If Mast is required to prepare an accounting restatement due to Mast's material noncompliance, as a result of misconduct, with any financial reporting requirement under the securities laws, any participant who knowingly or through gross negligence engaged in the misconduct, or who knowingly or through gross negligence failed to prevent the misconduct, and any participant who is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002, shall reimburse Mast for (i) the amount of any payment in settlement of an award received by such participant during the 12-month period following the first public issuance or filing with the SEC (whichever first occurred) of the financial document embodying such financial reporting requirement, and (ii) any profits realized by such participant from the sale of Mast's securities during such 12-month period. In addition, to the extent claw-back or similar provisions applicable to awards are required by applicable law, listing standards and/or policies Mast adopts, awards granted under the 2015 Plan shall be subject to such provisions.

Effective Date of Plan; Amendment and Termination. The 2015 Plan may be amended or terminated by the Mast Board except that stockholder approval is required for any amendment to the 2015 Plan that:

- would increase the number of shares of common stock available for awards under the 2015 Plan,
- expand the types of awards available under the 2015 Plan,
- materially expand the class of persons eligible to participate in the 2015 Plan,
- permit the grant of options or SARs with an exercise or grant price of less than 100% of fair market value on the date of grant,
- increase the maximum permissible term of any option or SAR granted under the 2015 Plan,

- amend the provisions prohibiting the repricing of options and SARs (as described above under “No Repricing”),
- increase the limits as to any participant on the number of shares subject to awards or the dollar value payable with respect to performance awards, or
- take any action with respect to an option or SAR that may be treated as a repricing under the rules of the Principal Exchange.

In addition, no amendment or termination may materially impair a participant’s rights under an award previously granted without the written consent of the participant.

The 2015 Plan will expire on and no further awards may be granted after the 10th anniversary of its effective date. Awards granted under the 2015 Plan on or prior to its expiration date shall remain in effect until they have been exercised or terminated or have expired.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS OF SAVARA

Described below are transactions occurring since January 1, 2014 and any currently proposed transactions to which Savara was a party and in which

- The amounts involved exceeded or will exceed $120,000; and
- A director, executive officer, holder of more than 5% of the outstanding capital stock of Savara, or any member of such person's immediate family had or will have a direct or indirect material interest, other than compensation, termination and change of control arrangements that are described under the section titled "Executive Compensation" in this proxy statement/prospectus/information statement.

Sales of Securities

2014 Convertible Debt Financing

From May 2014 to October 2014, Savara issued an aggregate principal amount of $10,000,000 in convertible promissory notes. These promissory notes accrued interest at a rate of 8% per annum. All of the convertible promissory notes issued in such financing were converted into shares of Series C preferred stock in December 2015 in connection with the Series C preferred stock financing described below. The aggregate principal amount of the convertible promissory notes and aggregate accrued interest of $1,006,246 converted into shares of Series C preferred stock at a 20% discount to the purchase price paid for the Series C preferred stock by other investors in the Series C preferred stock financing. The following table sets forth the names of Savara's directors, executive officers and holders of more than 5% of Savara capital stock who participated in the convertible debt financing.

Name	Principal Amount
Robert Neville	$ 25,000
Entities affiliated with Yuri Pikover(1)	$ 1,000,000

(1) Convertible promissory note issued to 37Ventures, LLC.

Series C Preferred Stock

In December 2015, Savara issued an aggregate of 1,423,482 shares of its Series C preferred stock at a purchase price of $5.2605 per share, and issued an additional 2,615,308 shares of its Series C preferred stock upon the conversion of convertible promissory notes with an aggregate principal and accrued interest of $11,006,246. In a subsequent closing in February 2016, Savara issued 413,792 shares of its Series C preferred stock at a purchase price of $5.2605 per share. Immediately prior to the effective time of the merger with Mast, each share of Savara preferred stock will be converted into one share of Savara common stock. The following table sets forth the names of the Savara directors, executive officers and holders of more than 5% of Savara capital stock who participated in the Series C preferred stock financing.

Name of Stockholder	Shares of Series C Preferred Stock	Aggregate Purchase Price
Robert Neville	8,337	$ 37,127
Entities affiliated with Yuri Pikover(1)	292,695	$ 1,261,781

(1) Shares issued to 37Ventures, LLC.

2016 Convertible Debt Financing

From July 2016 to August 2016, Savara issued an aggregate principal amount of $4,414,689 in convertible promissory notes. These promissory notes accrued interest at a rate of 8% per annum. The terms of these convertible promissory notes were amended in January 2017 to provide for the conversion of the notes into shares of Savara common stock immediately prior to, and conditioned upon, the closing of the merger with Mast. Upon conversion of these promissory notes, Savara will issue an aggregate of [●] shares of common stock.

In connection with the sale and issuance of the convertible promissory notes, Savara issued stock purchase warrants exercisable for shares of Savara's equity securities at a purchase price of $5.2605 per share upon the occurrence of a specified exercise event. Such exercise events include a change in control of Savara, an initial public offering of Savara stock, or a Regulation A offering of Savara stock. The terms of the warrants were amended in January 2017 to include the closing of the merger with Mast as an exercise event following which the warrants may be exercised. The number of shares of equity securities exercisable pursuant to the warrants is equal to 2.8515% of the principal amount of such holder's convertible promissory note.

The following table sets forth the names of Savara's directors, executive officers and holders of more than 5% of Savara's capital stock who participated in the convertible debt financing.

Name	Principal Amount
Joseph S. McCracken	$25,000
Entities affiliated with Yuri Pikover(1)	$50,000

(1) Convertible promissory note issued to 37Ventures, LLC.

Series B Preferred Stock Warrants

In connection with the sale and issuance of Savara's Series B Preferred Stock in May 2012, Savara issued stock purchase warrants exercisable for shares of Savara's equity securities at a purchase price of $3.12959 per share at any time prior the earliest to occur of (i) the close of business on May 30, 2017, (ii) a change in control of Savara, or (iii) 360 days following the closing of an initial public offering of Savara stock. Warrants to purchase an aggregate of 289,966 shares were outstanding as of December 31, 2016.

Stockholder Agreements

In December 2015, Savara entered into its Fourth Amended and Restated Investors' Rights Agreement, or the Rights Agreement, and in July 2016, Savara entered into its Fifth Amended and Restated Right of First Refusal Agreement, or the ROFR Agreement, and its Third Amended and Restated Voting Agreement, or the Voting Agreement, with certain holders of its preferred stock and certain holders of its common stock. Such agreements provide for, among other things, voting rights and obligations, information rights, rights of first refusal and registration rights. The following directors, executive officers and holders of more than 5% of Savara capital stock and their affiliates are parties to these agreements:

- Robert Neville;
- Taneli Jouhikainen;
- Joseph S. McCracken; and
- 37Ventures, LLC (Yuri Pikover, an affiliate of 37Ventures, LLC, is a member of Savara's board of directors).

The ROFR Agreement, the Voting Agreement and the Rights Agreement will terminate upon the closing of the merger with Mast.

Director and Executive Officer Compensation

For information regarding the compensation of Savara's directors and executive officers, please see the section entitled "Management Following the Merger — Director Compensation" in this proxy statement/prospectus/information statement.

Policy for Approval of Related Person Transactions

While Savara does not have a formal written policy or procedure for the review, approval or ratification of related party transactions, Savara's board of directors reviews and considers the interests of its directors, executive officers and principal stockholders in its review and consideration of transactions.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements give effect to the merger between Mast and Savara and Savara's previously consummated acquisition of Serendex A/S ("Serendex") as discussed below. The merger is structured as a reverse merger and Savara was determined to be the accounting acquirer based upon the terms of the merger and other factors including: (i) Savara security holders will own approximately 76% of the combined company immediately following the closing of the merger, (ii) Savara directors will hold the majority (5 out of 7) of board seats in the combined company, and (iii) Savara management will hold all key positions in the management of the combined company. The transaction will be accounted for under the acquisition method of accounting under accounting principles generally accepted in the United States (US GAAP). Under the acquisition method of accounting for the purpose of these unaudited pro forma condensed combined financial statements, management of Mast and Savara have determined a preliminary estimated purchase price, calculated as described in Note 2 to these unaudited pro forma condensed combined financial statements. The net tangible and intangible assets acquired and liabilities assumed in connection with the transaction are recorded at their estimated acquisition date fair values. Any excess of purchase price over fair value of identified assets acquired and liabilities assumed will be recognized as goodwill. A final determination of these estimated fair values will be based on the actual net tangible and intangible assets of Mast that exist as of the date of completion of the transaction.

Previously Consummated Serendex Acquisition

On July 15, 2016, Savara completed its acquisition of Serendex for total purchase consideration of $12.4 million. The purchase consideration consisted primarily of $2.9 million in common stock and $9.5 of contingent consideration. The acquisition of Serendex is reflected in Savara's historical consolidated balance sheet at September 30, 2016.

Pro Forma Information

The unaudited pro forma condensed combined balance sheet as of September 30, 2016 and the unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2016 and for the year ended December 31, 2015 are based on (i) the historical consolidated results of operations of Savara and its subsidiaries (which include the results of Serendex subsequent to Savara's July 15, 2016 acquisition of Serendex); (ii) the historical consolidated results of operations of Mast; (iii) and the historical results of operations of Serendex for the year ended December 31, 2015 and for the period January 1, 2016 to July 14, 2016.

The unaudited pro forma condensed combined balance sheet as of September 30, 2016 assumes that the merger took place on September 30, 2016 and combines the historical balance sheets of Mast and Savara as of September 30, 2016. The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2016 and for the year ended December 31, 2015 assumes that both the merger and the acquisition of Serendex took place as of January 1, 2015, and combines the historical results of Mast and Savara and the pre-acquisition historical results of Serendex. The historical financial statements of Mast, Savara and Serendex (for the interim period through June 30, 2016 and the year ended December 31, 2015), which are provided or incorporated by reference elsewhere in this proxy statement/prospectus/information statement, have been adjusted to give pro forma effect to events that are (i) directly attributable to the mergers, (ii) factually supportable, and (iii) with respect to the statements of operations, expected to have a continuing impact on the combined results.

The unaudited pro forma condensed combined financial statements are based on the assumptions and adjustments that are described in the accompanying notes. The unaudited pro forma condensed combined financial statements and pro forma adjustments have been prepared based on preliminary estimates of fair value of assets acquired and liabilities assumed. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the accompanying

unaudited pro forma condensed combined financial statements and the combined company's future results of operations and financial position. The actual amounts recorded as of the completion of the merger may differ materially from the information presented in these unaudited pro forma condensed combined financial statements as a result of the amount, if any, of capital raised by Savara between entering the Merger Agreement and closing of the merger; the amount of cash used by Mast's operations between the signing of the Merger Agreement and the closing of the merger; the timing of closing of the merger; and other changes in the Mast assets and liabilities that occur prior to the completion of the merger.

The unaudited pro forma condensed combined financial statements do not give effect to the potential impact of current financial conditions, regulatory matters, operating efficiencies or other savings or expenses that may be associated with the acquisition. The unaudited pro forma condensed combined financial statements have been prepared for illustrative purposes only and are not necessarily indicative of the financial position or results of operations in future periods or the results that actually would have been realized had Mast, Savara and Serendex been a combined company during the specified periods. The unaudited pro forma condensed combined financial statements, including the notes thereto, should be read in conjunction with the Mast, Savara and Serendex historical audited financial statements for the year ended December 31, 2015 and the unaudited condensed financial statements of Mast and Savara for the nine months ended September 30, 2016, and Serendex for the six months ended June 30, 2016 included or incorporated by reference elsewhere in this proxy statement/prospectus/information statement.

Unaudited Pro Forma Condensed Combined Balance Sheet
September 30, 2016
(in thousands)

	Mast	Savara	Pro Forma Merger Adjustments		Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 20,521	$ 15,512	$ —		$ 36,033
Investment securities	6,429	—	—		6,429
Tax refund receivable	—	892	—		892
Prepaid expenses and other assets	1,333	545	—		1,878
Total current assets	28,283	16,949	—		45,232
Property, plant, and equipment, net	148	884	—		1,032
In-process research and development	8,549	11,172	12,744	G	32,465
Goodwill	3,007	3,253	15,794	H	22,054
Deposits and other non-current assets	131	—	—		131
Total assets	$ 40,118	$ 32,258	$ 28,538		$ 100,914
Liabilities, redeemable convertible preferred stock and stockholders' deficit					
Current liabilities:					
Accounts payable	$ 1,497	$ 459	$ —		$ 1,956
Accrued expenses and other liabilities	6,902	1,461	4,100	D	14,313
			1,850	E	
Accrued compensation and payroll taxes	901	—	—		901
Debt facility	11,593	—	—		11,593
Capital lease obligation, current portion	—	442	—		442
Total current liabilities	20,893	2,362	5,950		29,205
Noncurrent liabilities:					
Accrued interest on convertible promissory notes	—	62	(62)	F	—
Debt facility, net of current portion	2,615	—	—		2,615
Deferred income tax liability	3,404	2,458	5,113	I	10,975
Convertible promissory notes	—	3,200	(3,200)	F	—
Put option liability	—	977	(977)	F	—
Contingent consideration	—	9,678	—		9,678
Capital lease obligation, net of current portion	19	579	—		598
Other long-term liabilities	—	417	—		417
Total liabilities	26,931	19,733	6,824		53,488
Redeemable convertible preferred stock:					
Convertible preferred stock	—	43,836	(43,836)	C	—
Stockholders' equity:					
Common stock	233	5	217	B	975
			479	C	
			41	F	
Additional paid-in-capital	317,988	3,084	(281,609)	A	88,004
			(217)	B	
			43,357	C	
			5,401	F	
Accumulated other comprehensive income/(loss)	4	39	(4)	A	39
Accumulated earnings/(deficit)	(305,038)	(34,439)	305,038	A	(41,592)
			(4,100)	D	
			(1,850)	E	
			(1,203)	F	
Total stockholders' equity/(deficit)	13,187	(31,311)	65,550		47,426
Total liabilities and stockholders' equity	$ 40,118	$ 32,258	$ 28,538		$ 100,914

See accompanying notes to the unaudited pro forma condensed combined financial statements.

Unaudited Pro Forma Condensed Combined Statement of Operations
(in thousands, except share and per share data)

For Nine Months Ended September 30, 2016

	Mast	Savara	Serendex (see note 4)	Pro Forma Merger Adjustment		Pro Forma Combined
Grant revenue	$ 45	$ —	$ —	$ —		$ 45
Operating expenses:						
Product development	20,715	4,694	4,102	—		29,511
General and administrative	7,408	1,955	2,665	—		12,028
Depreciation and amortization	86	256	—	—		342
Total operating expenses	28,209	6,905	6,767	—		41,881
Loss from operations	(28,164)	(6,905)	(6,767)	—		(41,836)
Interest and other income (expense), net	(1,901)	(50)	(58)	—		(2,009)
Net loss	$ (30,065)	$ (6,955)	$ (6,825)	$ —		$ (43,845)
Accretion of redeemable convertible preferred stock	—	(70)	—	—		(70)
Net loss attributable to common stockholders	$ (30,065)	$ (7,025)	$ (6,825)	$ —		$ (43,915)
Basic and diluted net loss per share	$ (0.15)	$ (2.58)	$ —	$ —		$ (0.05)
Weighted average common share outstanding-basic and diluted	196,527,686	2,723,760	—	616,480,808	B	815,732,254

See accompanying notes to the unaudited pro forma condensed combined financial statements.

Unaudited Pro Forma Condensed Combined Statement of Operations
(In thousands, except share and per share data)

	For Year Ended December 31, 2015					
	Mast	Savara	Serendex (see note 4)	Pro Forma Merger Adjustment		Pro Forma Combined
Grant revenue	$ —	$ 54	$ —	$ —		$ 54
Operating expenses				—		
Product development	28,264	4,321	6,530	—		39,115
General and administrative	10,963	1,650	2,900	—		15,513
Depreciation and amortization	146	6	—	—		152
Total operating expenses	39,373	5,977	9,430	—		54,780
Loss from operations	(39,373)	(5,923)	(9,430)	—		(54,726)
Interest and other income (expense), net	(469)	(3,076)	26	—		(3,519)
Net loss	$ (39,842)	$ (8,999)	$ (9,404)			$ (58,245)
Accretion of redeemable convertible preferred stock	—	(183)	—	—		(183)
Net loss attributable to common stockholders	$ (39,842)	$ (9,182)	$ (9,404)	$ —		$ (58,428)
Basic and diluted net loss per share	$ (0.25)	$ (5.55)	$ —	$ —		$ (0.09)
Weighted average common share outstanding-basic and diluted	162,219,116	1,653,259	—	509,463,226	B	673,335,601

See accompanying notes to the unaudited pro forma condensed combined financial statements.

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. Description of Transaction and Basis of Presentation

Description of Transaction

On January 6, 2017, Savara entered into the Merger Agreement with Mast, pursuant to which, among other things, subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement, that a wholly-owned subsidiary of Mast will merge with and into Savara, with Savara becoming a wholly-owned subsidiary of Mast and the surviving corporation of the merger. At the closing of the merger, each outstanding share of Savara's common stock will be converted into the right to receive approximately 40 pre-split shares of common stock of Mast (or [●] shares post-split), as well as the payment of cash in lieu of fractional shares. Immediately following the effective time of the merger, Mast equity holders are expected to own approximately 24% of the outstanding capital stock of the combined company, with Savara's preexisting equity holders expected to own approximately 76%. Note that share references in these pro forma condensed combined financial statements do not include the effects of the proposed reverse stock split (discussed in the section entitled "Mast Proposal No. 2").

Basis of Presentation

The unaudited pro forma condensed combined financial statements were prepared in accordance with the regulations of the Securities and Exchange Commission (SEC). The unaudited pro forma condensed combined balance sheet as of September 30, 2016 is presented as if the merger had been completed on September 30, 2016. The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2016 and for the year ended December 31, 2015 assumes that both the merger and Savara's acquisition of Serendex took place as of January 1, 2015, and combines the historical results of Mast and Savara and the pre-acquisition historical results of Serendex.

Based on the terms of the merger, Savara is deemed to be the acquiring company for accounting purposes and the merger will be accounted for under the acquisition method of accounting in accordance with the provisions of Accounting Standards Codification 805, Business Combinations. Accordingly, assets and liabilities of Savara will be recorded as of the merger closing date at their respective carrying value and assets and liabilities of Mast will be recorded as of the merger closing date at their respective fair values. Under the acquisition method of accounting for the purpose of these unaudited pro forma financial statements, management of Savara and Mast have determined a preliminary estimated purchase price, calculated as described in Note 2 to these unaudited pro forma condensed combined financial statements. The net tangible assets acquired and liabilities assumed in connection with the transaction are at their estimated acquisition date fair values. A final determination of these estimated fair values will be based on the actual net tangible assets of Mast that exist as of the date of completion of the transaction.

To the extent there are significant changes to the Company's business following completion of the merger, the assumptions and estimates set forth in the unaudited pro forma condensed combined financial statements could change significantly. Accordingly, the pro forma purchase price adjustments are subject to further adjustments as additional information becomes available and as additional analyses are conducted following the completion of the merger. There can be no assurances that these additional analyses will not result in material changes to the estimates of fair value.

2. Preliminary Purchase Price

The preliminary estimated purchase price of the merger is $36.5 million using Mast's share price for its common stock and its common shares outstanding as of the close of business on January 12, 2017. Note that in a reverse merger, the purchase consideration determined under US GAAP will be based on the market capitalization of Mast on the date of the merger. The estimated fair value of the net assets acquired, excluding goodwill is $17.7 million.

Management of Savara has preliminarily concluded the proposed merger is a business combination and will apply the acquisition method of accounting. Under the acquisition method of accounting, the total purchase price is allocated to the acquired tangible and intangible assets and assumed liabilities of Mast based on their estimated fair values as of the proposed merger closing date. The excess of the purchase price over the fair value of assets acquired and liabilities assumed, if any, is allocated to goodwill. To the extent the actual purchase price varies from the estimated purchase price used in these unaudited pro forma condensed combined financial information, the impact will be an increase or decrease in goodwill.

The preliminary allocation of the estimated total purchase price of the proposed merger is as follows (in thousands):

Fair value of Mast net assets to carry over to merged company	$17,699
Goodwill	18,801
Total purchase consideration	$36,500

The preliminary estimated fair values of the acquired assets and assumed liabilities of Mast as of September 30, 2016 is as follows (in thousands):

Net tangible assets	$ 4,923
In-process research and development intangible asset, net of deferred tax liability	12,776
Estimated fair value of net assets acquired	$17,699

Note that while the purchase accounting assuming the merger occurred on September 30, 2016 reflects positive net tangible assets, Mast continues to fund its operations through the close of the merger with cash on hand. As such, Savara does not expect to acquire any substantive amount of cash upon consummation of the merger. The allocation of the estimated purchase price is preliminary because the proposed merger has not yet been completed. The purchase price allocation will remain preliminary until Savara's management determines the fair values of assets acquired and liabilities assumed. The final determination of the purchase price allocation is anticipated to be completed as soon as practicable after completion of the merger and will be based on the fair values of the assets acquired and liabilities assumed as of the merger closing date. The final amounts allocated to assets acquired and liabilities assumed could differ significantly from the amounts presented in the unaudited pro forma condensed combined financial statements.

3. Pro Forma Adjustments

Pro forma adjustments are necessary to reflect the acquisition consideration exchanged and to adjust amounts related to the tangible assets and liabilities of Mast to reflect the preliminary estimate of their fair values, and to reflect the impact on the statements of operations of the merger as if the companies had been combined during the periods presented therein. The pro forma adjustments included in the unaudited pro forma condensed combined financial statements are as follows:

A. To reflect the elimination of Mast's historical stockholders' equity balances, including accumulated deficit and accumulated other comprehensive income, and to reflect the adjustments to the fair value of Mast's net assets recorded in the preliminary allocation of the estimated total purchase price, at the close of the merger referred to in Note 2 above.

Elimination of Mast's accumulated deficit	$(305,038)
Elimination of Mast's accumulated other comprehensive income	4
Fair value adjustment to intangible assets (see G below)	12,744
Fair value adjustment to goodwill (see H below)	15,794
Adjustment to deferred tax liability (see I below)	(5,113)
Total	$ 281,609

B. To reflect the reclassification Savara's par value of common stock and additional paid-in capital in connection with the exchange of Savara's common stock for Mast's common stock.

C. To reflect the conversion of Savara's redeemable convertible preferred stock to Mast common stock.

D. To record $4.1 million of estimated transaction costs that were not incurred as of September 30, 2016.

E. To record $1.9 million of severance liabilities in relation to termination of employees of Mast upon consummation of the merger.

F. To reflect the conversion of $4.3 million in aggregate principal of, and accrued interest on, Savara's convertible notes into approximately 1.0 million shares of Savara common stock and then into shares of Mast common stock and to reflect the elimination of the put option (redemption feature) on Savara's convertible notes.

G. To record intangible assets acquired in the merger and eliminate Mast's historical intangible assets.

To record intangible assets acquired in the merger	$21,293
To eliminate historical Mast intangible assets	(8,549)
Total	$12,744

H. To record goodwill as a result of the merger and eliminate Mast's historical goodwill.

To record goodwill acquired in the merger	$18,801
To eliminate historical Mast goodwill	(3,007)
Total	$15,794

I. To eliminate Mast's deferred tax liability related to prior acquisitions that arose from amortizing, for tax purposes, intangible assets from business combination transactions prior to this merger and record deferred tax liability related to the merger (assumes a 40% tax rate applied to intangible assets acquired).

To record net deferred tax liability related to the merger	$ 8,517
To eliminate deferred tax liabilities related to Mast's intangible assets from prior acquisitions	(3,404)
Total	$ 5,113

4. Serendex's Historical Financial Statements

Schedule 1

Serendex
Statements of Operations
For the Period from January 1, 2016 to July 14, 2016

	January 1, 2016 to June 30, 2016 DK GAAP(1)(2)	July 1, 2016 to July 14, 2016 DK GAAP(1)	US GAAP Adjustments		As Converted to US GAAP	
	DKK	DKK	DKK		DKK	USD
Grant revenue	704	—	(704)	(a)	—	$ —
Operating expenses						
Product development	6,034	3,336	18,014	(a) (b)	27,384	4,102
General and administrative	12,954	4,834	—		17,788	2,665
Total operating expenses	18,988	8,170	18,014		45,172	6,787
Loss from operations	(18,284)	(8,170)	(18,718)		(45,172)	(6,787)
Interest and other income (expense), net	(328)	(59)	—		(387)	(58)
Net loss	(18,612)	(8,229)	(18,718)		(45,559)	$(6,825)

(1) Amounts derived from Serendex's accounting records under DK GAAP and have been reclassified to be consistent with the manner in which items are classified in Savara Inc. and Subsidiaries consolidated statement of income.

(2) Amounts derived from Serendex's historical unaudited condensed financial statements for the six months ended June 30, 2016 included or incorporated by reference elsewhere in this proxy statement/prospectus/information statement.

Schedule 2

Serendex
Statement of Operations
For the Year Ended December 31, 2015

	DK GAAP(1) (2)	US GAAP Adjustments		As Converted to US GAAP	
	DKK	DKK		DKK	USD
Grant revenue	153	(153)	(a)	—	$ —
Operating expenses					
Product development	14,690	29,193	(a) (b)	43,883	6,530
General and administrative	19,492	—		19,492	2,900
Total operating expenses	34,182	29,193		63,375	9,430
Loss from operations	(34,029)	(29,346)		(63,375)	(9,430)
Other income/(expense):					
Interest expense	(3,984)	—		(3,984)	(593)
Tax expense	3,359	—		3,359	500
Other income/(expense)	802	—		802	119
Total other income/(expense)	177	—		177	26
Net loss	(33,852)	(29,346)		(63,198)	$(9,404)

(1) Amounts derived from Serendex's accounting records under DK GAAP and have been reclassified to be consistent with the manner in which items are classified in Savara's consolidated statement of income.
(2) Amounts derived from Serendex's historical audited financial statements for the year ended December 31, 2015 included or incorporated by reference elsewhere in this proxy statement/prospectus/information statement.

US GAAP Adjustments to Serendex's Historical Financial Statements

On July 15, 2016, Savara completed the acquisition of Serendex through its wholly-owned subsidiary, Savara ApS. Serendex prepared its financial statements in accordance with Danish GAAP. Included in Schedules 1 and 2 above are the US GAAP adjustments to Serendex's historical financial statements for the period from January 1, 2016 to July 14, 2016, and for the year ended December 31, 2015, respectively.

(a) Revenue recognition

i. Under DK GAAP, revenue generated from sales of active pharmaceutical ingredient (API) to vendors associated with clinical trial studies is recognized as net revenue on the financial statements.

ii. Under US GAAP, revenue generated from sales of API to vendors associated with clinical trial studies would be considered contra- R&D expenses as those revenues were not generated due to commercialized sales to customers.

(b) Research and development costs- capitalization

i. Under DK GAAP, research and development costs directly and indirectly attributable to development of new products are capitalized as in-process R&D.

ii. Under US GAAP, research and development costs are expensed as incurred.

Translation of Serendex's Historical Financial Statements to US Dollars

The unaudited pro forma condensed combined financial information is presented in US dollars unless otherwise stated, and accordingly, the financial information of Serendex used to prepare the unaudited pro forma condensed combined financial information was translated from Danish Krone to US dollars (Schedules 1 and 2) using the following exchange rates, which correspond with the exchange rates for the periods being presented:

Statement of operations for the period from January 1, 2016 to July 14, 2016 (pre-acquisition period): Average for period	1 = US$.1498
Statement of income for the year ended December 31, 2015: Average for period	1 = US$.1488

DESCRIPTION OF MAST CAPITAL STOCK

The following description of Mast's common stock and preferred stock summarizes the material terms and provisions of Mast's common stock and the preferred stock that it may offer under this proxy statement/prospectus/information statement /prospectus. For the complete terms of Mast's common stock and preferred stock, please refer to its certificate of incorporation and its bylaws, each as amended to date, that are incorporated by reference into the registration statement of which this proxy statement/prospectus/information statement is a part or may be incorporated by reference in this proxy statement/prospectus/information statement. The terms of these securities may also be affected by the Delaware General Corporation Law, or the DGCL. The summary below is qualified in its entirety by reference to Mast's certificate of incorporation and bylaws, as in effect at the time of any offering of securities under this proxy statement/prospectus/information statement.

Common Stock

As of the date of this proxy statement/prospectus/information statement, Mast's certificate of incorporation authorizes Mast to issue 500,000,000 shares of common stock, par value $0.001 per share, of which 254,746,433 shares were issued and outstanding as of February 2, 2017. Additional shares of authorized common stock may be issued, as authorized by the Mast Board from time to time, without stockholder approval, except as may be required by applicable securities exchange requirements. The holders of Mast's common stock possess exclusive voting rights in Mast, except to the extent the Mast Board specifies voting power with respect to any other class of securities issued in the future. Each holder of Mast's common stock is entitled to one vote for each share held of record on each matter submitted to a vote of stockholders, including the election of directors. Stockholders do not have any right to cumulate votes in the election of directors.

Subject to preferences that may be granted to the holders of preferred stock, each holder of Mast's common stock is entitled to share ratably in distributions to stockholders and to receive ratably such dividends as may be declared by the Mast Board out of funds legally available therefor. In the event of Mast's liquidation, dissolution or winding up, the holders of Mast's common stock will be entitled to receive, after payment of all of Mast's debts and liabilities and of all sums to which holders of any preferred stock may be entitled, the distribution of any of Mast's remaining assets. Holders of Mast's common stock have no conversion, exchange, sinking fund or redemption rights and have no preemptive rights to subscribe for any of Mast's securities.

All of the outstanding shares of Mast's common stock are fully paid and non-assessable. The shares of common stock offered by this proxy statement/prospectus/information statement or upon the conversion of any preferred stock or debt securities or exercise of any warrants offered pursuant to this prospectus, when issued and paid for, will also be, fully paid and non-assessable.

Securities Exchange Listing

Mast's common stock is listed on the NYSE MKT under the symbol "MSTX".

Transfer Agent and Registrar

The transfer agent and registrar for Mast's common stock is American Stock Transfer & Trust Company.

Preferred Stock

As of the date of this prospectus, Mast's certificate of incorporation authorizes Mast to issue 1,000,000 shares of preferred stock, par value $0.001 per share, none of which are outstanding. Pursuant to Mast's certificate of incorporation, the Mast Board has the authority to provide for the issuance, in one or more series, of Mast's authorized preferred stock and to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon any series of Mast's preferred stock. The rights, privileges, preferences and restrictions of any

such series of Mast's preferred stock may be subordinated to, pari passu with (including, without limitation, inclusion in provisions with respect to liquidation and acquisition preferences, redemption or approval of matters by vote or written consent), or senior to any of those of any present or future class or series of preferred stock or common stock. The Mast Board is also expressly authorized to increase or decrease the number of shares of any series prior or subsequent to the issue of that series, but not below the number of shares of such series then outstanding. The issuance of preferred stock may have the effect of decreasing the market price of its common stock and may adversely affect the voting power of holders of Mast's common stock and reduce the likelihood that holders of Mast's common stock will receive dividend payments and payments upon liquidation.

The DGCL provides that the holders of preferred stock will have the right to vote separately as a class on any proposal involving fundamental changes in the rights of holders of that preferred stock. This right is in addition to any voting rights that may be provided for in the applicable certificate of designation.

Anti-Takeover Effects of Provisions of Mast's Charter Documents and Delaware Law

Provisions of the DGCL, Mast's certificate of incorporation and bylaws could make it more difficult to acquire Mast by means of a tender offer, a proxy contest or otherwise, or to remove incumbent officers and directors. These provisions, summarized below, are expected to discourage certain types of coercive takeover practices and takeover bids that the Mast Board may consider inadequate and to encourage persons seeking to acquire control of Mast to first negotiate with the Mast Board. Mast believes that the benefits of increased protection of its ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure Mast outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms. This summary does not purport to be complete and is qualified in its entirety by reference to the DGCL and Mast's certificate of incorporation and bylaws.

Certificate of Incorporation and Bylaws

Preferred Stock. Under Mast's certificate of incorporation, the Mast Board has the power to authorize the issuance of up to 1,000,000 shares of preferred stock, all of which are currently undesignated, and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without further vote or action by Mast's stockholders. The issuance of preferred stock may:

- delay, defer or prevent a change in control;
- discourage bids for Mast's common stock at a premium over the market price of Mast's common stock;
- adversely affect the voting and other rights of the holders of Mast's common stock; and
- discourage acquisition proposals or tender offers for Mast's shares and, as a consequence, inhibit fluctuations in the market price of Mast's shares that could result from actual or rumored takeover attempts.

Advance Notice Requirement. Stockholder nominations of individuals for election to the Mast Board and stockholder proposals of other matters to be brought before an annual meeting of Mast's stockholders must comply with the advance notice procedures set forth in Mast's bylaws. Generally, to be timely, such notice must be received at Mast's principal executive offices no later than the date specified in Mast's proxy statement released to its stockholders in connection with the preceding year's annual meeting of stockholders, which date shall be not earlier than the 120th day, nor later than the close of business on the 90th day, prior to the first anniversary of the date of the preceding year's annual meeting of stockholders.

Special Meeting Requirements. Mast's bylaws provide that special meetings of its stockholders may be called only at the request of Mast's board of directors, president (unless there is a chief executive officer who is not the president, in which case a special meeting may be called at any time by the chief executive officer and not the president) or chair of the Mast Board. Only such business shall be considered at a special meeting as shall have been stated in the notice for such meeting.

No Cumulative Voting. Mast's certificate of incorporation does not include a provision for cumulative voting for directors.

Indemnification. Mast's certificate of incorporation and bylaws provide that Mast will indemnify its officers and directors against losses as they incur in investigations and legal proceedings resulting from their services to Mast, which may include service in connection with takeover defense measures.

Removal of Directors. Mast's bylaws provide that the affirmative vote of the holders of at least 75% of its voting stock then outstanding is required to remove Mast's directors, either with or without cause.

Authorized but Unissued Shares. Mast's authorized but unissued shares of common stock and preferred stock will be available for future issuance without stockholder approval. Mast may use additional shares for a variety of purposes, including future public offerings to raise additional capital, to fund acquisitions and as employee compensation. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of Mast by means of a proxy contest, tender offer, merger or otherwise.

Delaware Anti-Takeover Statute

Mast is subject to Section 203 of the DGCL, an anti-takeover law. In general, Section 203 prohibits, with some exceptions, a publicly held Delaware corporation from engaging in a "business combination" with any "interested stockholder" for a period of three years following the date that stockholder became an interested stockholder, unless:

- prior to that date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares of voting stock outstanding (but not the voting stock owned by the interested stockholder) those shares owned by persons who are directors and officers and by excluding employee stock plans in which employee participants do not have the right to determine whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or subsequent to that date, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66-2/3% of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines "business combination" to include any of the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an “interested stockholder” as any person who, together with the person’s affiliates and associates, beneficially owns, or within three years prior to the determination of interested stockholder status did beneficially own, 15% or more of the outstanding voting stock of the corporation.

The above provisions may deter a hostile takeover or delay a change in control of management or Mast.

COMPARISON OF RIGHTS OF HOLDERS OF MAST STOCK AND SAVARA STOCK

Both Mast and Savara are incorporated under the laws of the State of Delaware and, accordingly, the rights of the stockholders of each are currently, and will continue to be, governed by the DGCL. If the merger is completed, Savara stockholders will become stockholders of Mast, and their rights will be governed by the DGCL, the bylaws of Mast and the amended and restated certificate of incorporation of Mast.

The table below summarizes the material differences between the current rights of Savara stockholders under the Savara amended and restated certificate of incorporation and bylaws and the rights of Mast stockholders, post-merger, under the Mast amended and restated certificate of incorporation and bylaws, as applicable, and as in effect immediately following the merger.

While Mast and Savara believe that the summary tables cover the material differences between the rights of their respective stockholders prior to the merger and the rights of Mast stockholders following the merger, these summary tables may not contain all of the information that is important to you. These summaries are not intended to be a complete discussion of the respective rights of Mast and Savara stockholders and are qualified in their entirety by reference to the DGCL and the various documents of Mast and Savara that are referred to in the summaries. You should carefully read this entire proxy statement/prospectus/information statement and the other documents referred to in this proxy statement/prospectus/information statement for a more complete understanding of the differences between being a stockholder of Mast or Savara before the merger and being a stockholder of Mast after the merger. Mast has filed copies of its current amended and restated certificate of incorporation and bylaws with the SEC and will send copies of the documents referred to in this proxy statement/prospectus/information statement to you upon your request. Savara will also send copies of its documents referred to in this proxy statement/prospectus/information statement to you upon your request. See the section entitled “Where You Can Find More Information” in this proxy statement/prospectus/information statement.

Current Savara Rights Versus Mast Rights Post-Merger

Provision	Savara (Pre-Merger)	Mast (Post-Merger)
Elections;Voting; Procedural Matters		
Authorized Capital Stock	The amended and restated certificate of incorporation of Savara authorizes the issuance of up to 27,000,000 of common stock, $0.001 par value per share, and 15,799,906 shares of preferred stock, $0.001 par value per share, of which 1,799,906 shall be designated “Series A Preferred Stock,” 6,000,000 shall be designated “Series B Preferred Stock,” and 8,000,000 shall be designated “Series C Preferred Stock.”	The amended and restated certificate of incorporation of Mast authorizes the issuance of up to 501,000,000 shares, of which 500,000,000 shares are common stock, each having a par value of $0.001, and 1,000,000 shares are preferred stock, each having a par value of $0.001.
Number of Directors	The amended and restated certificate of incorporation and Voting Agreement of Savara sets the number of directors at five.	The bylaws of Mast currently provide that the number of directors shall be not less than three and not more than nine.
Stockholder Nominations and Proposals	The amended and restated certificate of incorporation and bylaws of Savara do not provide for	The bylaws of Mast provide that in order for a stockholder to make a director nomination or

Provision	Savara (Pre-Merger)	Mast (Post-Merger)
	procedures with respect to stockholder proposals or director nominations.	propose business at an annual meeting of stockholders, the stockholder must give timely written notice to the Mast secretary, which must be received not more than 120 calendar days before and not less than 90 calendar days before the one year anniversary of the date of the previous year's annual meeting (with certain adjustments if no annual meeting was held the previous year or the date of the annual meeting is changed by more than 30 days from the first anniversary of the preceding year's annual meeting).
Classified Board of Directors	The amended and restated certificate of incorporation of Savara does not provide for the division of the board of directors into staggered classes.	The amended and restated certificate of incorporation of Mast does not provide for the division of the board of directors into staggered classes.
Removal of Directors	The bylaws of Savara provide that directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors, except that the directors elected by the holders of a particular class or series of stock may be removed only by vote of the holders of a majority of the outstanding shares of such class or series.	The bylaws of Mast provide that a director may be removed at any time with or without cause by the affirmative vote of the holders of 75% of the shares then entitled to vote at an election of directors.
Special Meeting of the Stockholders	The bylaws of Savara provide that special meetings of stockholders may be called at any time by the board of directors, the president or upon the written request of holders of shares entitled to case not less than 33% of the votes entitled to notice of and to vote at such special meeting.	The bylaws of Mast provide that a special meeting of the stockholders may be called by the chairman of the board of directors, the chief executive officer or president, and by the board of directors.
Cumulative Voting	The Savara amended and restated certificate of incorporation and bylaws do not have a provision granting cumulative voting rights in the election of its directors.	The Mast amended and restated certificate of incorporation and bylaws do not have a provision granting cumulative voting rights in the election of its directors.

Provision	Savara (Pre-Merger)	Mast (Post-Merger)
Vacancies	The amended and restated certificate of incorporation and bylaws of Savara provide that any vacancy on the board of directors may be filled by vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director.	The amended and restated certificate of incorporation and bylaws of Mast provide that any vacancy or newly created directorships on the board of directors will be filled only by the affirmative vote of a majority of the directors in office, even though less than a quorum of the board of directors, or by a sole remaining director, and not by the stockholders.
Voting Stock	Under the amended and restated certificate of incorporation of Savara, the holders of common stock are entitled to one vote for each share of stock held by them and holders of preferred stock are entitled to one vote for each share of common stock into which such share of preferred stock is convertible; provided that holders of preferred stock, voting as a separate class, are entitled to elect two directors, and holders of common stock, voting as a separate class, are entitled to elect one director.	Under the Mast bylaws, the holders of voting stock are entitled to vote on each matter properly submitted to the stockholders at a meeting of the stockholders and shall be entitled to cast one vote in person or by proxy for each share of voting stock held by them respectively as of the record date fixed by the secretary at least 10 days before the meeting of the stockholders.
Voting Agreement	The Third Amended and Restated Voting Agreement entered into as of July 15, 2016 between Savara and certain of its stockholders, or the Voting Agreement, provides for the election of: two director nominees by holders of Savara's preferred stock, one director nominee by the holders of Savara's common stock, the person then serving as Savara's Chief Executive Officer and one director designated as a director by a majority of the then-serving directors.	The Stockholders' Voting and Transfer Restriction Agreement, dated February 12, 2011, by and among the registrant, each of the principal stockholders of SynthRx, Inc. and, solely with respect to Section 3(c), the Stockholders' Agent, provides that each stockholder party agreed, with respect to every action or approval by written consent of Mast's stockholders, to vote all shares of Mast's common stock beneficially owned by that stockholder that were issued pursuant to Mast's merger agreement with SynthRx, Inc. in such manner as Mast directs. As of February 2, 2017, approximately 0.5% of Mast's outstanding common stock was subject to this voting agreement.

Provision	Savara (Pre-Merger)	Mast (Post-Merger)
Stockholder Action by Written Consent	The bylaws of Savara provide that any action required or permitted to be taken at any annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote on such action were present and voted.	The bylaws of Mast provide that any action required or permitted to be taken by its stockholders may be effected by a written consent of the requisite stockholders obtained in accordance with the applicable provisions of the DGCL.
Notice of Stockholder Meeting	The bylaws of Savara provide that notices of all meetings shall state the place, if any, date and hour of the meeting. The notice of a special meeting shall state, in addition, the purpose or purposes for which the meeting is called. The bylaws of Savara provide that notice of each meeting of stockholders shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting.	Under the bylaws of Mast, written notice of each stockholder meeting must specify the place, if any, date and hour of the meeting, and, in the case of a special meeting, the purposes for which the meeting is called. Notice shall be given not less than 10 nor more than 60 calendar days before the date of the meeting to each stockholder entitled to vote at such meeting.
Conversion Rights and Protective Provisions	The amended and restated certificate of incorporation of Savara provides that each holder of shares of preferred stock shall have the right to convert such shares into shares of common stock at any time in accordance with the amended and restated certificate of incorporation. In addition, upon the closing of the sale of shares of common stock in a firm-commitment underwritten public offering, the listing of Savara's common stock on certain exchange trading platforms, or the vote or written consent of a least a majority of the voting power represented by the then outstanding shares of preferred stock, all outstanding shares shall be converted into shares of common stock. Savara may not amend the amended and restated certificate of	The amended and restated certificate of incorporation of Mast does not provide that holders of Mast stock shall have preemptive, conversion or other protective rights.

Provision	Savara (Pre-Merger)	Mast (Post-Merger)
	incorporation in a manner that materially alters or changes the rights, preferences or privileges of the preferred stock so as to affect them adversely in a manner different than other classes, or take certain other actions without the written consent or affirmative vote of the majority of the outstanding shares of preferred stock.	
Right of First Refusal	The bylaws and the Fifth Amended and Restated Right of First Refusal Agreement entered into on July 15, 2016 between Savara and certain of its stockholders provides that stockholders wishing to transfer any shares of stock shall first provide Savara and then certain major stockholders with the right to purchase such shares.	Mast does not have a right of first refusal in place.
Indemnification of Officers and Directors and Advancement of Expenses; Limitation on Personal Liability		
Indemnification	The amended and restated certificate of incorporation of Savara provides that Savara shall indemnify its directors and officers to the fullest extent permitted by the DGCL. Under the bylaws of Savara, such rights shall not be exclusive of any other rights acquired by directors and officers.	The amended and restated certificate of incorporation and bylaws of Mast provide that Mast shall indemnify its directors and officers to the fullest extent permitted by the DGCL or any other applicable law. Under its bylaws, Mast will not be required to indemnify any director or officer in connection with any proceeding initiated by such person unless the proceeding was authorized by the Mast Board, and Mast will not indemnify a director or officer if the board of directors determines by clear and convincing evidence that the director or officer acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation. Under the bylaws of Mast, such rights shall not be exclusive of any other rights acquired by directors and officers. Each of the officers and directors of

Provision	Savara (Pre-Merger)	Mast (Post-Merger)
		Mast has also entered into an indemnification agreement with Mast.
Advancement of Expenses	The amended and restated certificate of incorporation and the bylaws of Savara provide that Savara shall pay the expenses incurred by a director or officer in defending any proceeding in advance of its final disposition, provided, that payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by the director or officer to repay all amounts advanced if it should be ultimately determined that such director or officer is not entitled to be indemnified. In addition, Savara is not required to indemnify or advance amounts to a person in connection with a proceeding initiated by such person.	The bylaws of Mast provide that Mast will advance expenses to any director or officer prior to the final disposition of the proceeding, provided, however, that such advancements shall be made only upon receipt of an undertaking by such director or officer to repay all amounts advanced if it should be ultimately determined that such director or officer is not entitled to indemnification under the bylaws of Mast or otherwise. In addition, Mast is not required to indemnify or advance amounts to a person in connection with a proceeding initiated by such person, unless the proceeding was authorized in advance by Mast's board of directors.
Dividends		
Declaration and Payment of Dividends	The amended and restated certificate of incorporation of Savara provides that holders of preferred stock shall be entitled, when and as declared by the board of directors, to dividends of: in the case of the Series A Preferred Stock, $0.14462 per share per annum, in the case of the Series B Preferred Stock, $0.2504 per share per annum, in the case of the Series C Preferred Stock $0.42084 per share per annum.	Subject to any restrictions contained in the DGCL or the amended and restated certificate of incorporation of Mast, the board of directors may declare and pay dividends upon the shares of capital stock.
Amendments to Certificate of Incorporation or Bylaws		
Amendment Provisions	The amended and restated certificate of incorporation of Savara may not be amended in a manner that materially alters or changes the rights, preferences or privileges of the preferred stock so as to affect them adversely without the written consent or affirmative vote of a majority of the outstanding shares of preferred stock. The bylaws of Savara may be amended by the Savara Board.	The amended and restated certificate of incorporation of Mast may be amended in any manner permitted by law. The amended and restated certificate of incorporation and bylaws of Mast provide that the board of directors is expressly authorized to make, alter or repeal the bylaws.

PRINCIPAL STOCKHOLDERS OF MAST

The following table sets forth information regarding beneficial ownership of Mast's common stock as of February 2, 2017 (the "Evaluation Date"), or an earlier date for information based on filings with the SEC, by (a) each person known to Mast to beneficially own more than 5% of the outstanding shares of Mast's common stock, (b) each director, (c) each of the named executive officers listed in the compensation tables included in this proxy statement/prospectus/information statement, and (d) all of Mast's current directors and executive officers as a group. The information in this table is based solely on statements in filings with the SEC or other reliable information. Percent of beneficial ownership is based on 254,746,933 shares of Mast's common stock outstanding as of the Evaluation Date.

Name and Address of Beneficial Owner(1)	Shares Beneficially Owned(2)	Percent of Outstanding(2)
Principal Stockholders:		
Sabby Management, LLC(3) 10 Mountainview Road, Suite 205 Upper Saddle River, NJ 07458	25,449,219	9.08%
Directors and Named Executive Officers:		
Brian M. Culley(4)	5,161,510	1.99%
Howard C. Dittrich(5)	231,959	*
Peter Greenleaf(6)	126,253	*
Matthew Pauls(7)	128,052	*
David A. Ramsay(8)	399,956	*
Edwin L. Parsley(9)	1,221,792	*
Brandi L. Roberts(10)	1,702,841	*
Patrick Keran(11)	—	*
All directors and executive officers as a group (8 persons)(12)	9,558,231	3.62%

* Less than 1%

(1) Unless otherwise indicated, the address of each of the listed persons is c/o Mast Therapeutics, Inc., 3611 Valley Centre Drive, Suite 500, San Diego, California 92130.

(2) Beneficial ownership of shares is determined in accordance with SEC rules and generally includes any shares over which a person exercises sole or shared voting or investment power, or of which a person has the right to acquire ownership within 60 days of the Evaluation Date. The RSUs granted to Mast directors and executive officers in January 2017 are not included in the beneficial ownership amounts in this table because the vesting/settlement of those RSUs is contingent upon the consummation of the merger and the individuals continued service with Mast until such date. Except as otherwise noted, (a) each person or entity has sole voting and investment power with respect to the shares shown and (b) none of the shares shown as beneficially owned on this table are subject to pledge. In calculating the percentage ownership of each person identified in the table, shares underlying options, warrants or other rights to acquire shares of Mast's common stock held by that person that are either currently exercisable or exercisable within 60 days of the Evaluation Date are deemed outstanding. These shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other individual or entity. Percentage ownership for each person is based on the number of shares of Mast's common stock outstanding as of the Evaluation Date, together with the applicable number of shares of common stock subject to options, warrants or other rights to acquire shares of Mast's common stock currently exercisable or exercisable within 60 days of the Evaluation Date for that person or group of persons. The information in this table reflects the proportionate adjustments made to stock options exercisable for Mast's common stock that Mast issued prior to the 1-for-25 reverse split of Mast's common stock effected on April 23, 2010.

(3) The number of shares listed for Sabby Management, LLC ("Sabby Management") and the following information in this footnote was obtained from a Schedule 13G jointly filed with the SEC on January 9,

2017 by Sabby Management, Sabby Healthcare Master Fund, Ltd., Sabby Volatility Warrant Master Fund, Ltd., and Hal Mintz, as well as supplemental information provided by Sabby Management to Mast relating to beneficial ownership as of December 31, 2016. All of the shares listed in the table consist of shares subject to outstanding warrants of Mast that are currently exercisable; none represent shares of Mast common stock that are currently outstanding. The warrants include provisions that block the holder from exercising the warrants to the extent that delivery of the shares of Mast's common stock would result in such holder (together with such holder's affiliates and any other persons acting as a group together with such holder's affiliates) having a beneficial ownership in excess of 9.99% of Mast's outstanding common stock. Accordingly, Sabby Healthcare Master Fund, Ltd. beneficially owns 23,952,519 shares and Sabby Volatility Warrant Master Fund, Ltd. owns 1,496,700 shares. Sabby Management and Mr. Mintz do not directly own any securities, but each has shared power to vote or to direct the vote and shared power to dispose or to direct the disposition of 25,449,219 shares. Sabby Management is the investment manager of Sabby Healthcare Master Fund, Ltd. and Sabby Volatility Warrant Master Fund, Ltd. and Mr. Mintz is manager of Sabby Management. The address of Sabby Healthcare Master Fund, Ltd. and Sabby Volatility Warrant Master Fund, Ltd. is c/o Ogier Fiduciary Services (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman KY1-9007, Cayman Islands.

(4) Consists of (a) 5,127,010 shares of common stock subject to options currently exercisable or exercisable within 60 days of the Evaluation Date and (b) 34,500 shares of common stock held directly by Mr. Culley. In accordance with the notice of grant and agreement governing the RSUs granted to Mr. Culley in January 2017, immediately prior to, but contingent upon, the consummation of the merger, all outstanding and unexercised stock options held by Mr. Culley will be cancelled and cease to be exercisable as of such time without any accelerated vesting.

(5) Consists of 231,959 shares of common stock subject to options currently exercisable or exercisable within 60 days of the Evaluation Date. In accordance with the notice of grant and agreement governing the RSUs granted to Dr. Dittrich in January 2017, immediately prior to, but contingent upon, the consummation of the merger, all outstanding and unexercised stock options held by Dr. Dittrich will be cancelled and cease to be exercisable as of such time without any accelerated vesting.

(6) Consists of 126,253 shares of common stock subject to options currently exercisable or exercisable within 60 days of the Evaluation Date. In accordance with the notice of grant and agreement governing the RSUs granted to Mr. Greenleaf in January 2017, immediately prior to, but contingent upon, the consummation of the merger, all outstanding and unexercised stock options held by Mr. Greenleaf will be cancelled and cease to be exercisable as of such time without any accelerated vesting.

(7) Consists of 128,052 shares of common stock subject to options currently exercisable or exercisable within 60 days of the Evaluation Date. In accordance with the notice of grant and agreement governing the RSUs granted to Mr. Pauls in January 2017, immediately prior to, but contingent upon, the consummation of the merger, all outstanding and unexercised stock options held by Mr. Pauls will be cancelled and cease to be exercisable as of such time without any accelerated vesting.

(8) Consists of (a) 299,956 shares of common stock subject to options currently exercisable or exercisable within 60 days of the Evaluation Date and (b) 100,000 shares of common stock held directly by Mr. Ramsay. In accordance with the notice of grant and agreement governing the RSUs granted to Mr. Ramsay in January 2017, immediately prior to, but contingent upon, the consummation of the merger, all outstanding and unexercised stock options held by Mr. Ramsay will be cancelled and cease to be exercisable as of such time without any accelerated vesting.

(9) Consists of 1,211,792 shares of common stock subject to options currently exercisable or exercisable within 60 days of the Evaluation Date. In accordance with the notice of grant and agreement governing the RSUs granted to Dr. Parsley in January 2017, immediately prior to, but contingent upon, the consummation of the merger, all outstanding and unexercised stock options held by Dr. Parsley will be cancelled and cease to be exercisable as of such time without any accelerated vesting.

(10) Consists of (a) 1,664,841 shares of common stock subject to options currently exercisable or exercisable within 60 days of the Evaluation Date and (b) 38,000 shares of common stock held directly by Ms. Roberts. In accordance with the notice of grant and agreement governing the RSUs granted to Ms. Roberts in January

2017, immediately prior to, but contingent upon, the consummation of the merger, all outstanding and unexercised stock options held by Ms. Roberts will be cancelled and cease to be exercisable as of such time without any accelerated vesting.

(11) Mr. Keran's employment with Mast concluded in February 2015.

(12) Consists of (a) 9,385,731 shares of common stock subject to options currently exercisable or exercisable within 60 days of the Evaluation Date and (b) 172,500 shares of common stock. In accordance with the notices of grant and agreements governing the RSUs granted to Mast's directors and executive officers in January 2017, immediately prior to, but contingent upon, the consummation of the merger, all outstanding and unexercised stock options held by such individuals will be cancelled and cease to be exercisable as of such time without any accelerated vesting.

PRINCIPAL STOCKHOLDERS OF SAVARA

The following table and the related notes present information on the beneficial ownership of shares of Savara's capital stock as of December 31, 2016 by:

- each director of Savara;
- each executive officer of Savara;
- all of Savara's current directors and executive officers as a group; and
- each stockholder known by Savara to beneficially own more than five percent of its common stock on an as converted basis.

The number of shares owned, total shares beneficially owned and the percentage of common stock beneficially owned below assumes, in each case, the conversion of all 1,799,906 shares of Savara Series A Preferred Stock, 5,675,387 shares of Savara Series B Preferred Stock and 4,452,582 shares of Savara Series C Preferred Stock into common stock as of December 31, 2016 and a total of 5,396,883 shares of Savara common stock outstanding as of December 31, 2016.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to the securities. Shares of common stock that may be acquired by an individual or group within 60 days of December 31, 2016, pursuant to the exercise of options or warrants, are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table.

Except as indicated in footnotes to this table, Savara believes that the stockholders named in this table have sole voting and investment power with respect to all shares of common stock shown to be beneficially owned by them, based on information provided to Savara by such stockholders. Unless otherwise indicated, the address for each stockholder listed is: c/o Savara Inc., 900 S. Capital of Texas Highway, Las Cimas IV, Suite 150, Austin, TX 78746.

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Outstanding
Principal Stockholders:		
Serenova A/S(1)	3,353,925	19.36%
Robert Neville(2)	956,858	5.43%
Directors and Named Executive Officers:		
Robert Neville(2)	956,858	5.43%
Nevan Elam(3)	74,239	*
Richard J. Hawkins(4)	70,239	*
Yuri Pikover(5)	496,962	2.86%
Joseph S. McCracken(6)	51,090	*
Taneli Jouhikainen(7)	548,639	3.14%
David Lowrance(8)	13,606	*
All current executive officers and directors as a group (7 persons)(9)	2,211,633	12.26%

* Represents beneficial ownership of less than 1% of the shares of Common Stock.

(1) Includes 670,785 shares held in escrow by Savara until July 19, 2017 pursuant to the terms of the Business Transfer Agreement dated May 13, 2016 between Serendex Pharmaceuticals A/S and Savara Inc.

(2) Includes 300,259 shares issuable upon the exercise of options held by Mr. Neville that are exercisable within 60 days of December 31, 2016 and 1,249 shares issuable upon the exercise of a warrant held by Mr. Neville that is exercisable within 60 days of December 31, 2016.

(3) Consists of 74,239 shares issuable upon the exercise of options held by Mr. Elam that are exercisable within 60 days of December 31, 2016.
(4) Consists of 70,239 shares issuable upon the exercise of options held by Mr. Hawkins that are exercisable within 60 days of December 31, 2016.
(5) Includes 452,462 shares held by 37Ventures, LLC, and Mr. Pikover is managing director of 37Ventures, LLC. Also includes 44,500 shares issuable upon the exercise of options held by Mr. Pikover that are exercisable within 60 days of December 31, 2016. Does not include (i) shares issuable upon conversion of convertible promissory notes issued in the 2016 Convertible Debt Financing, which are expected to convert at the closing of the merger and (ii) shares issuable upon exercise of warrants issued in the 2016 Convertible Debt Financing, which will be exercisable following the closing of the merger.
(6) Includes 44,500 shares issuable upon the exercise of options held by Dr. McCracken that are exercisable within 60 days of December 31, 2016. Does not include (i) shares issuable upon conversion of convertible promissory notes issued in the 2016 Convertible Debt Financing, which are expected to convert at the closing of the merger and (ii) shares issuable upon exercise of warrants issued in the 2016 Convertible Debt Financing, which will be exercisable following the closing of the merger.
(7) Includes 165,000 shares issuable upon the exercise of options held by Dr. Jouhikainen that are exercisable within 60 days of December 31, 2016.
(8) Consists of 13,606 shares issuable upon the exercise of options held by Mr. Lowrance that are exercisable within 60 days of December 31, 2016.
(9) Includes 1,045,579 shares held of record by Savara's directors and executive officers, 712,343 shares issuable upon the exercise of options held by Savara's directors and executive officers that are exercisable within 60 days of December 31, 2016, 1,249 shares issuable upon the exercise of warrants held by Savara's directors and executive officers that are exercisable within 60 days of December 31, 2016 and 452,462 shares held by entities over which Savara's directors and executive officers may be deemed to have voting and dispositive power.

LEGAL MATTERS

DLA Piper LLP (US) will pass upon the validity of the Mast common stock offered by this proxy statement/prospectus/information statement. The material U.S. federal income tax consequences of the merger will be passed upon for Mast by DLA Piper LLP (US) and for Savara by Wilson Sonsini Goodrich & Rosati, P.C.

EXPERTS

Mast

The consolidated financial statements of Mast Therapeutics, Inc. as of December 31, 2015 and 2014 and for each of the two years in the period ended December 31, 2015 and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) as of December 31, 2015 included in this proxy statement/prospectus/information statement have been so included in reliance on the report (which contains an explanatory paragraph relating to the Company's liquidity position as described in Note 1 to the financial statements) of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

Savara

The financial statements of Savara, Inc. as of December 31, 2015 and 2014 and for each of the two years in the period ended December 31, 2015 included in this proxy statement/prospectus/information statement have been so included in reliance on the report (which contains an explanatory paragraph relating to the Company's liquidity position as described in Note 1 to the financial statements) of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

Serendex

The audited consolidated financial statements of Serendex Pharmaceuticals A/S included in this proxy statement/prospectus/information statement have been so included in reliance upon the reports of Grant Thornton Statsautoriseret Revisionspartnerselskab, independent auditors, upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

Mast files annual, quarterly and special reports, proxy statements and other information are with the SEC. You may read and copy any reports, statements or other information that Mast files at the SEC public reference room in at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Mast SEC filings are also available to the public from commercial document retrieval services and on the website maintained by the SEC at http://www.sec.gov. Reports, proxy statements and other information concerning Mast also may be inspected at the offices of the National Association of Securities Dealers, Inc., Listing Section, 1735 K Street, Washington, D.C. 20006.

As of the date of this proxy statement/prospectus/information statement, Mast has filed a registration statement on Form S-4 to register with the SEC the Mast common stock that Mast will issue to Savara stockholders in the merger. This proxy statement/prospectus/information statement is a part of that registration statement and constitutes a prospectus of Mast, as well as a proxy statement of Mast for its special meeting and an information statement for the purpose of Savara for its written consent.

Mast has supplied all information contained in this proxy statement/prospectus/information statement relating to Mast and Savara has supplied all information contained in this proxy statement/prospectus/information statement relating to Savara.

If you would like to request documents from Mast or Savara, please send a request in writing or by telephone to either Mast of Savara at the following addresses:

Mast Therapeutics, Inc.
3611 Valley Centre Drive, Suite 500
San Diego, CA 92130
Telephone: (858) 552-0866
Attn: Investor Relations

Savara Inc.
900 S. Capital of Texas Highway
Las Cimas IV, Suite 150
Austin, TX 78746
Telephone: (512) 961-1891
Attn: Chris Marich

If you are a Mast stockholder and would like additional copies, without charge, of this proxy statement/prospectus/information statement or if you have questions about the merger, including the procedures for voting your shares, you should contact Mast's proxy solicitor:

ADVANTAGE PROXY
(877) 870-8565 (toll free)
(206) 870-8565 (collect)
ksmith@advantageproxy.com

TRADEMARK NOTICE

"Mast Therapeutics" and the Mast Therapeutics logo are unregistered trademarks of Mast in the United States and other jurisdictions and are registered trademarks in the European Union. "Savara Inc.," the Savara logo, "AeroVanc" and "Molgradex" are unregistered trademarks of Savara in the United States and other jurisdictions. Other third-party logos and product/trade names are registered trademarks or trade names of their respective companies.

OTHER MATTERS

Stockholder Proposals

Mast stockholders are entitled to present proposals for action at a forthcoming meeting if they comply with the requirements of Mast bylaws and the rules established by the SEC under the Exchange Act. Under these requirements, to be considered for inclusion in Mast's proxy materials for Mast's 2017 annual meeting, stockholder proposals must have been submitted in writing by December 29, 2016, to Mast's principal executive offices and comply with the requirements as to form and substance established by the SEC for such proposals in order to be included in Mast's proxy materials. Stockholders who wish to make a proposal (including director nominations) at Mast's 2017 annual meeting that are not to be included in Mast's proxy materials for the 2017 annual meeting must notify Mast in writing delivered to its principal executive offices no earlier than February 15, 2017 and no later than March 17, 2017. Stockholders are also advised to review Mast's bylaws, which contain additional requirements relating to advance notice of stockholder proposals and director nominations. A copy of Mast's bylaws is available to stockholders upon written request to Mast's corporate secretary.

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Mast Therapeutics, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive loss, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Mast Therapeutics, Inc. and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our audits (which was an integrated audit in 2015). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, the Company has incurred significant operating losses since inception and will require additional financing to fund future operations. Management's plans in regard to these matters are also described in Note 1.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
San Diego, California
March 14, 2016

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

	December 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 23,052	$ 35,808
Investment securities	17,929	21,481
Prepaid expenses and other current assets	1,271	1,114
Total current assets	42,252	58,403
Property and equipment, net	226	188
In-process research and development	8,549	8,549
Goodwill	3,007	3,007
Other assets	183	353
Total assets	$ 54,217	$ 70,500
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,600	$ 1,370
Accrued liabilities	8,152	5,625
Accrued compensation and payroll taxes	1,430	1,443
Debt facility	10,991	—
Total current liabilities	23,173	8,438
Long-term lease obligation	25	—
Debt facility, net of current portion	3,726	—
Deferred income tax liability	3,404	3,404
Total liabilities	30,328	11,842
Commitments (Note 12)		
Stockholders' equity:		
Common stock, $0.001 par value; 500,000,000 shares authorized; 163,614,297 and 159,458,376 shares issued and outstanding at December 31, 2015 and 2014, respectively	164	159
Additional paid-in capital	298,715	293,655
Accumulated other comprehensive loss	(17)	(25)
Accumulated deficit	(274,973)	(235,131)
Total stockholders' equity	23,889	58,658
Total liabilities and stockholders' equity	$ 54,217	$ 70,500

See accompanying notes to consolidated financial statements.

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

	Years ended December 31, 2015	2014
Revenues	$ —	$ —
Operating expenses:		
Research and development	28,264	19,435
Selling, general and administrative	10,963	9,488
Transaction-related expenses	—	271
Depreciation and amortization	146	85
Total operating expenses	39,373	29,279
Loss from operations	(39,373)	(29,279)
Interest income	130	69
Interest expense	(603)	—
Other income, net	4	508
Net loss	$ (39,842)	$ (28,702)
Net loss per share — basic and diluted	$ (0.25)	$ (0.23)
Weighted average shares outstanding — basic and diluted	162,219,116	122,409,183
Comprehensive Loss:		
Net loss	$ (39,842)	$ (28,702)
Other comprehensive income/(loss)	8	(4)
Comprehensive loss	$ (39,834)	$ (28,706)

See accompanying notes to consolidated financial statements.

Mast Therapeutics, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(in thousands, except for share data)

	Common stock		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
	Shares	Amount				
Balances at January 1, 2014	102,710,286	$ 103	$254,155	$ (21)	$ (206,429)	$ 47,808
Net loss	—	—	—	—	(28,702)	(28,702)
Sale of common stock and pre-funded warrants, net of offering costs of $2,095	51,644,288	51	34,203	—	—	34,254
Issuance of stock in Aires acquisition	5,103,702	5	3,265	—	—	3,270
Share-based compensation expense —employee options	—	—	2,032	—	—	2,032
Warrant exercise	100	0	0	—	—	0
Other comprehensive loss	—	—	—	(4)	—	(4)
Balances at December 31, 2014	159,458,376	159	293,655	(25)	(235,131)	58,658
Net loss	—	—	—	—	(39,842)	(39,842)
Sale of common stock, net of offering costs of $142	4,155,921	5	1,993	—	—	1,998
Issuance of warrants in connection with debt facility	—	—	392	—	—	392
Share-based compensation expense —employee options	—	—	2,675	—	—	2,675
Other comprehensive income	—	—	—	8	—	8
Balances at December 31, 2015	163,614,297	$ 164	$298,715	$ (17)	$ (274,973)	$ 23,889

See accompanying notes to consolidated financial statements.

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

	Years ended December 31, 2015	2014
Cash flows from operating activities:		
Net loss	$(39,842)	$(28,702)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	146	85
Gain on bargain purchase	—	(486)
Share-based compensation expense related to employee stock options	2,675	2,032
Write-off of fixed assets	6	—
Amortization of debt issuance costs and debt discount	185	—
Changes in assets and liabilities, net of effect of acquisitions:		
Increase/(decrease) in prepaid expenses and other assets	13	(58)
Increase in accounts payable	1,230	406
Increase in accrued liabilities	2,638	2,078
Net cash used in operating activities	(32,949)	(24,645)
Cash flows from investing activities:		
Purchases of certificates of deposit	(13,713)	(19,435)
Proceeds from maturities of certificates of deposit	17,024	16,659
Proceeds from sales of certificates of deposit	249	—
Purchases of property and equipment	(165)	(147)
Security deposit for new lease	—	(130)
Cash obtained through acquisition	—	3,534
Net cash provided by investing activities	3,395	481
Cash flows from financing activities:		
Proceeds from borrowings under debt facility	15,000	—
Costs paid in connection with debt facility	(193)	—
Proceeds from sale of common stock	2,140	30,201
Proceeds from sale and exercise of warrants	—	6,148
Payments for offering costs	(142)	(2,058)
Payments for capital lease	(7)	—
Net cash provided by financing activities	16,798	34,291
Net (decrease)/increase in cash and cash equivalents	(12,756)	10,127
Cash and cash equivalents at beginning of period	35,808	25,681
Cash and cash equivalents at end of period	$ 23,052	$ 35,808

See accompanying notes to consolidated financial statements.

Mast Therapeutics, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2015

1. Description of Business

Mast Therapeutics, Inc., a Delaware corporation ("Mast Therapeutics," "we" or "our company"), is a biopharmaceutical company focused on developing clinical-stage therapies for serious or life-threatening diseases. We have devoted substantially all of our resources to research and development ("R&D") and acquisition of our product candidates. We have not yet marketed or sold any products or generated any significant revenue. Through our acquisition of SynthRx, Inc. ("SynthRx") in 2011, we acquired our Membrane Adhesion & Sealant Technology (MAST) platform, which includes proprietary poloxamer-related data and know-how developed over two decades of clinical, nonclinical and manufacturing experience, and we are leveraging the MAST platform to develop vepoloxamer (also known as MST-188) for serious or life-threatening diseases and conditions typically characterized by impaired microvascular blood flow and damaged cell membranes. Through our acquisition of Aires Pharmaceuticals, Inc. ("Aires") in February 2014, we acquired AIR001, a sodium nitrite inhalation solution for intermittent inhalation via nebulization, which we are developing for the treatment of heart failure with preserved ejection fraction (HFpEF).

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. We have incurred significant operating losses since inception and have relied on our ability to fund our operations primarily though equity financings and a debt financing. For the years ended December 31, 2015 and 2014, we incurred losses from operations of $39.4 million and $29.3 million, respectively, and our net cash used in operating activities was $32.9 million and $24.6 million, respectively. At December 31, 2015, we had an accumulated deficit of $275.0 million, our cash, cash equivalents and investment securities totaled $41.0 million, and our working capital was $19.1 million. Given our planned operating activities in the case of positive results from the EPIC study that we determine will support proceeding with an NDA submission for vepoloxamer, our current cash, cash equivalents and investment securities balances, and our working capital, we intend to raise additional capital before the fourth quarter of 2016 through equity or debt financings and/or through collaborations, including licensing agreements. There can be no assurance that we will be successful in raising sufficient additional capital or that such capital, if available, will be on terms that are acceptable to us. Subject to limited exceptions, our loan and security agreement with Hercules prohibits us from incurring indebtedness without Hercules' prior written consent. If we are unable to raise sufficient additional capital before the fourth quarter of 2016, or in the case of negative results from the EPIC study and prepayment to Hercules on July 31, 2016 of $10 million of the principal balance under our debt facility, we anticipate that we would immediately reduce the scope of our planned operations, including by delaying or discontinuing investment in development and commercialization efforts for vepoloxamer in sickle cell disease and heart failure. In this case, we expect that our cash, cash equivalents and investment securities as of December 31, 2015, together with the net proceeds from the underwritten public offering we completed in February 2016, would be sufficient to fund our operations, as reduced in scope, into the first quarter of 2017.

Our business, operating results, financial condition, and growth prospects are subject to significant risks and uncertainties, including failing to obtain regulatory approval to commercialize our product candidates and failing to secure additional funding to complete development of and to successfully commercialize our product candidates.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Mast Therapeutics and its wholly-owned subsidiaries, Aires and SD Pharmaceuticals, Inc. ("SD Pharmaceuticals"). All intercompany accounts and transactions have been eliminated in consolidation.

We account for business combinations, such as our acquisitions of SynthRx in April 2011 and Aires in February 2014, in accordance with Accounting Standards Codification ("ASC") Topic 805, *Business Combinations* ("ASC Topic 805"). ASC Topic 805 establishes principles and requirements for recognizing and measuring the total consideration transferred to and the assets acquired, liabilities assumed and any non-controlling interests in the acquired target in a business combination. ASC Topic 805 also provides guidance for recognizing and measuring goodwill acquired in a business combination; requires purchased in-process research and development ("IPR&D") to be capitalized at fair value as an intangible asset at the time of acquisition; requires acquisition-related expenses and restructuring costs to be recognized separately from the business combination; expands the definition of what constitutes a business; and requires the acquirer to disclose information that users may need to evaluate and understand the financial effect of the business combination.

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates, including estimates related to R&D expenses, 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.

Fair Value of Financial Instruments

Our investment securities and debt facility are carried at fair value (see Note 6). Cash equivalents, prepaid expenses and other current assets, accounts payable and accrued liabilities, are carried at cost, which we believe approximates fair value due to the short-term maturities of these instruments.

Cash Equivalents

We consider all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. Cash equivalents are carried at cost, which we believe approximates fair value due to the short-term maturities of these instruments. At December 31, 2015 and 2014, we had $15.8 million and $16.6 million of cash equivalents, respectively.

Investment Securities

Investment securities are marketable equity or debt securities. All of our investment securities are "available-for-sale" securities and carried at fair value (see Note 6). 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 income/(loss), which is a separate component of stockholders' equity. Realized gains and realized losses are included in other 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 our 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.

Our investment securities are under the custodianship of a major financial institution and consist of FDIC-insured certificates of deposit. We have classified all of our available-for-sale investment securities, including those with maturities beyond one year from the date of purchase, as current assets on our consolidated balance sheets because we consider them to be highly liquid and available for use, if needed, in current operations. As of December 31, 2015, $2.7 million, or approximately 15%, of our investment securities had contractual maturity dates of more than one year and less than or equal to 18 months and none were greater than 18 months.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. 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.

In accordance with ASC Topic 360-10, *Property, Plant and Equipment — Overall*, we test for recoverability of long-lived assets, including property and equipment, if events or changes in circumstances indicate that the carrying amount for the assets may not be recoverable. If our assessment indicates impairment, we measure the impairment loss as the amount by which the carrying amount exceeds fair value of the assets. Fair value determinations are based on an undiscounted cash flow model or independent appraisals, as appropriate.

Intangible Assets — Goodwill and Acquired In-Process Research & Development

In accordance with ASC Topic 350, *Intangibles — Goodwill and Other* ("ASC Topic 350"), our 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. 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 our goodwill or our 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 our carrying value exceeds our 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 our individual assets, including identifiable intangible assets, and liabilities to determine the implied fair value of goodwill. We then compare the carrying value of our 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.

If we perform a quantitative assessment of acquired IPR&D, we calculate the estimated fair value of acquired IPR&D by using the Multi-Period Excess Earnings Method, or MPEEM, which is a form of the income approach. 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. This method requires us to make long-term projections of revenues and expenses related to development and commercialization of the acquired assets and assumptions regarding the rate of return on contributory assets, the weighted average cost of capital and the probability adjustment factor for estimated future after-tax cash flows. The excess of the carrying value over its estimated fair value is recorded as an impairment charge.

Any impairment charges are recorded to our consolidated statements of operations and comprehensive loss. Our determinations as to whether, and, if so, the extent to which, goodwill and acquired IPR&D become impaired are highly judgmental and based on significant assumptions regarding our projected future financial condition and operating results, changes in the manner of our use or development of the acquired assets, our overall business strategy, and regulatory, market and economic environment and trends. We perform our annual impairment testing as of September 30 each year, or, in the case of initially acquired IPR&D, on the first anniversary of the date we acquired it and subsequently on September 30. As of September 30, 2015, no impairment of goodwill or acquired IPR&D was identified. We are not aware of an event or change in circumstances that would indicate the carrying value may be impaired.

Concentration of Credit Risk and Significant Sources of Supply

Financial instruments that potentially subject us to concentrations of credit risk are primarily cash, cash equivalents and investment securities. We have a board-approved investment policy that sets our investment parameters and limitations with objectives of preserving principal and liquidity. Our cash and cash equivalent balances consist primarily of money market accounts under the custodianship of major financial institutions. Investment securities are invested in accordance with our investment policy. We do not have any financial instruments with off-balance-sheet risk of accounting loss.

We rely on single-source, third-party manufacturers and suppliers for production and supply of key components of our product candidates, and for production of the final drug products themselves. If these single-source, third-party manufacturers and suppliers are unable to continue providing a key component or the final drug products, the initiation or progress of any clinical studies of our product candidates may be severely impeded.

Research and Development Expense

R&D costs are charged to expense as incurred and include, but are not limited to, clinical and nonclinical study costs, research-related manufacturing and related costs, employee salaries and benefits, consulting services fees and share-based compensation cost. Clinical study costs include, but are not limited to, clinical research organization fees, investigator fees, site costs and, as applicable, comparator drug costs. Costs for certain R&D activities, such as research-related manufacturing and clinical studies, are recognized based on an evaluation of the percentage of work completed or the progress to completion of specific tasks using data such as patient enrollment, clinical site activations, duration of the study and/or information provided to us by our vendors on their actual costs incurred. Payments for these activities are based on the terms of the individual arrangements, which may differ from the pattern of costs incurred, and are reflected in the financial statements as prepaid expenses or accrued R&D costs.

Advance payments to third parties, including nonrefundable amounts, for goods and services that will be used or rendered for future R&D activities are deferred and capitalized, then expensed as the services are performed or as the underlying goods are delivered. If we do not expect the services to be rendered or goods to be delivered, any remaining capitalized amounts for nonrefundable advance payments are charged to expense immediately.

Milestone payments that we make in connection with in-licensed technology or product candidates are expensed as incurred when there is uncertainty in receiving future economic benefits from the licensed

technology or product candidates. We consider the future economic benefits from the licensed technology or product candidates to be uncertain until such licensed technology is incorporated into products that, or such product candidates, are approved for marketing by the FDA or when other significant risk factors are abated. For accounting purposes, management has viewed future economic benefits for all of our licensed technology or product candidates to be uncertain.

Share-Based Compensation

Share-based compensation cost is measured at the grant date, based on the estimated fair value of the award using the Black-Scholes valuation model, and is recognized as expense over the vesting period on a straight-line basis. Share-based compensation expense recognized in the consolidated statements of operations for the years ended December 31, 2015 and 2014 is based on awards ultimately expected to vest and has been reduced for estimated forfeitures. This estimate will be revised in subsequent periods if actual forfeitures differ from those estimates. None of our outstanding share-based awards have market or performance conditions.

Patent Costs

Legal costs and other fees incurred in connection with patent prosecution and maintenance are expensed as incurred, as recoverability of such expenditures is uncertain. These costs are recorded as selling, general and administrative expenses in our consolidated statement of operations and comprehensive loss.

Income Taxes

We account for income taxes and the related accounts under the liability method. Deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the income tax basis of assets and liabilities. A valuation allowance is applied against any net deferred tax asset if, based on available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The tax effects from an uncertain tax position can be recognized in our consolidated financial statements only if the position is more likely than not of being sustained upon an examination by tax authorities. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained.

We account for interest and penalties related to income tax matters, if any, in income tax expense.

Comprehensive Income/(Loss)

Comprehensive income or loss is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, including unrealized gains and losses on marketable securities and foreign currency translation adjustments. We present comprehensive income/(loss) in our consolidated statement of operations and comprehensive loss.

Net Loss per Common Share

Basic and diluted net loss per common share is calculated by dividing the net loss applicable to common stock for the periods presented 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 years ended December 31, 2015 and 2014, our outstanding common stock equivalents consisted of options and warrants to purchase shares of our common stock. The weighted-average number of those common stock equivalents outstanding for each of the periods presented is set forth in the table below:

	Years ended December 31,	
	2015	2014
Warrants	77,355,271	49,217,355
Options	21,514,699	11,760,113

Supplemental Cash Flow Information

	Years ended December 31,	
	2015	2014
	(in thousands)	
Cash paid for interest on debt facility	298	—
Supplemental disclosures of non-cash investing and financing activities:		
Issuance of common stock for acquisitions	—	3,270
Assumptions of liabilities in acquisitions	—	1,069
Unrealized loss on investment securities	(8)	(4)
Warrants issued in connection with debt facility	392	—
Purchase of equipment under capital lease	40	—
Purchases of property and equipment in accounts payable	2	17
Offering costs included in accounts payable	—	36

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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. ASC 842 supersedes the previous leases standard, ASC 840 *Leases*. The standard is effective on January 1, 2019, with early adoption permitted. The Company is in the process of evaluating the impact of this new guidance.

In November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes* (“ASU 2015-17”). Currently deferred taxes for each tax jurisdiction are presented as a net current asset or liability and net noncurrent asset or liability on the balance sheet. To simplify the presentation, the new guidance requires that all deferred tax assets and liabilities for each jurisdiction, along with any related valuation allowance, be classified as noncurrent on the balance sheet. The new guidance becomes effective for public business entities in fiscal years beginning after December 15, 2016. We elected to early adopt this new standard prospectively for the year ended December 31, 2015 and it did not have a material impact on our financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). The new standard requires debt issuance costs to be presented on the balance sheet as a direct reduction of the carrying value of the associated debt liability, consistent with the presentation of debt discounts. The recognition and measurement requirements will not change as a result of this guidance. ASU 2015-03 is effective for the annual reporting periods beginning after December 15, 2015 and requires a retrospective application. We elected to early adopt this guidance and it did not have a material impact on our financial statements.

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 and early application is permitted. The amendments in ASU 2014-15 do not have any application to an entity's financial statements, but only to the related notes. We plan to adopt ASU 2014-15 in the first quarter of 2017 for the annual period ending December 31, 2016.

3. Acquisition of Aires

On February 27, 2014, we completed the acquisition of Aires in an all-stock transaction pursuant to the terms of an agreement and plan of merger, dated February 7, 2014, by and among us, AP Acquisition Sub, Inc., a wholly-owned subsidiary of ours, Aires, and a stockholders' representative (the "Merger Agreement"). Aires was a clinical-stage company with its lead product candidate, AIR001 (sodium nitrite) inhalation solution, in Phase 2 studies in pulmonary hypertension. Aires survived the merger transaction as a wholly-owned subsidiary of ours.

Upon completion of the merger, we issued an aggregate of 1,049,706 unregistered shares of our common stock to former Aires stockholders and, in September 2014 after the six-month "holdback" period, we issued an aggregate of 4,053,996 additional unregistered shares of our common stock to former Aires stockholders, all in accordance with the merger agreement. There are no milestone or earn-out payments under the merger agreement; therefore, the total merger consideration was 5,103,702 shares.

We accounted for the acquisition of Aires in accordance with ASC Topic 805. The total purchase price of the acquisition is approximately $3.3 million. We calculated the purchase price by first multiplying the total number of shares of our common stock issued by $0.80, which was the closing price per share of our common stock on February 27, 2014, the acquisition date. Then, we applied a discount factor to account for lack of market liquidity due to the restrictions on transfer of the securities for a period of six months following the acquisition in accordance with stockholder agreements we entered into with the former Aires stockholders and the fact that the shares are unregistered and we have no obligation to register them for resale.

Under the acquisition method of accounting, the total purchase price is allocated to Aires' net tangible and intangible assets and liabilities based on their estimated fair values as of the acquisition date. The table below summarizes the estimated fair values of Aires' net tangible and intangible assets and liabilities on the acquisition date (in thousands).

Cash and cash equivalents	$3,534
Prepaid expenses and other assets	86
In-process research and development	2,000
Total assets:	5,620
Accounts payable and accrued liabilities	1,069
Deferred tax liability	795
Total liabilities:	1,864
Net assets acquired	$3,756

The estimated fair value of the net assets acquired exceeds the purchase price by approximately $0.5 million. Accordingly, we recognized the $0.5 million excess as a bargain purchase gain in other income/(expense), net in our condensed consolidated statements of operations and comprehensive income/(loss). We were able to realize a gain because Aires was in a distressed sale situation. Aires lacked sufficient capital to continue operations and was unable to secure additional capital in the timeframe it required.

Acquired In-Process Research and Development

Acquired IPR&D is the estimated fair value of the AIR001 program as of the acquisition date. We determined that the estimated fair value of the AIR001 program was $2.0 million as of the acquisition date using the Multi-Period Excess Earnings Method, or MPEEM, which is a form of the income approach. 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.

To calculate fair value of the AIR001 program under the MPEEM, we used probability-weighted, projected cash flows discounted at a rate considered appropriate given the significant inherent risks associated with drug development by clinical-stage companies. Cash flows were calculated based on estimated projections of revenues and expenses related to AIR001 and then reduced by a contributory charge on requisite assets employed. Contributory assets included debt-free working capital, net fixed assets and assembled workforce. Rates of return on the contributory assets were based on rates used for comparable market participants. Cash flows were assumed to extend through a seven-year market exclusivity period. The resultant cash flows were then discounted to present value using a weighted-average cost of capital for companies with profiles substantially similar to that of Aires, which we believe represents the rate that market participants would use to value the assets. We compensated for the phase of development of the program by applying a probability factor to our estimation of the expected future cash flows. The projected cash flows were based on significant assumptions, including the indication in which we will pursue development of AIR001, the time and resources needed to complete the development and regulatory approval of AIR001, estimates of revenue and operating profit related to the program considering its stage of development, the life of the potential commercialized product, market penetration and competition, and risks associated with achieving commercialization, including delay or failure to obtain regulatory approvals to conduct clinical studies, failure of clinical studies, delay or failure to obtain required market clearances, and intellectual property litigation.

Deferred Income Tax Liability

The $0.8 million recorded as deferred income tax liability resulting from the acquisition reflects the tax impact of the difference between the book basis and tax basis of acquired IPR&D. Such deferred income tax liability cannot be used to offset deferred tax assets when analyzing our valuation allowance as the acquired IPR&D is considered to have an indefinite life until we complete or abandon development of AIR001.

4. Goodwill and IPR&D

At December 31, 2015 and 2014, our goodwill and IPR&D consisted of the following (in thousands):

Goodwill	$ 3,007
IPR&D	
Acquired IPR&D related to SynthRx acquisition	6,549
Acquired IPR&D related to Aires acquisition	2,000
Total goodwill and IPR&D	$11,556

Our 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.

Our IPR&D consists of the estimated fair values of the vepoloxamer and AIR001 programs as of the dates we acquired SynthRx and Aires, respectively.

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. We performed a qualitative assessment for our goodwill and our acquired IPR&D as of September 30, 2015. We concluded that it is not more likely than not that the carrying value of our goodwill or our acquired IPR&D exceeds its fair value. Therefore, we concluded that no impairment charge is required.

5. Investment Securities

At December 31, 2015 and 2014, our investment securities were as follows (in thousands):

	December 31, 2015	December 31, 2014
Fair value of investment securities	$17,929	$21,481
Cost basis of investment securities	17,946	21,506

	Years ended December 31, 2015	2014
Net unrealized losses on investment securities	17	25

6. Fair Value of Financial Instruments

Our cash equivalents are recorded at cost plus accrued interest, which approximates fair value. Our 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 asset or liability; 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.

The fair values at December 31, 2015 and 2014 of our cash equivalents and investment securities are summarized in the following tables (in thousands):

	Total Fair Value	Fair Value Determined Under: (Level 1)	(Level 2)	(Level 3)
At December 31, 2015:				
Cash equivalents	$ 15,799	$15,799	$ —	$ —
Investment securities	$ 17,929	$ —	$17,929	$ —
At December 31, 2014:				
Cash equivalents	$ 16,626	$16,626	$ —	$ —
Investment securities	$ 21,481	$ —	$21,481	$ —

We believe that our 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 our debt facility is determined under Level 2 in the fair value hierarchy.

7. Property and Equipment

Property and equipment at December 31, 2015 and 2014 were as follows (in thousands):

	Useful Lives	December 31, 2015	2014
Office furniture, computer and lab equipment	3 - 5 years	$ 493	$ 416
Computer software	3 years	16	58
Leasehold improvements	1 year	44	35
Equipment in progress	n/a	12	23
		565	532
Less: accumulated depreciation and amortization		(339)	(344)
Property and equipment, net		$ 226	$ 188

Equipment in progress represents the cost of lab equipment and/or leasehold improvements not yet available for service as of December 31, 2015 and 2014. These items are depreciated over their applicable useful lives once they are available for service.

Depreciation and amortization expense was $146,000 and $85,000 for the years ended December 31, 2015 and 2014, respectively.

We lease certain office equipment under leases classified as capital leases. As of December 31, 2015, 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.

Future commitments under capital leases are as follows (in thousands):

Year Ending December 31,	
2016	11
2017	10
2018	10
2019	8
2020	—
Thereafter	—
Total	$ 39

Total imputed interest over the life of the capital leases is $8,000.

8. Accrued Liabilities

Accrued liabilities at December 31, 2015 and 2014 were as follows (in thousands):

	December 31, 2015	2014
Accrued R&D agreements and study expenses	$7,898	$5,383
Other accrued liabilities	254	242
Total accrued liabilities	$8,152	$5,625

9. Debt Facility

Hercules Loan and Security Agreement

We have borrowed an aggregate of $15 million pursuant to a Loan and Security Agreement, dated August 11, 2015, with Hercules Technology III, L.P. and Hercules Capital, Inc. (formerly known as, Hercules Technology Growth Capital, Inc.) (together, "Hercules"), as amended by the First Amendment thereto dated September 28, 2015, the Second Amendment thereto dated December 31, 2015, and the Third Amendment thereto dated February 25, 2016, (collectively, the "Loan Agreement"). Pursuant to the terms and conditions of the Loan Agreement we received the first advance of $5 million on August 11, 2015 and the second advance of $10.0 million (the "Second Advance") on September 28, 2015.

Under the Loan Agreement, the Second Advance is required to be prepaid to Hercules on July 31, 2016, without any prepayment penalty, unless on or before such date, we demonstrate, to the reasonable satisfaction of Hercules, positive results in our Phase 3 clinical study of vepoloxamer in patients with sickle cell disease, known as the EPIC study. Due to numerous factors, we are not able to predict with any reasonable certainty the probability of meeting this condition by July 31, 2016; therefore, we have classified the Second Advance as a current liability on the balance sheet.

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 December 31, 2015 was 9.20%. Monthly payments under the amended Loan Agreement are interest only until July 1, 2016, followed by equal monthly payments of principal and interest through the scheduled maturity date of January 1, 2019. The interest-only period will be extended to March 1, 2017 if we have demonstrated positive results in the EPIC study by July 1, 2016, we have not prepaid the Second Advance, and no event of default has occurred. If we demonstrate positive results in the EPIC study during the period between July 2, 2016 and July 31, 2016, inclusive, we have not prepaid the Second Advance and no event of default has occurred, then on July 1, 2016, we will be required to make a single payment against the principal balance of approximately $430,000 and, beginning August 1, 2016, we will resume making interest-only payments until March 1, 2017. If our interest-only payment period is extended to March 1, 2017, the maturity date would extend to October 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 we elect to prepay the principal balance under the amended Loan Agreement prior to maturity, a prepayment charge of 1%, 2% or 3%, of the then outstanding principal balance also will be due, depending upon when the prepayment occurs.

Our obligations under the amended 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, through December 31, 2015, we had paid facility charges of $112,500 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, we entered into a Warrant Agreement with Hercules, dated August 11, 2015, as amended by the First Amendment thereto dated September 28, 2015 and the Second Amendment thereto dated February 25, 2016, pursuant to which Hercules has a right to purchase up to 2,272,727 shares of our common stock at an exercise price of $0.275 per share. Prior to the Second Amendment to Warrant Agreement and as of December 31, 2015, the Warrant Agreement, as amended, provided Hercules a right to purchase up to 1,524,390 shares of our common stock at an exercise price of $0.41 per share. The warrants issued to Hercules were valued using the Black-Scholes option pricing model with the following assumptions: volatility of 77%, expected term of five years, risk-free interest rate of 1.5% 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 10 “Capital Stock and Warrants” and Note 17 “Subsequent Events” for further description of the terms of the warrants.

Summary of Carrying Value

The following table summarizes the components of the debt facility carrying value.

	As of December 31, 2015	
	Short-Term	Long-Term
Potential prepayment to lender	$ 10,000	$ —
Principal payments to lender and end of term charge	874	4,839
Accrued interest	117	—
Debt issuance costs	—	(776)
Debt discount related to warrants	—	(337)
Carrying value	$ 10,991	$ 3,726

10. Capital Stock and Warrants

Our certificate of incorporation, as amended, authorizes us to issue 500,000,000 shares of common stock, par value $0.001 per share, and 1,000,000 shares of preferred stock, par value $0.001 per share. As of December 31, 2015, 163,614,297 shares of common stock were outstanding and no shares of preferred stock were outstanding.

Underwritten Public Offering of Common Stock, Pre-funded Warrants and Warrants

In November 2014, we completed an underwritten public offering of 30,941,102 shares of our common stock, 13,081,428 “pre-funded” warrants exercisable for up to 13,081,428 shares of our common stock, and 22,011,265 warrants exercisable for up to 22,011,265 shares of our common stock. These securities were offered and sold to the underwriters and the public in units with each Series A unit consisting of one share of our common stock and one-half (0.5) of a warrant and each Series B unit consisting of one pre-funded warrant and one-half (0.5) of a warrant. Each whole warrant is exercisable for one share of our common stock. We sold an aggregate of 30,941,102 Series A units and 13,081,428 Series B units. The gross proceeds from this financing were $21.0 million and, after deducting underwriting discounts and commissions and other offering expenses, our net proceeds were $19.7 million. We may receive up to $0.1 million and $16.5 million of additional proceeds from the exercise of the pre-funded warrants and warrants, respectively, issued in the offering. The exercise price of the pre-funded warrants is $0.01 per share and exercise price of the warrants is $0.75 per share. Subject to certain beneficial ownership limitations, the pre-funded warrants and warrants are exercisable at any time on or before November 12, 2019.

"At the Market" Equity Offering Program

In February 2014, we 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 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, we 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 million, from time to time, through an ATM program. As of December 31, 2015, we had sold and issued an aggregate of 24,859,107 shares at a weighted-average sales price of $0.70 per share under the ATM programs for aggregate gross proceeds of $17.5 million and $16.6 million in net proceeds, after deducting sales agent commission and discounts and our other offering costs.

Warrants

At December 31, 2015, outstanding warrants to purchase shares of common stock are as follows:

Shares Underlying Outstanding Warrants	Exercise Price	Expiration Date
2,046,139	$ 2.75	January 2016
10,625,000	$ 1.10	November 2016
28,097,400	$ 0.65	June 2018
13,081,428	$ 0.01	November 2019
22,011,265	$ 0.75	November 2019
1,524,390	$ 0.41	August 2020
77,385,622		

Warrants Issued to Hercules

In connection with the Loan Agreement, we entered into a Warrant Agreement with Hercules Technology III, L.P., dated August 11, 2015, as amended by the First Amendment thereto dated September 28, 2015 and the Second Amendment thereto dated February 25, 2016, pursuant to which Hercules has a right to purchase up to 2,272,727 shares of our common stock at an exercise price of $0.275 per share. Prior to the Second Amendment to Warrant Agreement and as of December 31, 2015, the Warrant Agreement, as amended, provided Hercules a right to purchase up to 1,524,390 shares of our common stock at an exercise price of $0.41 per share. Hercules may exercise its warrants 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.

11. Equity Incentive Plans

Our equity-based incentive plan, which is stockholder-approved, is intended to encourage ownership of shares of common stock by our directors, officers, employees, consultants and advisors and to provide additional incentive for them to promote the success of our business through the grant of share-based awards. At December 31, 2015, our equity-based incentive plan consisted of the 2005 Equity Incentive Plan (the "2005 Plan") and the 2008 Omnibus Incentive Plan (the "Original 2008 Plan"), which has been amended, restated and renamed four times, first in June 2011 as the Amended and Restated 2008 Omnibus

Incentive Plan, then in June 2013 as the 2013 Omnibus Incentive Plan, then in June 2014 as the 2014 Omnibus Incentive Plan and finally in June 2015 as the 2015 Omnibus Incentive Plan (the "2015 Plan"). Following approval by our stockholders of each amendment and restatement of the Original 2008 Plan, no awards have been or will be granted under the terms of the plan in effect immediately prior to such amendment and restatement. In prior years, our stockholder-approved, equity-based incentive plans included the 2005 Employee Stock Purchase Plan. In May 2015, our 2005 Employee Stock Purchase Plan, which had never been implemented, expired.

During the years ended December 31, 2015 and 2014, all awards granted under our equity-based incentive plans were stock options. The share-based compensation expense from all stock options granted that has been charged to our consolidated statements of operations and comprehensive loss in those periods was as follows (in thousands):

	Years ended December 31,	
	2015	2014
Selling, general and administrative expense	$2,077	$1,607
Research and development expense	598	425
Share-based compensation expense	$2,675	$2,032

For the year ended December 31, 2015, we recognized a $0.3 million expense in our selling, general and administrative expenses related to share-based compensation expense as a result of the departure of our former president and chief operating officer in February 2015. Termination of the former officer's employment triggered accelerated vesting of a portion of his outstanding, unvested stock options that resulted in $0.4 million of additional share-based compensation expense, but this additional expense was offset by a $0.1 million reduction in share-based compensation expense that resulted from cancellation of the remaining, unvested portion of the former officer's outstanding stock options.

2015 Omnibus Incentive Plan

The 2015 Plan provides for the grant of incentive and non-statutory stock options, as well as share appreciation rights, restricted shares, restricted share units, performance units, shares and other share-based awards. Share-based awards are subject to terms and conditions established by our board of directors or the compensation committee of our board of directors.

As of December 31, 2015, the maximum aggregate number of shares of our common stock available for grant under the 2015 Plan was 21,583,541 shares. Shares of common stock that are subject to awards granted under the 2015 Plan shall be counted against the shares available for issuance under this plan as one share for each share subject to a stock option or stock appreciation right and as 1.34 shares for each share subject to an award other than a stock option or a stock appreciation right. If any shares of common stock subject to an award granted under any of our stockholder-approved, equity-based incentive plans are forfeited, or an award expires or is settled for cash pursuant to the terms of an award, the shares subject to the award may be used again for awards under the 2015 Plan to the extent of the forfeiture, expiration or cash settlement. The shares of common stock will be added back as one share for every share of common stock if the shares were subject to a stock option or stock appreciation right, and as 1.34 shares for every share of common stock if the shares were subject to an award other than a stock option or stock appreciation right. However, the following shares of common stock will not be added to the shares available for issuance under the 2015 Plan: (i) shares tendered or withheld in payment of the purchase price of a stock option, (ii) shares tendered or withheld to satisfy any tax withholding obligation with respect to any award, (iii) shares subject to a stock appreciation right that are not issued in connection with the stock settlement of the stock appreciation right on exercise thereof, and (iv) shares reacquired by us on the open market or otherwise using cash proceeds from the exercise of stock options. Shares of common stock under awards

made in assumption of or in substitution or exchange for awards previously granted, or the right or obligation to make future awards, in each case by a company acquired by us, or with which we combine, will not reduce the number of shares available for issuance under the 2015 Plan. In addition, if a company acquired by us, or with which we combine, has shares available under a pre-existing plan approved by its stockholders and not adopted in contemplation of such acquisition or combination, the shares available for issuance under such plan (as adjusted, to the extent appropriate, using the exchange or other adjustment or valuation ratio of formula applied to determine the consideration payable to stockholders in the acquisition or combination) may be used for awards under the 2015 Plan and will not reduce the number of shares of common stock available for issuance under the 2015 Plan; provided, however that awards using such available shares shall not be made after the date awards or grants could have been made under the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not our employees or directors prior to the acquisition or combination.

Under the 2015 Plan, the purchase price of shares of common stock covered by a stock option cannot be less than 100% of the fair market value of the common stock on the date the stock option is granted. Fair market value of the common stock is generally equal to the closing price for the common stock on the principal securities exchange on which the common stock is traded on the date the stock option is granted (or if there was no closing price on that date, on the last preceding date on which a closing price was reported). Stock option awards generally have ten-year contractual terms and vest over four years based on continuous service; however, the 2015 Plan allows for other vesting periods.

Summary of 2015 Stock Option Activity

The following table summarizes our stock option activity for the year ended December 31, 2015:

	Shares Underlying Option Awards	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Years	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2015	13,616,137	$ 1.00		
Granted	13,114,372	$ 0.55		
Exercised	—	$ —		
Expired/cancelled/forfeited	(3,827,782)	$ 0.65		
Outstanding at December 31, 2015	22,902,727	$ 0.80	7.46	$ 4
Options exercisable at December 31, 2015	10,428,421	$ 1.10	5.72	$ —
Vested and expected to vest at December 31, 2015	21,897,047	$ 0.81	7.38	$ 3

The weighted-average grant-date fair value of options granted during the years ended December 31, 2015 and 2014 was $0.42 and $0.50, respectively. As of December 31, 2015, there was approximately $4.6 million of unamortized compensation cost related to unvested stock option awards, which is expected to be recognized over a weighted-average period of approximately 2.8 years.

Our determination of fair value is affected by our stock price as well as a number of assumptions that require judgment. The fair value of each option award is estimated on the date of grant using the Black-Scholes option-valuation model. The assumptions used in the Black-Scholes option-valuation model and the calculation of share-based compensation for option grants to employees and non-employee directors during the years ended December 31, 2015 and 2014 are as follows:

	Years ended December 31, 2015	2014
Risk-free interest rate	1.6 - 1.9%	1.9 - 2.1%
Dividend yield	0.0%	0.0%
Expected volatility	78 - 99%	104 - 112%
Expected term (in years)	5.3 - 6.2 years	5.4 - 6.2 years
Forfeiture rate	7%	9%

The risk-free interest rate assumption is based on the U.S. Treasury yield for a period consistent with the expected term of the option in effect at the time of the grant. We have not paid any dividends on common stock since our inception and do not anticipate paying dividends on our common stock in the foreseeable future. The expected option term is computed using the "simplified" method as permitted under the provisions of Staff Accounting Bulletin ("SAB") 107. SAB 107's guidance was extended indefinitely by SAB 110. The expected volatility is based on the historical volatility of our common stock based on the daily closing prices. Forfeiture rates are based on the expected forfeiture rates for our unvested stock options, which are based in large part on our historical forfeiture rates, but also on assumptions believed to be reasonable under the circumstances.

In accordance with ASC 718, *Compensation — Stock Compensation*, share-based compensation expense associated with the non-employee director options is included with employee share-based compensation expense.

12. Commitments

SynthRx Merger Consideration Milestone Payments

In April 2011, we acquired SynthRx in a merger transaction in exchange of shares of our common stock and rights to additional shares of our common stock. Pursuant to the merger agreement, we could issue up to an aggregate of 12,478,050 shares of our common stock to the former SynthRx stockholders if and when the development of vepoloxamer achieves the following milestones: (a) 3,839,400 shares upon acceptance for review by the U.S. Food and Drug Administration ("FDA") of a new drug application ("NDA") covering the use of vepoloxamer for the treatment of sickle cell crisis in children and (b) 8,638,650 shares upon approval of such NDA by the FDA.

Operating Leases

We are obligated under operating leases for office space and equipment. We sublease approximately 13,700 square feet of office space for our corporate headquarters in San Diego, California. Our sublease commenced on January 20, 2015 and expires on May 31, 2020. Our monthly rent of $41,000 escalates by 3% each year on January 20th. During the first year of the sublease, the monthly base rent for approximately 2 1/3 months, or approximately $96,000, was abated. In July 2014, we made a payment of $300,000 to the landlord, up to approximately $170,000 of which will be applied to our monthly base rent for months 13, 16, 19 and 24 of the sublease term, subject to certain conditions. The remaining $130,000 will be held by the landlord as a security deposit. Rent expense for our office space is recognized on a straight-line basis.

We lease office equipment under a lease that expires in 2019.

Rent expense was approximately $508,000 and $334,000 during the years ended December 31, 2015 and 2014, respectively.

Future rental commitments under all operating leases are as follows (in thousands):

Year Ending December 31,	
2016	$ 389
2017	489
2018	547
2019	557
2020	237
Thereafter	—
Total	$2,219

13. Income Taxes

Due to our historical net loss position, and as we have recorded a full valuation allowance against net deferred tax assets, there is no provision or benefit for income taxes recorded for the years ended December 31, 2015 and 2014.

The income tax benefit is different from that which would be obtained by applying the statutory Federal income tax rate of 34% to income before income tax expense. The items causing this difference for the years ended December 31, 2015 and 2014 are as follows:

	Years ended December 31, 2015	2014
	(in thousands)	
Income tax benefit at federal statutory rate	$ (13,546)	$ (9,758)
Orphan drug credit / R&D credit	(7,530)	(4,575)
Stock options	594	278
Other	187	(213)
Change in federal valuation allowance	20,295	14,268
Total	$ —	$ —

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred tax assets and liabilities at December 31, 2015 and 2014 are as follows:

	Years ended December 31, 2015	2014
	(in thousands)	
Deferred tax assets:		
Accrued expenses	$ 619	$ 592
Stock options under ASC 718	2,610	2,240
Net operating loss carry forwards	31,649	20,583
Income tax credit carry forwards	19,369	8,109
Property and equipment	20	12
Intangibles	895	1,793
Other	69	33
Total deferred tax assets	55,231	33,362
Less: valuation allowance	(55,231)	(33,362)
Total deferred tax assets, net of valuation allowance	$ —	$ —
Deferred tax liabilities:		
Acquired intangibles	(3,404)	(3,404)
Total deferred tax assets/liabilities, net of valuation allowance	$ (3,404)	$ (3,404)

We have established a full valuation allowance against our net deferred tax assets due to uncertainty surrounding the realization of such assets. Management has determined it is more likely than not that the deferred tax assets are not realizable due to our historical loss position.

As a result of our acquisitions of SynthRx and Aires during 2011 and 2014, respectively, we recorded deferred tax liabilities. These deferred tax liabilities reflect the tax impact of the differences between the book basis and tax basis of acquired IPR&D that has not yet reached feasibility. Such deferred tax liabilities cannot be used to offset deferred tax assets when analyzing our end of year valuation allowance as the acquired IPR&D is considered to have an indefinite life until we complete or abandon development. The deferred tax liabilities were recorded as an offset to goodwill or gain on bargain purchase, recorded as part of the SynthRx and Aires acquisitions, respectively.

Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, or IRC, limit our ability to use net operating loss carry forwards and R&D tax credit carry forwards ("tax attribute carry forwards") to offset future taxable income or income tax, respectively, if we experience a cumulative change in ownership of more than 50% within a three-year testing period. We completed a formal study through the year ended December 31, 2011 and determined ownership changes within the meaning of IRC Section 382 had occurred. We adjusted our tax attribute carry forwards and deferred tax assets accordingly. As the deferred tax assets associated with the tax attribute carry forwards were fully offset by a valuation allowance, a corresponding reduction in the Company's valuation allowance was also recorded, resulting in no income tax impact. We completed a formal study to determine whether an ownership change, within the meaning of IRC Section 382, occurred during 2012, 2013 or 2014, and no ownership changes were identified.

As of December 31, 2015, we had federal and California net operating loss carry forwards of $80.3 million and $74.4 million, respectively. These tax loss carry forwards begin to expire in 2031 if unused. As of December 31, 2015, we also had federal R&D/orphan drug and California R&D tax credit carry forwards of $18.8 million and $0.9 million, respectively. The aforementioned federal tax credits will begin to expire in 2031. The California R&D tax credits do not expire.

In accordance with authoritative guidance, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. As of December 31, 2015, we continue to have no unrecognized tax benefits. There are no unrecognized tax benefits included on the balance sheet that would, if recognized, impact the effective tax rate. We do not anticipate there will be a significant change in unrecognized tax benefits within the next 12 months.

Our policy is to recognize interest and/or penalties related to income tax matters in income tax expense. Because we have generated net operating losses since inception, no tax liability, penalties or interest has been recognized for balance sheet or income statement purposes as of and for the years ended December 31, 2015 and 2014.

We are subject to income taxation in the U.S. and the state of California. All of our tax years are subject to examination by the tax authorities due to the carry forward of unutilized net operating losses and R&D tax credits.

14. 401(k) Plan

We have a defined contribution savings plan pursuant to Section 401(k) of the IRC. The plan is for the benefit of all qualifying employees and permits voluntary contributions by employees up to 100% of eligible compensation, subject to the Internal Revenue Service ("IRS") imposed maximum limits. The terms of the plan require us to make matching contributions equal to 100% of employee contributions up to 6% of eligible compensation, limited by the IRS-imposed maximum. We incurred total expenses of $246,000 and $212,000 in employer matching contributions in 2015 and 2014, respectively.

15. Segment Information

We operate our business on the basis of a single reportable segment, which is the business of developing therapies for serious or life-threatening diseases. We evaluate our Company as a single operating segment. The majority of our operating activities and work performed by our employees are currently conducted from a single location in the U.S. We recognized no revenues in 2015 and 2014.

16. Summary of Quarterly Financial Data (unaudited)

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2015 and 2014 (in thousands, except per share data):

Quarterly statements of operations data

	Quarters Ended			
2015 (unaudited)	**March 31**	**June 30**	**September 30**	**December 31**
Revenue	$ —	$ —	$ —	$ —
Loss from operations	(9,650)	(10,181)	(9,828)	(9,714)
Net loss	(9,616)	(10,151)	(9,912)	(10,162)
Net loss applicable to common stock	(9,616)	(10,151)	(9,912)	(10,162)
Basic and diluted net loss per share	$ (0.06)	$ (0.06)	$ (0.06)	$ (0.06)
Basic and diluted weighted average number of shares of common stock outstanding	159,459	162,128	163,614	163,614

	Quarters Ended			
2014 (unaudited)	**March 31**	**June 30**	**September 30**	**December 31**
Revenue	$ —	$ —	$ —	$ —
Loss from operations	(6,839)	(7,202)	(7,884)	(7,354)
Net loss	(6,371)	(7,152)	(7,866)	(7,313)
Net loss applicable to common stock	(6,371)	(7,152)	(7,866)	(7,313)
Basic and diluted net loss per share	$ (0.06)	$ (0.06)	$ (0.06)	$ (0.05)
Basic and diluted weighted average number of shares of common stock outstanding	105,054	115,587	123,287	145,257

17. Subsequent Events

Underwritten Public Offering of Common Stock

In February 2016, we completed an underwritten public offering with gross proceeds of $8.0 million from the sale and issuance of 29,090,910 units, each consisting of one share of our common stock and one warrant to purchase one share 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 $0.42 per share, are exercisable any time on or after August 17, 2016 and will expire on February 16, 2021.

Amendments to Loan and Security Agreement and Warrant Agreement with Hercules

In February 2016, we entered into a Third Amendment to Loan and Security Agreement primarily to amend the conditions under which we are required to prepay $10 million of the principal balance and the deadline for meeting the required condition, as well as to extend the interest-only payment period and provide for further extension of the interest-only payment period under certain circumstances. Pursuant to the Third Amendment to Loan Agreement, we paid an additional facility charge to Hercules of $37,500 and agreed to further amend our Warrant Agreement with Hercules Technology III, L.P. See Note 9 “Debt Facility” for additional information.

In February 2016, in connection with the Third Amendment to Loan and Security Agreement, we entered into a Second Amendment to Warrant Agreement with Hercules Technology III, L.P. Pursuant to the Second Amendment to Warrant Agreement, the warrant issued to Hercules was amended such that the exercise price was decreased from $0.41 per share to $0.275 per share, resulting in the warrant becoming exercisable for an additional 748,337 shares of our common stock, for a total of up to 2,272,727 shares of our common stock. See Note 9 “Debt Facility” and Note 10 “Capital Stock and Warrants” for additional information.

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

	September 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 20,521	$ 23,052
Investment securities	6,429	17,929
Prepaid expenses and other current assets	1,333	1,271
Total current assets	28,283	42,252
Property and equipment, net	148	226
In-process research and development	8,549	8,549
Goodwill	3,007	3,007
Other assets	131	183
Total assets	$ 40,118	$ 54,217
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 1,497	$ 2,600
Accrued liabilities	6,902	8,152
Accrued compensation and payroll taxes	901	1,430
Debt facility	11,593	10,991
Total current liabilities	20,893	23,173
Long-term lease obligation	19	25
Debt facility, net of current portion	2,615	3,726
Deferred income tax liability	3,404	3,404
Total liabilities	26,931	30,328
Stockholders' equity:		
Common stock, $0.001 par value; 500,000,000 shares authorized; 232,892,110 and 163,614,297 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	233	164
Additional paid-in capital	317,988	298,715
Accumulated other comprehensive income/(loss)	4	(17)
Accumulated deficit	(305,038)	(274,973)
Total stockholders' equity	13,187	23,889
Total liabilities and stockholders' equity	$ 40,118	$ 54,217

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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues	$ 45	$ —	$ 45	$ —
Operating expenses:				
Research and development	5,088	7,330	20,715	21,106
Selling, general and administrative	2,134	2,460	7,408	8,448
Depreciation and amortization	24	38	86	105
Total operating expenses	7,246	9,828	28,209	29,659
Loss from operations	(7,201)	(9,828)	(28,164)	(29,659)
Interest income	31	32	107	94
Interest expense	(948)	(101)	(1,979)	(102)
Other income (loss), net	(34)	(15)	(29)	(12)
Net loss	$ (8,152)	$ (9,912)	$ (30,065)	$ (29,679)
Net loss per share — basic and diluted	$ (0.04)	$ (0.06)	$ (0.15)	$ (0.18)
Weighted average shares outstanding — basic and diluted	214,714,029	163,614,297	196,527,686	161,748,944
Comprehensive Income/(Loss):				
Net loss	$ (8,152)	$ (9,912)	$ (30,065)	$ (29,679)
Other comprehensive income/(loss)	(3)	(1)	22	34
Comprehensive net loss	$ (8,155)	$ (9,913)	$ (30,043)	$ (29,645)

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net loss	$(30,065)	$(29,679)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	86	105
Share-based compensation expense related to employee stock options	1,951	2,122
Amortization of debt issuance costs and debt discount	947	29
Changes in assets and liabilities:		
Decrease/(increase) in prepaid expenses and other assets	38	(251)
(Decrease)/increase in accounts payable and accrued liabilities	(2,895)	3,536
Net cash used in operating activities	(29,938)	(24,138)
Cash flows from investing activities:		
Purchases of certificates of deposit	—	(8,235)
Proceeds from maturities of certificates of deposit	11,521	12,044
Purchases of property and equipment	(8)	(118)
Net cash provided by investing activities	11,513	3,691
Cash flows from financing activities:		
Proceeds from borrowings under debt facility	—	15,000
Payments made on debt facility	(1,294)	—
Costs paid in connection with debt facility	(123)	(160)
Proceeds from sale of common stock	17,942	2,140
Proceeds from exercise of warrants	408	—
Payments for offering costs	(1,033)	(129)
Payments for capital lease	(6)	(5)
Net cash provided by financing activities	15,894	16,846
Net decrease in cash and cash equivalents	(2,531)	(3,601)
Cash and cash equivalents at beginning of period	23,052	35,808
Cash and cash equivalents at end of period	$ 20,521	$ 32,207

See accompanying notes to unaudited condensed consolidated financial statements.

Mast Therapeutics, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

Mast Therapeutics, Inc., a Delaware corporation ("Mast Therapeutics," "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 our audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on March 14, 2016 ("2015 Annual Report"). The condensed consolidated balance sheet as of December 31, 2015 included in this report has been derived from the audited consolidated financial statements included in the 2015 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.

We are a biopharmaceutical company focused on developing clinical-stage therapies for serious or life-threatening diseases. We have devoted substantially all of our resources to research and development ("R&D") and acquisition of our product candidates. We have not yet marketed or sold any products or generated any significant revenue. Through our acquisition of Aires Pharmaceuticals, Inc. ("Aires") in February 2014, we acquired AIR001, a sodium nitrite inhalation solution for intermittent inhalation via nebulization, which we are developing for the treatment of heart failure with preserved ejection fraction (HFpEF). Through our acquisition of SynthRx, Inc. ("SynthRx") in 2011, we acquired vepoloxamer (also known as MST-188).

The accompanying condensed consolidated financial statements have been prepared assuming we will continue to operate as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, our working capital, anticipated operating expenses and net losses and the uncertainties surrounding our ability to raise additional capital as needed, as discussed below, raise substantial doubt about our ability to continue as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts of liabilities that may result from uncertainty related to our ability to continue as a going concern.

We have incurred significant operating losses since inception and have relied on our ability to fund our operations primarily though equity financings and a debt financing. For the year ended December 31, 2015 and the nine months ended September 30, 2016, we incurred losses from operations of $39.4 million and $28.2 million, respectively, and our net cash used in operating activities was $32.9 million and $29.9 million, respectively. At September 30, 2016, our cash, cash equivalents and investment securities totaled $27.0 million and our working capital was $7.4 million. Our planned operating activities call for expenditures over the next 12 months to exceed our current cash, cash equivalents and investment securities balances and working capital. We intend to raise additional capital this year through our "at the market," or ATM, equity offering program (See Note 13, "Stockholders' Equity") and seek other funding opportunities, including equity or debt financings and opportunities to strategically monetize our development program assets. However, there can be no assurance that we will be successful in these efforts or in our ongoing efforts to manage our operating costs. Subject to limited exceptions, our debt facility (See Note 8, "Debt Facility") prohibits us from incurring indebtedness without the lender's prior written consent. Our anticipated operating expenses and net losses and the uncertainties surrounding our ability to raise additional capital as needed raise substantial doubt about our ability to continue as a going concern. If we are unable to

continue as a going concern, we may have to liquidate our assets and might realize significantly less than the values at which they are carried on our financial statements. We expect that our cash, cash equivalents and investment securities as of September 30, 2016, will be sufficient to fund our operations into the first quarter of 2017.

In addition to the uncertainties surrounding our ability to raise additional capital as needed, which raise substantial doubt about our ability to continue as a going concern, our business, operating results, financial condition, and growth prospects are subject to significant other risks and uncertainties, including failing to successfully develop and license or commercialize our product candidates even if we are able to raise significant additional capital.

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 our 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 September 30, 2016 and December 31, 2015, our goodwill and IPR&D consisted of the following (in thousands):

Goodwill	$ 3,007
IPR&D	
Acquired IPR&D related to SynthRx acquisition	6,549
Acquired IPR&D related to Aires acquisition	2,000
Total goodwill and IPR&D	$11,556

Our 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.

Our IPR&D consists of the estimated fair values of the vepoloxamer and AIR001 programs as of the dates we acquired SynthRx and Aires, respectively.

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.

We performed a quantitative assessment of our goodwill as of September 30, 2016. We tested for impairment at the entity level because we operate on the basis of a single reporting unit. A quantitative assessment of goodwill utilizes a two-step approach. We first compared our carrying value, including goodwill, to our estimated fair value. If the carrying value had exceeded the estimated fair value, we would have performed Step 2 to measure the amount of any impairment charge. As the carrying value did not exceed estimated fair value, we did not perform Step 2 and concluded that no impairment charge for goodwill is required.

We performed a qualitative assessment of our acquired IPR&D for AIR001 as of September 30, 2016. We noted no events or circumstances that would lead us to determine that the carrying value of our acquired IPR&D exceeds its fair value. Therefore, we concluded that no impairment charge is required.

We performed a quantitative assessment of our acquired IPR&D for vepoloxamer as of September 30, 2016. Our prior assessments of vepoloxamer contemplated development of vepoloxamer in sickle cell disease.

Due to negative efficacy results in our Phase 3 study of vepoloxamer in sickle cell disease in September 2016, we determined a quantitative assessment was appropriate. First, we considered whether vepoloxamer still has technological feasibility. Based on data from numerous nonclinical studies as well as earlier clinical studies of vepoloxamer, we continue to believe vepoloxamer has potential utility in a wide range of serious or life-threatening diseases and conditions typically characterized by impaired microvascular blood flow and damaged cell membranes, including heart failure and ischemic stroke. Our decision to terminate the Phase 2 study of vepoloxamer in heart failure was due to financial constraints and not a change in our assessment of its potential utility for heart failure patients. However, because we are winding down our vepoloxamer heart failure program, but are exploring development opportunities for vepoloxamer in ischemic stroke (specifically, through a grant-funded nonclinical study and partnering opportunities), our impairment testing as of September 30, 2016 was based on assumptions for development of vepoloxamer in ischemic stroke.

We calculated the estimated fair value of acquired IPR&D by using the Multi-Period Excess Earnings Method, or MPEEM, which is a form of the income approach. While the inputs under the MPEEM consist primarily of Level 3 inputs, some Level 2 inputs were incorporated to derive the discount rate, as well as certain tax and asset balance assumptions and the probability factor for achieving regulatory approval. Under the MPEEM, we used probability-weighted, projected after-tax cash flows discounted at a rate considered appropriate given the significant inherent risks associated with drug development by companies in a similar lifecycle stage. Cash flows were calculated based on estimated projections of revenues and expenses related to vepoloxamer in ischemic stroke (U.S. and European Union) and then reduced by a contributory charge on requisite assets employed. Contributory assets included debt-free working capital, net fixed assets and assembled workforce. Rates of return on the contributory assets were based on rates used for comparable market participants. Cash flows were assumed to extend through 2039, but to decrease substantially after 2034 based on an assumption of the expiration of the U.S. composition of matter patent covering vepoloxamer in mid-2035. The resultant cash flows were then discounted to present value using a weighted-average cost of equity capital for companies with profiles comparable to Mast's based on industry-specific information obtained from published sources we believe to be reliable. We compensated for the phase of development of the program by applying a probability factor to our estimation of expected future cash flows. We analyzed a range of probability factors ranging from the high single digits to the low teens and under all of these scenarios, the fair value of the vepoloxamer-related IPR&D exceeded its carrying value. The projected cash flows were based on significant assumptions, including the time and resources needed to complete the development and regulatory approval of vepoloxamer in ischemic stroke, estimates of revenue and operating profit related to the program considering its stage of development, the life of the potential commercialized product, the term of market exclusivity, market penetration and competition, and risks associated with achieving commercialization, including delay or failure to obtain regulatory approvals to conduct clinical studies, failure of clinical studies, delay or failure to obtain required market clearances, and intellectual property litigation. Based on the fair value assessment described above, the carrying value of the vepoloxamer-related IPR&D did not exceed its fair value as of September 30, 2016. Therefore, we concluded that no impairment charge is required.

4. Investment Securities

Investment securities are marketable equity or debt securities. All of our 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 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 our 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.

Our investment securities are under the custodianship of a major financial institution and consist of FDIC-insured certificates of deposit. We have classified all of our available-for-sale investment securities, as current assets on our consolidated balance sheets because we consider them to be highly liquid and available for use, if needed, in current operations. As of September 30, 2016, none of our investment securities had contractual maturity dates of more than one year.

At September 30, 2016 and December 31, 2015, our investment securities were as follows (in thousands):

	September 30, 2016	December 31, 2015
Fair value of investment securities	$ 6,429	$ 17,929
Cost basis of investment securities	6,425	17,946

	September 30, 2016	December 31, 2015
Net unrealized (gains)/losses on investment securities	$ (4)	$ 17

5. Fair Value of Financial Instruments

Our cash equivalents are recorded at cost plus accrued interest, which approximates fair value. Our 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.

The fair values at September 30, 2016 and December 31, 2015 of our cash equivalents and investment securities are summarized in the following table (in thousands):

	Total Fair Value	Fair Value Determined Under: (Level 1)	(Level 2)	(Level 3)
At September 30, 2016:				
Cash equivalents	$ 6,410	$ 6,410	$ —	$ —
Investment securities	$ 6,429	$ —	$ 6,429	$ —
At December 31, 2015:				
Cash equivalents	$15,799	$15,799	$ —	$ —
Investment securities	$17,929	$ —	$17,929	$ —

We believe that our 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 our 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.

We lease certain office equipment under leases classified as capital leases. As of September 30, 2016, 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 September 30, 2016 and December 31, 2015 were as follows (in thousands):

	September 30, 2016	December 31, 2015
Accrued R&D agreements and study expenses	$ 6,600	$ 7,898
Other accrued liabilities	302	254
Total accrued liabilities	$ 6,902	$ 8,152

8. Debt Facility

Hercules Loan and Security Agreement

In 2015, we 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, we 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. Our 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. See Note 14, "Subsequent Events." The Second Advance was classified as a current liability on our balance sheet as of September 30, 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. Monthly payments under the Loan Agreement were interest only until July 1, 2016. On July 1, August 1, and September 1, 2016 we made equal monthly payments against the principal balance in addition to the interest amounts. We are required to repay the loan in equal monthly installments of principal and interest on the first business day of each month 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 we elect 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.

Our 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, we have paid facility charges of $225,000 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, we entered into a Warrant Agreement with Hercules, dated August 11, 2015, as amended by the First Amendment thereto dated September 28, 2015 and the Second Amendment thereto dated February 25, 2016, pursuant to which Hercules has a right to purchase up to

2,272,727 shares of our common stock at an exercise price of $0.275 per share. Prior to the Second Amendment to Warrant Agreement, the Warrant Agreement, as amended by the First Amendment, provided Hercules a right to purchase up to 1,524,390 shares of our common stock at an exercise price of $0.41 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.

Summary of Carrying Value

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

	As of September 30, 2016	
	Short-term	Long-term
Prepayment to lender	$10,000	$ —
Principal payments to lender and end of term charge	1,488	2,930
Accrued interest	105	—
Debt issuance costs	—	(224)
Debt discount related to warrants	—	(91)
Carrying value	$11,593	$2,615

9. Share-Based Compensation Expense

Share-based compensation expense related to equity awards granted to our employees and non-employee directors for the three and nine months ended September 30, 2016 and 2015 was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Selling, general and administrative expense	$ 424	$ 375	$1,273	$1,687
Research and development expense	221	169	678	435
Share-based compensation expense	$ 645	$ 544	$1,951	$2,122

During the nine months ended September 30, 2016, the only equity awards granted to our employees and non-employee directors were stock option awards. The following table summarizes the equity award activity during such nine-month period:

	Shares Underlying Option Awards	Weighted-Average Exercise Price
Outstanding at December 31, 2015	22,896,728	$ 0.78
Granted	8,151,263	$ 0.42
Exercised	—	$ —
Expired/forfeited	(1,151,393)	$ 0.98
Outstanding at September 30, 2016	29,896,598	$ 0.67

At September 30, 2016, total unrecognized estimated compensation cost related to non-vested employee and non-employee director share-based awards granted prior to that date was $4.8 million, which is expected to be recognized over a weighted-average period of 2.5 years.

10. Net Loss Per Common Share

Basic and diluted net loss per common share was calculated by dividing the net loss for the three and nine months ended September 30, 2016 and 2015 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, our outstanding common stock equivalents consisted of options and warrants to purchase shares of our 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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Options	29,950,046	22,453,351	30,100,242	21,128,025
Warrants	104,595,749	76,356,327	100,023,572	77,345,043

11. Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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. Early adoption is permitted. We are in the process of evaluating the impact of this new guidance.

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 November 2015, the FASB issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes* ("ASU 2015-17"). Currently deferred taxes for each tax jurisdiction are presented as a net current asset or liability and net noncurrent asset or liability on the balance sheet. To simplify the presentation, the new guidance requires that all deferred tax assets and liabilities for each jurisdiction, along with any related valuation allowance, be classified as noncurrent on the balance sheet. The new guidance becomes effective for public business entities in fiscal years beginning after December 15, 2016. We elected to early adopt this new standard prospectively for the year ended December 31, 2015 and it did not have a material impact on our financial statements.

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 and early application is permitted. 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 nine months ended September 30, 2016 and 2015 are as follows (in thousands):

	Nine Months Ended September 30,	
	2016	2015
Cash paid for interest on debt facility	$ 1,042	$ 26
Supplemental disclosures of non-cash investing and financing activities:		
Fair value of warrants issued in connection with debt facility	$ 26	$ 393
Unrealized gain on investment securities	$ (22)	$ (34)
Receivable for warrant exercise	$ 65	$ —
Purchases of property and equipment in accounts payable	$ —	$ 31
Purchase of equipment under capital lease	$ —	$ 35
Debt issuance costs in accounts payable and accrued liabilities	$ —	$ 33

13. Stockholders' Equity

Underwritten Public Offering of Common Stock and Warrants

In February 2016, we completed an underwritten public offering with gross proceeds of $8.0 million from the sale and issuance of 29,090,910 units, each consisting of one share of our common stock and one warrant to purchase one share 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 $0.42 per share, are exercisable any time on or after August 17, 2016 and will expire on February 16, 2021.

"At the Market" Equity Offering Program

In February 2014, we 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, we 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 September 30, 2016, we had sold an aggregate of 51,148,582 shares at a weighted-average sales price of $0.54 per share under the ATM programs for aggregate gross proceeds of $27.4 million and $26.2 million in net proceeds, after deducting sales agent commission and discounts and our other offering costs.

Shares Issuable to Former SynthRx Stockholders Upon Achievement of Milestones

In April 2011, we 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 us to issue up to an aggregate of 12,478,050 additional shares of our common stock to the former SynthRx stockholders if and when the development of vepoloxamer achieves the following milestones: (a) 3,839,400 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) 8,638,650 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, we entered into a Warrant Agreement with Hercules Technology III, L.P., dated August 11, 2015, as amended by the First Amendment thereto dated September 28, 2015 and the Second Amendment thereto dated February 25, 2016, pursuant to which Hercules has a right to purchase up to an aggregate of 2,272,727 shares of our common stock at an exercise price of $0.275 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.

Warrant Exercises

During the three and nine months ended September 30, 2016, we issued the following shares of our common stock upon exercise of outstanding warrants and received aggregate net proceeds of $0.5 million:

- 816,000 shares upon exercise of outstanding warrants with exercise price of $0.42 per share; and
- 13,081,428 shares upon exercise of outstanding warrants with exercise price of $0.01 per share.

Outstanding Warrants

At September 30, 2016, outstanding warrants to purchase shares of common stock are as follows:

Shares Underlying Outstanding Warrants	Exercise Price	Expiration Date
10,625,000	$ 1.100	November 2016
28,097,400	$ 0.650	June 2018
22,011,265	$ 0.750	November 2019
2,272,727	$ 0.275	August 2020
28,274,910	$ 0.420	February 2021
91,281,302		

14. Subsequent Events

Prepayment under Loan and Security Agreement

As discussed in Note 8, "Debt Facility," in September 2016, the top-line results of the EPIC study triggered a prepayment obligation under our Loan Agreement with Hercules. Accordingly, on October 3, 2016, we

made the Second Advance Prepayment. Our October 1 and November 1, 2016 monthly installment payments to Hercules of principal and interest were each $148,000. As of November 3, 2016, the principal balance owed to Hercules was $3.5 million.

Costs Associated with Reductions in Workforce

In October 2016, as part of restructuring our organization in connection with the discontinuation of the vepoloxamer development programs in sickle cell disease and heart failure, we eliminated ten positions across our company. As a result of these October 2016 workforce reductions, assuming each affected employee executes and does not revoke a separation agreement and general release of claims, we expect to incur restructuring costs of approximately $0.4 million for one-time employee termination costs, including severance, benefits and related costs, all of which we expect to pay in the fourth quarter of 2016.

Merger Agreement with Savara

On January 6, 2017, Mast entered into an Agreement and Plan of Merger and Reorganization with Savara Inc., a privately-held clinical stage specialty pharmaceutical company focused on the treatment of rare respiratory diseases. Pursuant to the merger agreement, subject to the satisfaction or waiver of the conditions set forth in the agreement, including the approval of Mast's and Savara's stockholders, a wholly-owned subsidiary of Mast, Victoria Merger Corp. (formed for the purpose of this transaction), will merge with and into Savara, with Savara surviving the merger as a wholly-owned subsidiary of Mast and Savara stockholders receiving newly issued shares of Mast common stock in exchange for their Savara stock. The transactions contemplated by the merger agreement will result in a change in control of Mast, with approximately 76% of the fully-diluted shares of the combined company's common stock expected to be held by the former Savara securityholders and approximately 24% of the fully-diluted shares of the combined company's common stock expected to be held by Mast's stockholders, assuming no adjustments are required under the merger agreement as a result of Mast's net cash at closing being less than zero dollars or changes to Mast's or Savara's capitalization at closing of the transaction relative to January 6, 2017. Additionally, Mast's entry into the merger agreement and/or its terms and conditions may constitute an event or change in circumstance that indicates an impairment of the carrying value of Mast's acquired IPR&D. Accordingly, Mast will assess its IPR&D for impairment as of December 31, 2016.

The merger agreement with Savara also contemplates that Mast will seek approval of its stockholders for a reverse stock split, which, if approved, is expected to be effected immediately prior to the consummation of the merger. The reverse split ratio has not yet been determined.

The transactions contemplated by the merger agreement with Savara are expected to close in the second quarter of 2017.

2017 Compensation and Grants of Restricted Stock Awards

In January 2017, the Mast Board, upon the recommendation of its compensation committee, approved a retention/performance bonus for Mast's seven full-time employees in order to retain, reward and incentivize them to continue their efforts to help Mast achieve its goals through the consummation of the merger with Savara. For Mast's executive officers, this bonus is payable 50% in a single-sum cash payment and 50% in a grant of restricted stock units ("RSUs") under Mast's 2015 Omnibus Incentive Plan. For Mast's other employees, this bonus is payable in a single-sum cash payment. All cash payments and vesting of RSUs are contingent upon consummation of the merger on or before July 6, 2017, continued service with Mast until that event, and a general release of claims. The RSUs were granted in January 2017. The total amount of cash payable is $156,000 and the total number of shares of Mast common stock issuable if the RSUs vest is 980,538.

Additionally, in January 2017, the Mast Board, upon the recommendation of its compensation committee, approved the grant of up to 4,100,929 RSUs under the Mast 2015 Omnibus Incentive Plan to Mast's seven

full-time employees and four non-employee directors. All of the RSUs were granted in January 2017. Each RSU represents a right to receive one share of Mast common stock. Vesting of these RSUs is contingent upon consummation of the merger with Savara on or before July 6, 2017. In accordance with the notices of grant and agreements governing these RSU awards, all outstanding and unexercised stock options held by the employees and directors will be cancelled immediately prior to, but contingent upon, the consummation of the merger and cease to be exercisable as of such date without any accelerated vesting.

Report of Independent Auditors

To the Board of Directors and Management of Savara Inc.

In our opinion, the accompanying balance sheets and the related statements of operations and comprehensive loss, of changes in redeemable convertible preferred stock and stockholders' deficit, and of cash flows present fairly, in all material respects, the financial position of Savara Inc. at December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the cost to develop and obtain regulatory approval for any drug is substantial and if adequate and timely financing alternatives are not available, the Company will need to re-evaluate its current operating plan.

/s/ PricewaterhouseCoopers LLP

Austin, Texas
August 4, 2016, except for Note 13 and additional liquidity disclosures as discussed in Note 1 to the financial statements, as to which the date is February 10, 2017.

Savara Inc.
Balance Sheets
December 31, 2015 and 2014
(In thousands, except share amounts)

	As of December 31	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	$ 16,683	$ 12,688
Grants and award receivable	—	961
Prepaid expenses and other current assets	67	280
Total current assets	16,750	13,929
Property and equipment, net	1,104	8
Total assets	$ 17,854	$ 13,937
Liabilities, redeemable convertible preferred stock and stockholders' deficit		
Current liabilities:		
Accounts payable	$ 385	$ 879
Accrued expenses	430	94
Current portion of capital lease obligation	255	—
Total current liabilities	1,070	973
Long-term liabilities:		
Accrued interest on convertible promissory notes	—	405
Convertible promissory notes	—	7,870
Put option derivative liability	—	2,564
Deferred rent	6	—
Capital lease obligation, net of current portion	847	—
Warrant liability	274	153
Total liabilities	2,197	11,965
Redeemable convertible preferred stock:		
Series A redeemable convertible preferred stock, $0.001 par value, 1,799,906 shares authorized, issued, and outstanding as of December 31, 2015 and 2014; $3,254 liquidation value as of December 31, 2015	3,230	3,206
Series B redeemable convertible preferred stock, $0.001 par value, 6,000,000 and 10,400,000 shares authorized as of December 31, 2015 and 2014, respectively; 5,675,387 shares issued and outstanding as of December 31, 2015 and 2014; $17,762 liquidation value as of December 31, 2015	17,224	17,065
Series C redeemable convertible preferred stock, $0.001 par value; 5,000,000 shares authorized as of December 31, 2015; 4,038,790 shares issued and outstanding as of December 31, 2015; $21,246 liquidation value as of December 31, 2015	22,531	—
Total redeemable convertible preferred stock	42,985	20,271
Stockholders' deficit:		
Common stock, $0.001 par value, 20,000,000 and 15,490,000 shares authorized as of December 31, 2015 and 2014, respectively; 2,041,552 and 1,991,552 shares issued and outstanding as December 31, 2015 and 2014, respectively	2	2
Additional paid-in capital	153	183
Accumulated deficit	(27,483)	(18,484)
Total stockholders' deficit	(27,328)	(18,299)
Total liabilities, redeemable convertible preferred stock, and stockholder's deficit	$ 17,854	$ 13,937

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

Savara Inc.
Statements of Operations and Comprehensive Loss
Years Ended December 31, 2015 and 2014
(In thousands, except share amounts)

	Year Ended December 31,	
	2015	2014
Grant and award revenue	$ 54	$ 1,548
Operating expenses		
Research and development	4,321	5,429
General and administrative	1,650	1,560
Depreciation	6	8
Total operating expenses	5,977	6,997
Loss from operations	(5,923)	(5,449)
Other income (expense):		
Investment income	5	6
Interest expense	(2,590)	(837)
Loss on extinguishment of debt	(226)	—
Change in fair value of financial instruments	(265)	(2)
Total other expense	(3,076)	(833)
Loss before income taxes	(8,999)	(6,282)
Income tax expense	—	—
Net loss and comprehensive loss	$ (8,999)	$ (6,282)
Accretion of redeemable convertible preferred stock	(183)	(121)
Net loss attributable to common stockholders	$ (9,182)	$ (6,403)
Net loss per share:		
Basic and diluted:	$ (5.55)	$ (4.26)
Weighted average common shares outstanding		
Basic and diluted	1,653,259	1,503,058

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

Savara Inc.
Statements of Changes in Redeemable Convertible Preferred Stock and Stockholders' Deficit
Years Ended December 31, 2015 and 2014
(In thousands, except share amounts)

	Redeemable Convertible Preferred Stock							Common Stock				
	Series A		Series B		Series C							
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Total	Number of Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
Balance as of December 31, 2013	**1,799,906**	**$ 3,206**	**5,675,387**	**$16,944**	**—**	**$ —**	**$20,150**	**1,825,776**	**$ 2**	**$ 163**	**$ (12,202)**	**$ (12,037)**
Issuance of restricted common stock	—	—	—	—	—	—	—	165,776	—	—	—	—
Accretion of redeemable convertible preferred stock	—	—	—	121	—	—	121	—	—	(121)	—	(121)
Stock-based compensation	—	—	—	—	—	—	—	—	—	141	—	141
Net loss	—	—	—	—	—	—	—		—	—	(6,282)	(6,282)
Balance as of December 31, 2014	**1,799,906**	**3,206**	**5,675,387**	**17,065**	**—**	**—**	**20,271**	**1,991,552**	**2**	**183**	**(18,484)**	**(18,299)**
Issuance of restricted common stock	—	—	—	—	—	—	—	50,000	—	—	—	—
Accretion of redeemable convertible preferred stock	—	24	—	159	—	—	183	—	—	(183)	—	(183)
Issuance of redeemable convertible preferred stock	—	—	—	—	4,038,790	22,531	22,531	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—	—	153	—	153
Net loss	—	—	—	—			—		—		(8,999)	(8,999)
Balance as of December 31, 2015	**1,799,906**	**$ 3,230**	**5,675,387**	**$17,224**	**4,038,790**	**$22,531**	**$42,985**	**2,041,552**	**$ 2**	**$ 153**	**$ (27,483)**	**$ (27,328)**

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

Savara Inc.
Statements of Cash Flows
Years Ended December 31, 2015 and 2014
(In thousands)

	Year Ended December 31, 2015	2014
Cash flows from operating activities:		
Net loss	$ (8,999)	$ (6,282)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	6	8
Changes in fair value of financial instruments	265	2
Loss on extinguishment of debt	226	—
Accrued interest	642	405
Accretion of discount to convertible promissory notes	1,948	432
Stock-based compensation	153	141
Changes in operating assets and liabilities:		
Grant and award receivable	961	1,584
Prepaid expenses and other current assets	214	(111)
Accounts payable and accrued expenses	(200)	309
Deferred rent	6	—
Net cash used in operating activities	(4,778)	(3,512)
Cash flows from investing activities:		
Purchase of property and equipment	—	(3)
Net cash used in investing activities	—	(3)
Cash flows from financing activity:		
Proceeds from issuance of convertible promissory notes	—	10,000
Proceeds from issuance of Series C redeemable convertible preferred stock	8,773	—
Net cash provided by operating activities	8,773	10,000
Increase in cash and cash equivalents	3,995	6,485
Cash and cash equivalents beginning of period	12,688	6,203
Cash and cash equivalents end of period	$ 16,683	$ 12,688
Non-cash financing and investing activities:		
Conversion of convertible promissory notes into preferred stock	$ 11,006	$ —
Extinguishment of put option	$ 2,708	$ —
Accretion of Series A redeemable convertible preferred stock	$ 24	$ —
Accretion of Series B redeemable convertible preferred stock	$ 159	$ 121
Equipment under capital lease	$ (1,102)	$ —
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 2	$ 21

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

Savara Inc.
Notes to Financial Statements
December 31, 2015 and 2014

1. Description of Business and Basis of Presentation

Description of Business

Savara Inc. (the "Company") is a specialty pharmaceutical company focusing on the development of drugs for the treatment of serious and life-threatening rare respiratory diseases. The leading product that the Company is currently developing is AeroVanc (the "AeroVanc Program"), an inhaled dry powder form of vancomycin in a capsule-based inhaler intended to treat MRSA (Methicillin-resistant *Staphylococcus aureus*) infections in patients with cystic fibrosis or other lung-compromising conditions. The Company was formed as a corporation in Delaware in 2007. The Company operates in one segment and has its principal offices in Austin, Texas.

Since inception, the Company has devoted substantially all of its efforts and resources to identifying and developing its product candidates, recruiting personnel, and raising capital. The Company has incurred operating losses and negative cash flow from operations and has no product revenue from inception to date. The Company has not yet commenced commercial operations.

Liquidity

As of December 31, 2015, the Company had an accumulated deficit of approximately $27.5 million. The Company also had negative cash flow from operations of approximately $4.8 million during the year ended December 31, 2015. The cost to further develop and obtain regulatory approval for any drug is substantial and, as noted below, the company may have to take certain steps to maintain a positive cash position. Accordingly, the Company will need additional capital to further fund development of, and seek regulatory approvals for, its product candidates and begin to commercialize any approved products.

The Company is currently focused primarily on the development of pulmonary drugs and believes such activities will result in the Company's continued incurrence of significant research and development and other expenses related to those programs. If the clinical trials for any of the Company's product candidates fail or produce unsuccessful results and those product candidates do not gain regulatory approval, or if any of the Company's product candidates, if approved, fails to achieve market acceptance, the Company may never become profitable. Even if the Company achieves profitability in the future, it may not be able to sustain profitability in subsequent periods. The Company intends to cover its future operating expenses through cash and cash equivalents on hand and through a combination of equity offerings, debt financings, government or other third-party funding, and other collaborations and strategic alliances. The Company cannot be sure that additional financing will be available when needed or that, if available, financing will be obtained on terms favorable to the Company or its stockholders.

While the Company expects its existing cash and cash equivalents of $16.7 million as of December 31, 2015 will enable it to fund operations and capital expenditure requirements into 2018, the Company may have to delay, reduce, limit or terminate some or all of its development programs or future commercialization efforts or grant rights to develop and market product candidates that the Company might otherwise prefer to develop and market itself in order to maintain a positive cash position. Failure to obtain adequate financing could adversely affect the Company's ability to operate as a going concern. If the Company raises additional funds from the issuance of equity securities, substantial dilution to existing stockholders may result. If the Company raises additional funds by incurring debt financing, the terms of the debt may involve significant cash payment obligations as well as covenants and specific financial ratios that may restrict the Company's ability to operate its business.

The Company intends to raise additional capital through the issuance of additional equity and potentially through borrowings and strategic alliances with partner companies. However, if such financings are not available timely

and at adequate levels, the Company will need to reevaluate its operating plans. Management is currently pursuing financing alternatives. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") as defined by the Financial Accounting Standards Board ("FASB").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires the Company to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management's estimates include those related to the accrual of research and development costs, the valuation of preferred and common shares, certain financial instruments recorded at fair value, stock-based compensation, and the valuation allowance for deferred tax assets. The Company bases its estimates on historical experience and on various other market-specific and relevant assumptions that it believes to be reasonable under the circumstances. Actual results could differ significantly from those estimates and assumptions.

Risks and Uncertainties

The product candidates being developed by the Company require approvals from the U.S. Food and Drug Administration ("FDA") or foreign regulatory agencies prior to commercial sales. There can be no assurance that the Company's product candidates will receive the necessary approvals. If the Company is denied regulatory approval of its product candidates, or if approval is delayed, it may have a material adverse impact on the Company's business, results of operations and its financial position.

The Company is subject to a number of risks similar to other life science companies, including, but not limited to, risks related to the successful discovery and development of drug candidates, raising additional capital, development of competing drugs and therapies, protection of proprietary technology and market acceptance of the Company's products. As a result of these and other factors and the related uncertainties, there can be no assurance of the Company's future success.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents. The Company places its cash and cash equivalents with a limited number of high quality financial institutions and at times may exceed the amount of insurance provided on such deposits.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and institutional bank money market accounts with original maturities of three months or less when acquired and are stated at cost, which approximates fair value.

Grants and Award Receivables

Receivables arise from incurring allowable costs under federal grants or through the achievement of milestones under an award from a non-profit organization that have not been received as of the balance sheet dates. Since inception, the Company has never incurred losses on its grants and award receivables, and as such, the Company has no allowance for doubtful accounts as of December 31, 2015 and 2014 as management deemed all outstanding grants and award receivable balances collectible.

Fair Value of Financial Instruments

The accounting standard for fair value measurements provides a framework for measuring fair value and requires disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on the Company's principal or, in absence of a principal, most advantageous market for the specific asset or liability.

The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. The hierarchy requires the Company to use observable inputs when available, and to minimize the use of unobservable inputs, when determining fair value.

The three tiers are defined as follows:

- Level 1 — Observable inputs that reflect quoted market prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2 — Observable inputs other than quoted prices in active markets that are observable either directly or indirectly in the marketplace for identical or similar assets and liabilities; and
- Level 3 — Unobservable inputs that are supported by little or no market data, which require the Company to develop its own assumptions.

Financial instruments carried at fair value include cash and cash equivalents, certain warrants classified as liabilities, and an embedded put option separated from the convertible promissory notes. These financial instruments are carried at fair value on a recurring basis.

Financial instruments not carried at fair value include accounts payable, accrued liabilities, and the convertible promissory notes host contract. The carrying amounts of these financial instruments approximate fair value due to the highly liquid nature of these short-term instruments.

Net Loss per Share

Basic net loss per share is calculated by dividing the net loss by the weighted average number of shares of common stock outstanding during the period without consideration of common stock equivalents. Since the Company was in a loss position for all periods presented, diluted net loss per share is the same as basic net loss per share for all periods as the inclusion of all potential common shares outstanding would have been anti-dilutive.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is determined on a straight-line basis over the estimated useful lives of the assets, which range from three to five years. Repairs and maintenance that do not improve or extend the useful life of the respective asset are charged to expense as incurred.

Equipment under Capital Lease

In 2015, the Company entered into a contract manufacturing arrangement that included the right to use specified equipment. Management concluded that the contract manufacturing arrangement contains an embedded lease of the specified equipment based on the facts and circumstances, including the Company's ability to direct the use of the equipment and because management believes that it is remote that any party other than the Company will take more than a minor output produced by the equipment during the term of the arrangement. Management

performed an analysis under ASC 840 to determine the proper accounting for the embedded lease and concluded that there is a capital lease because the present value of the minimum lease payments per the contract exceeds 90% of the fair value of the equipment. The capitalized equipment is depreciated on a straight-line basis over the lesser of the non-cancellable lease term or the useful life, and the lease obligation accrues interest at the incremental rate used in the present value analysis.

Debt Issuance Costs

Debt issuance costs are presented on the balance sheets as a direct deduction from the carrying amount of the debt liability. Debt issuance costs incurred in the years ended December 31, 2015 and 2014 were insignificant.

Patents and Intellectual Property

The Company currently expenses all patent application costs. As the Company's product is currently under research and development and is not currently approved for market, costs incurred in connection with patent applications are expensed as incurred due to the uncertainty of the future economic benefits of the underlying patents and intellectual property.

Impairment of Long-Lived Assets

The Company reviews for impairment long-lived assets to be held and used whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. Recoverability is measured by comparison of the carrying amounts to the future undiscounted cash flows attributable to these assets. An impairment loss is recognized if an asset group is not recoverable, and to the extent that the carrying amount exceeds the projected discounted future cash flows arising from these assets. There were no events or circumstances during the years ended December 31, 2015 and 2014, which indicated that the carrying value of our long-lived assets may not be recoverable.

Redeemable Convertible Preferred Stock and Series B Warrants

The Series A, Series B, and Series C redeemable convertible preferred stock is classified in temporary equity as it is redeemable at the written request from the holders of at least two-thirds of the then outstanding shares of preferred stock, at any time after October 31, 2022 (see Note 9). Additionally, certain outstanding warrants to purchase the Series B redeemable convertible preferred stock ("Series B Warrants") are classified as liabilities because the Series B redeemable convertible preferred stock is contingently redeemable.

Revenue Recognition

To date, the Company has recognized revenue solely from federal grants under the Small Business Innovation Research Program of the Department of Health and Human Services, National Institutes of Health ("NIH", together the "Federal Grants") and an award from the Cystic Fibrosis Foundation Therapeutics, Inc. (the "CFFT"), a non-profit organization (the "CFF Award") as further described in Note 6. The Company has not generated any product revenue to date. The Company's ability to generate product revenues, which the Company does not expect will occur for many years, if ever, will depend heavily on the successful development, regulatory approval and eventual commercialization of the Company's product candidates. The Company records revenue related to the Federal Grants as qualifying costs are incurred, and when there is reasonable assurance that the conditions of the grant have been met and the grant will be received. The Company records revenue related to the CFF Award upon completion and achievement of defined milestones, and when there is reasonable assurance that the conditions of the award have been met and collectability is reasonably assured.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs include, but are not limited to, salaries, benefits, travel, stock-based compensation, consulting costs, contract research service costs,

laboratory supplies, contract manufacturing costs, and costs paid to other third parties that conduct research and development activities on the Company's behalf.

The Company records the costs associated with clinical trials and manufacturing development as incurred. These costs are a significant component of the Company's research and development expenses, as a substantial portion of the Company's on-going research and development activities are conducted by third-party service providers, including contract research organizations ("CROs").

The Company accrues for expenses resulting from obligations under contracts with CROs and consultants for which payment flows do not match the periods over which materials or services are provided to the Company. The Company's objective is to reflect the appropriate expense in the financial statements by recognizing the expenses in the period in which services are performed and efforts are expended.

In the event advance payments are made to a CRO, the payments are recorded as a prepaid asset and amortized as services are performed and efforts are expended. As actual costs become known, the Company adjusts its accruals. Changes in these estimates that result in material changes to the Company's accruals could materially affect the Company's results of operations.

Stock-Based Compensation

The Company recognizes the cost of stock-based awards granted to employees based on the estimated grant-date fair values of the awards. The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service period. The Company recognizes the compensation costs for awards that vest over several years on a straight-line basis over the vesting period (see Note 11). The Company recognizes the cost of stock-based awards granted to non-employees at their then-current fair values as services are performed, and such awards are remeasured through the counterparty performance date.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities will be recognized in the period that includes the enactment date. A valuation allowance is established against the deferred tax assets to reduce their carrying value to an amount that is more likely than not to be realized.

Recent Accounting Pronouncements

In August 2014, the FASB issued Accounting Standards Update 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"), which provides guidance on the presentation of management's plans, when conditions or events 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. ASU 2014-15 is effective for fiscal years ending after December 15, 2016. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

In April 2015, the FASB issued Accounting Standards Update 2015-03, "Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03") requiring entities to present debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of the debt liability. ASU 2015-03 is effective for fiscal years ending after December 15, 2015. The Company has elected to early adopt this standard. The adoption of this standard did not have a material impact on the Company's financial statements.

In November 2015, the FASB issued Accounting Standards Update 2015-17, “Income Taxes, Balance Sheet Classification of Deferred Taxes” (“ASU 2015-17”), which eliminates the current requirement for reporting entities to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, reporting entities will be required to classify all deferred tax assets and liabilities as noncurrent. This guidance is effective for fiscal years beginning after December 15, 2016. The adoption of this standard is not expected to have a material impact on the Company’s financial statements.

In February 2016, the FASB issued Accounting Standards Update 2016-02, “Leases” (“ASU 2016-02”). The update aims at making leasing activities more transparent and comparable, and requires substantially all leases be recognized by lessees on their balance sheet as a right-of-use asset and a corresponding lease liability, including leases currently accounted for as operating leases. The update also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 with early adoption permitted. The Company is currently evaluating the impact of the adoption of ASU 2016-02 on its financial statements.

In March 2016, the FASB issued Accounting Standards Update 2016-09, “Compensation — Stock Compensation: Improvements to Employee Share-Based Payment Accounting” (“ASU 2016-09”). ASU 2016-09 changes certain aspects of the accounting for share-based payment awards, including accounting and cash flow classification for excess tax benefits and deficiencies; income tax withholding obligations; forfeitures; and cash flow classification. ASU 2016-09 is effective for the Company for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018 with early adoption permitted. The Company is currently evaluating the effect of this new guidance on its financial statements.

3. Property and Equipment, Net

Property and equipment, net consisted of (in thousands):

	2015	2014
Research and development equipment under capital lease	$1,102	$ —
Laboratory equipment	126	126
Furniture and fixtures	16	16
Total property and equipment	1,244	142
Less accumulated depreciation	(140)	(134)
Property and equipment, net	$1,104	$ 8

Depreciation expense for the years ended December 31, 2015 and 2014 was $6,000 and $8,000, respectively.

4. Convertible Promissory Notes

During 2014, the Company borrowed $10,000,000 from several investors under convertible subordinate promissory notes (the “2014 Notes”). As described further below, on December 3, 2015, the 2014 Notes were converted into Series C redeemable convertible preferred stock (“Series C Preferred Stock”) in accordance with the Automatic Conversion provision of the 2014 Notes described below. See Note 9 for discussion of the issuance of Series C Preferred Stock.

The 2014 Notes had an 8.0% simple interest rate per annum computed on the basis of the actual number of days elapsed and a year of 365 days. All unpaid principal, together with any then accrued but unpaid interest was due and payable on the earliest of (i) December 31, 2015 (the “Maturity Date”), (ii) the closing of a change of control as defined, or (iii) the occurrence of an event of default, as defined (such earliest date is hereinafter referred to as “Maturity”). The 2014 Notes were pre-payable only with the written consent of the holders of a majority of the principal amount of the then-outstanding 2014 Notes. The following paragraphs describe the conversion features of the 2014 Notes, as they existed prior to the Automatic Conversion in 2015.

Automatic Conversion

The principal and any accrued interest automatically convert into shares of Qualified Financing Securities at the 2014 Note Conversion Price, upon the closing of a Qualified Financing ("Automatic Conversion"). In the event of an automatic conversion, the 2014 Notes are converted into that number of Qualified Financing Securities determined by dividing (i) the aggregate outstanding principal amount and accrued but unpaid interest by (ii) the 2014 Note Conversion Price. A Qualified Financing is defined as the next transaction (or series of related transactions) after the date of this 2014 Note and before Maturity in which the Company issues and sells shares of its preferred stock in exchange for aggregate gross proceeds of at least $5,000,000 (excluding amounts received upon conversion of indebtedness). Qualified Financing Securities means the equity securities issued by the Company in a Qualified Financing with such rights, preferences, privileges and restrictions, contractual or otherwise, as the securities issued by the Company in the Qualified Financing.

The 2014 Note Conversion Price is the lesser of (a) (1) the lowest per share purchase price paid for (i) the Qualified Financing Securities by the investors in the Qualified Financing or (ii) the Next Round Securities issued to the investors in the Non-Qualified Financing in which this 2014 Note is converted times (2) 0.8 (i.e., a 20% discount); and (b) the quotient obtained by dividing (1) the Valuation Cap by (2) the Company's fully diluted capitalization immediately prior to the initial closing of the Next Financing. For this purpose, the Valuation Cap is $50,000,000. Non-Qualified Financing means any transaction (or series of related transactions) after the date of this 2014 Note and before Maturity in which the Company issues and sells shares of its capital stock in any transaction that is not deemed to be a Qualified Financing. Next Round Securities means the equity shares sold in a Non-Qualified Financing.

Voluntary Conversion

In the event that the Company consummates a Non-Qualified Financing, at the option of each holder or holders of a majority of the outstanding aggregate principal amount, all or part of the outstanding principal and any accrued interest may be converted into Next Round Securities. A Non-Qualified Financing is any transaction (or series of related transactions) after the date of this 2014 Note and before Maturity in which the Company issues and sells shares of its capital stock in any transaction that is not deemed to be a Qualified Financing at the applicable 2014 Note Conversion Price as defined above.

Change in Control Conversion

In the event of a Change of Control after the date of this 2014 Note but prior to Maturity, at the option of each holder or holders of a majority of the outstanding aggregate principal amount, all or part of the outstanding principal amount and any accrued interest, (i) may be converted into the number of shares of Series B redeemable convertible preferred stock ("Series B Preferred Stock") determined by dividing (x) the aggregate outstanding principal amount and any accrued interest by (y) the quotient obtained by dividing (1) the Valuation Cap by (2) the Company's capital stock outstanding immediately prior to such Change of Control. Change of Control means any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, and shall be deemed to be occasioned by, or to include, (i) a merger or consolidation of the Company into or with another entity after which the stockholders of the Company immediately prior to such transaction do not own, immediately following the consummation of the transaction by virtue of their shares in the Company or securities received in exchange for such shares in connection with the transaction, a majority of the voting power of the surviving entity in proportions substantially identical to those that existed immediately prior to such transaction and with substantially the same rights, preferences, privileges and restrictions as the shares they held immediately prior to the transaction, (ii) the sale, transfer or other disposition (but not including a transfer or disposition by pledge or mortgage to a bona fide lender) of all or substantially all of the assets of the Company (other than to a wholly-owned subsidiary), or (iii) the sale or transfer by the Company or its stockholders of more than 50% of the voting power of the Company in a transaction or series of related transactions other than in a transaction or series of transactions effected by the Company primarily for financing purposes.

IPO Conversion

The entire outstanding principal amount plus any accrued interest automatically converts into shares of common stock of the Company at the IPO Conversion Price. The IPO Conversion Price is the quotient obtained by dividing (1) the Valuation Cap ($50,000,000) by (2) the Company's fully diluted capitalization immediately prior to the consummation of the Initial Public Offering.

Maturity Date Conversion

The entire outstanding principal amount and any accrued interest automatically converts into shares of Series B Preferred Stock at the Series B Price upon the close of business of the Maturity Date. In the event of an automatic conversion pursuant to this provision, this 2014 Note converts into that number of Series B Preferred Stock determined by dividing (i) the aggregate outstanding principal amount of this 2014 Note plus any accrued interest by (ii) the Series B Price. The Series B Price is $3.12959 as adjusted for stock dividends, stock splits, recapitalizations and other similar events.

Accounting for 2014 Notes

Management determined that the automatic conversion upon a Qualified Financing or Non-Qualified Financing as defined above represents, in substance, a put option (redemption feature) designed to provide the investor with a fixed monetary amount, settleable in shares. Management determined that this put option should be separated and accounted for as a derivative, primarily because the put option was issued at a substantial discount and meets the net settlement criterion.

The put option, with a fair value of $2,562,000 at inception, was initially recorded as a derivative liability on the accompanying balance sheet and a corresponding discount to the 2014 Notes. The discount was accreted to interest expense on the statements of operations and comprehensive loss over the term of the 2014 Notes using the effective interest rate method. The Company recorded interest expense of $1,948,000 and $432,000 million during 2015 and during 2014 through the date of the Automatic Conversion, respectively, related to the accretion of the discount. The derivative liability was recorded at fair value as of December 31, 2014, and immediately prior to the Automatic Conversion with changes in fair value recognized in the statements of operations and comprehensive loss.

Automatic Conversion into Series C Preferred Stock

On December 3, 2015, the date of the Automatic Conversion, the 2014 Notes and separated put option liability were surrendered in exchange for Series C Preferred Stock. The debt host contract and separated derivative liability were both subject to extinguishment accounting, and a loss in the amount of $226,000 was recorded in the Statement of Operations and Comprehensive Loss. The loss was calculated as the difference between the net book value of the 2014 Notes plus the fair value of the put option immediately prior to the Automatic Conversion, and the fair value of the Series C Preferred Stock into which the 2014 Notes were converted.

5. Litigation

The Company is not currently a party to any litigation, nor is the Company aware of any pending or threatened litigation that management believes would materially affect the Company's business, operating results, financial condition or cash flows. The Company's industry is characterized by frequent claims and litigation, including claims regarding patent and other intellectual property rights, as well as for product liability. As a result, in the future, the Company may be involved in various legal proceedings from time to time.

6. Federal Grants and CFF Award

The Company was awarded the Federal Grant number 1U43CA165462-01A1, "Targeted nanoparticle gene therapy for lung cancer" on June 24, 2013 in the amount of $190,000 with a project period from July 1, 2013

through December 31, 2013. On March 27, 2013, the Company was issued an additional Federal Grant from the NIH, grant number 2R44HL112393-02, "Development of Inhaled Vancomycin for Treatment of MRSA Infections in CF" in the amount of $3,986,000 with a project period from March 1, 2013 through February 29, 2016. The Company has incurred expenses and recognized associated revenue of $54,000 and $548,000 related to the Federal Grants for the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, $0 and $961,000, respectively, was included in grants and award receivable, respectively, in the accompanying balance sheets. All amounts recognized as revenue under the Federal Grants through December 31, 2015 have been collected.

In September 2013, the Company received a $1.7 million CFF Award from the CFFT. The CFF Award includes disbursements to the Company based on the achievement of certain milestones. For the years ended December 31, 2015 and 2014, the Company recognized $0 and $1,000,000 in revenue related to the CFF award, respectively. As of December 31, 2015, all amounts recognized as revenue to date under the CFF Award have been collected. The Company is subject to certain royalty payments due to the CFFT under the CFF Award based on commercialization of the Company's product and either the achievement of certain sales volumes or a Change in Control Transaction, as defined below.

Commercial Approval Royalty

A royalty is payable to the CFFT equal to three (3) times the amount of the CFF Award upon approval of the Company's product for commercial use. The royalty is payable in equal installments of 33% due 60 days after first commercial sale; 33% due 90 days of the first anniversary of the first commercial sale; and 34% due within 90 days of 2nd anniversary of first commercial sale. This royalty will be reduced upon Change in Control Transaction payments as described below. As the Company's product has not yet been approved for commercial use, the Company has not recorded a liability for the commercial approval royalty.

Additional Royalties

In addition, if net sales exceed $50.0 million for any calendar year occurring during the first five years after the first commercial sale, the Company must remit payment to the CFFT equal to one (1) times the CFF Award. Furthermore, if net sales exceed $100.0 million for any calendar year occurring during the first five years after first commercial sale, the Company must remit an additional payment to the CFFT equal to one (1) times the CFF Award. Given the Company has not recognized any sales from the Company's product, the Company has not recorded a liability for any amounts due as additional royalties.

Change in Control Royalty

Upon a Change in Control Transaction, as defined below, occurring prior to the second anniversary date of the effective date of the CFF Award, September 30, 2015, the Company must remit a royalty payment to the CFFT equal to 5% of the proceeds from the Change in Control Transaction but not to exceed an amount equal to two times the CFF Award proceeds received. Upon a Change in Control Transaction occurring after the second anniversary date of the effective date of the CFF Award, the Company must remit a royalty payment to the CFFT equal to 5% of the proceeds from the Change in Control Transaction but not to exceed an amount equal to three times the CFF Award.

A Change in Control Transaction is defined as the consummation (single or series of transactions) constituting (i) merger, share exchange, or other reorganization; (ii) sale by one of more stockholders of a majority voting power in the Company; or (iii) sale of substantially all of the assets of the Company. The Company has determined that a change of control is not probable and as such, has not recorded a liability for the change in control royalty.

The CFF Award may not be assigned by any party (other than to an affiliate or to a successor to substantially all of such party's assets or business to which the CFF Award relates) without the consent of the other party.

If the Company initiates an “Interruption,” as defined under the CFF Award, for more than one year at any time before the first commercial sale of the product under the AeroVanc Program, the Company ceases to conduct, or has ceased to use commercially reasonable efforts to advance the research and development or commercialization of the AeroVanc Program, the Company shall transfer an exclusive, worldwide license to the CFFT of the Company’s research and development of the product under the AeroVanc Program limited to the right to manufacture, have manufactured, license, sell, use, support, offer to sell, any related invention from the Company’s AeroVanc Program.

7. Commitments and Contingencies

As of December 31, 2015, the Company leased its office facilities under a non-cancellable operating lease. The lease term was extended for a period of 48 months, commencing on December 1, 2015, and expiring on November 30, 2019. The Company recognizes rent expense on a straight-line basis over the operating lease term. The lease is cancellable three years after execution of the lease if the Company notifies the property owner of its intention to cancel the lease by the end of second year of the lease. The future minimum annual lease payments under the operating lease are as follows (in thousands):

Year ending December 31,	
2016	$110
2017	111
2018	113
2019	106
Total minimum lease payments	**$440**

As of December 31, 2015, the Company leases certain research and development equipment as part of a contract manufacturing arrangement. The leased equipment is accounted for as a capital lease, and the present value of the future minimum lease payments are recorded as a liability on the balance sheet as of December 31, 2015. The future minimum annual lease payments under the capital lease are as follows (in thousands):

Year ending December 31,	
2016	$ 312
2017	312
2018	312
2019	313
Total minimum lease payments	1,249
Less: imputed interest	(147)
Total capital lease obligation	**$1,102**

The Company is also subject to certain contingent royalty payments to the CFFT as described in Note 6.

8. Fair Value Measurements

The Company measures and reports certain financial instruments at fair value on a recurring basis. The Company evaluates its financial instruments subject to fair value measurements on a recurring basis to determine the appropriate level in which to classify them each reporting period. Both the warrant liability and the put option, described further in Note 4, were determined to be Level 3 instruments. The fair value of these instruments as of December 31, 2015 and 2014 was as follows (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2015:			
Put option	$ —	$ —	$ —
Warrant liability	$ —	$ —	$ 274
As of December 31, 2014:			
Put option	$ —	$ —	$ 2,564
Warrant liability	$ —	$ —	$ 153

The 2014 Notes and put option were converted into Series C Preferred Stock on December 3, 2015, as described in Note 4. The estimated fair value of the put option was determined using a multi-scenario probability weighted average method analysis in which the future probability of the equity financing event was weighted for its respective probability. The Company used the following assumptions to value the put option as of December 31, 2014 and just prior to the conversion on December 3, 2015:

Assumption	December 3, 2015 (Automatic Conversion)	December 31, 2014
Conversion discount	20%	20%
Discount rate	0.01%	0.08% - 0.13%
Probability of event	99%	95%

Changes in the unobservable inputs noted above would impact the fair value of the put option and have a corresponding impact on the Company's net loss. The probability of the automatic conversion feature was determined by management based on its consideration of the expected timeline for the next round of financing. Management determined there was a very low probability of the occurrence of the triggers for the other 2014 Note conversion scenarios described in Note 4. Increases (decreases) in discount rate would decrease (increase) the value of the put option, and an increase (decrease) in the probability of the equity financing event occurring would increase (decrease) the value of the put option.

The estimated fair value of the warrant liability was determined using a Noreen Wolfson option pricing model. The assumptions used in valuing these warrants are presented in the table below.

	December 31, 2015	2014
Expected term (years)	1.42	2.42
Expected dividend yield	— %	— %
Expected volatility	45.33%	51.35%
Risk-free interest rate	0.84%	0.85%

Changes in the unobservable inputs noted above would impact the fair value of the liabilities and have a corresponding impact on the Company's net loss. Increases (decreases) in the expected term and expected volatility would increase (decrease) net loss and the value of the warrant liability and an increase (decrease) in the risk-free interest rate would decrease (increase) net loss and the value of the warrant liability.

The Company did not transfer any assets measured at fair value on a recurring basis to or from Level 1 and Level 2 during the years ended December 31, 2015 and 2014. The following table sets forth a summary of the changes in the fair value of the Company's Level 3 financial instrument (in thousands):

	Warrant Liability	Put Option
Balance at December 31, 2013	**$ 153**	**$ —**
Put option at issuance of convertible promissory notes	—	2,562
Change in fair value	—	2
Balance at December 31, 2014	**153**	**2,564**
Change in fair value	121	144
Extinguishment of put option	—	(2,708)
Balance at December 31, 2015	**$ 274**	**$ —**

9. Redeemable Convertible Preferred Stock

The following table summarizes the Company's redeemable convertible preferred stock as of December 31, 2015 (in thousands, except share amounts).

Redeemable Convertible Preferred Stock	Par Value	Authorized Shares	Shares Issued and Outstanding	Carrying Value	Liquidation Value
Series A	$.001	1,799,906	1,799,906	$ 3,230	$ 3,254
Series B	$.001	6,000,000	5,675,387	$17,224	$ 17,762
Series C	$.001	5,000,000	4,038,790	$22,531	$ 21,246

On December 3, 2015, the Company issued 1,432,482 shares of Series C Preferred Stock for net proceeds of $7,404,000, as well as an additional 2,615,308 shares of Series C Preferred Stock with a fair value of $13,758,000 related to the conversion of the 2014 Notes under the Automatic Conversion feature (See Note 4). The Company also collected an additional $1,368,000 in cash prior to December 31, 2015 for subscriptions to the Series C Preferred Stock that were issued as part of the final closing in February 2016. Management concluded that it was appropriate to present the receipt of these proceeds in equity as the investors signed individual subscription agreements and all terms and conditions of the final closing were executed and approved by the shareholders before the balance sheet date. The shares of Series C Preferred Stock related to subscriptions that were issued as part of the final closing are not presented on the December 31, 2015 balance sheet or statement of changes in redeemable preferred stock and stockholders' deficit.

The following is a summary of the Company's Series A redeemable convertible preferred stock ("Series A Preferred Stock"), Series B Preferred Stock, and Series C Preferred Stock at December 31, 2015 and 2014 (the "Preferred Stock"):

Voting

The holders of the Preferred Stock are entitled to vote, together with the holders of common stock, on certain matters, exclusive of certain protective provisions under the Fourth Amended and Restated Certificate of Incorporation (the "Protective Provisions"), submitted to stockholders for a vote. Each preferred stockholder is entitled to the number of votes equal to the number of shares of common stock into which each preferred share is convertible at the time of such vote.

The holders of the Preferred Stock will vote, as a single class on an as converted to common stock basis, separately from the holders of common stock, on certain Protective Provisions, including but not limited to: enter into any liquidation event, merger, consolidation or form of reorganization; modify the rights and privileges of

the Preferred Stock so as to adversely affect the Preferred Stock; declare or pay any dividend; redeem, repurchase or otherwise acquire shares of common stock; amend the Certificate of Incorporation or By-Laws of the Company; increase the number of authorized shares of Preferred Stock or common stock; incur certain indebtedness; and revise the number of members of the of Board of Directors.

Dividends

The holders of Preferred Stock are entitled to receive dividends, when and if declared by the Board of Directors and out of funds legally available, at an annual rate of $0.14462 per share for the Series A Preferred Stock, $0.2504 per share for the Series B Preferred Stock, and $0.42084 per share for the Series C Preferred Stock. Dividends on the Preferred Stock are non-cumulative. As of December 31, 2015, no dividends had been declared or paid by the Company.

Liquidation

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the holders of the Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock shall receive $1.80783, $3.12959, $5.2605 (as adjusted), respectively, plus all declared but unpaid dividends, payable in preference and priority to any payments made to the holders of the common stock. Once paid, the remaining assets available will be distributed ratably between Preferred and common stockholders until the holders of the Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock receive an amount equal to two times their liquidation preference, then ratably among the common stockholders. As of December 31, 2015, the liquidation preference was $3,254,000, $17,762,000, $21,246,000 for the Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock, respectively.

Conversion

Each share of Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock is convertible at the option of the holders at any time after the date of issuance into a number of shares of common stock as determined by dividing $1.80783, $3.12959, and $5.2605, respectively, by the conversion price in effect at the time of conversion. The conversion price of the Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock is $1.80783 and $3.12959, and $5.2605, respectively, and is subject to adjustment, as defined. Conversion is automatic upon the earlier of 1) the Company's sale of common stock in a firm commitment underwritten public offering, or 2) the date specified by written consent or agreement of the holders of at least a majority of the outstanding shares of Preferred Stock.

Redemption

The Preferred Stock is redeemable at the written request from the holders of at least two-thirds of the then outstanding shares of Preferred Stock, at any time after the October 31, 2022, in three equal annual installments. The redemption price will be an amount per share equal to $1.80783, $3.12959, and $5.2605 for Series A Preferred Stock, Series B Preferred Stock, and Series C Preferred Stock, respectively, plus all declared and unpaid dividends thereon.

10. Common Stock

The Company is authorized to issue 20,000,000 shares of common stock with a par value of $0.001 per share. The following is a summary of the Company's common stock at December 31, 2015 and 2014.

	December 31,	
	2015	2014
Common stock authorized	20,000,000	15,490,000
Common stock outstanding	2,041,552	1,991,552

During the years ended December 31, 2015 and, 2014, the Company issued 50,000 and 165,776 shares of restricted common stock, respectively. See Note 11 for disclosures related to the valuation of the Company's common stock.

Liquidation Rights

In the event of any liquidation or dissolution of the Company, the holders of common stock are entitled to the remaining assets of the Company legally available for distribution after the payment of the full liquidation preference for all series of outstanding redeemable convertible preferred stock.

Dividend and Voting Rights

The holders of common stock are entitled to receive dividends if and when declared by the Company, but not until all dividends on redeemable convertible preferred stock have been either (i) paid or (ii) declared and the Company has set aside funds to pay those dividends declared. Holders of common stock have the right to one vote per share.

Common Stock Reserved for Issuance

The Company's shares of common stock reserved for issuance as of December 31, 2015 were as follows:

	2015
Series A Preferred Stock	1,799,906
Series B Preferred Stock	5,675,387
Series C Preferred Stock	4,038,790
Series B Warrants	289,966
Stock options outstanding	1,737,455
Total shares reserved	13,541,504

11. Stock-Based Compensation

The Company adopted the Savara Inc. Stock Option Plan (the "Plan"), pursuant to which the Company has reserved 3,111,632 shares for issuance to employees, directors, and consultants. The Plan includes 1) the option grant program providing for both incentive and non-qualified stock options, as defined by the Internal Revenue Code, and 2) the stock issuance program providing for the issuance of awards that are valued based upon common stock, including restricted stock, dividend equivalents, stock appreciation rights, phantom stock, and performance units. The Plan also allows eligible persons to purchase shares of common stock at an amount determined by the Plan Administrator. Upon a participant's termination, the Company retains the right to repurchase unvested shares issued in conjunction with the stock issuance program at the fair market value per share as of the date of termination.

To date the Company has issued incentive and non-qualified options and restricted stock to employees and non-employees under the Plan. The terms of the stock options, including the exercise price per share and vesting provisions, are determined by the Board of Directors. Stock options are granted at exercise prices not less than the estimated fair market value of the Company's common stock at the date of grant based upon numerous objective and subjective factors including: third-party valuations, preferred stock transactions with third parties, current operating and financial performance, management estimates and future expectations. Stock option grants typically vest quarterly over three to four years and expire ten years from the grant date, and restricted stock grants vest on a quarterly basis over four years and expire ten years from the grant date. Inception to date, the Company has issued 992,563 shares of restricted stock.

Stock-based compensation expense is included in the following line items in the accompanying statements of operations and comprehensive loss for the years ended December 31 (in thousands):

	2015	2014
Research and development	$ 69	$ 42
Selling, general and administrative	84	99
Total stock-based compensation	**$153**	**$141**

Stock Options

The Company values stock options using the Black-Scholes option-pricing model, which requires the input of subjective assumptions, including the risk-free interest rate, expected life, expected stock price volatility and dividend yield. The risk-free interest rate assumption is based upon observed interest rates for constant maturity U.S. Treasury securities consistent with the expected term of the Company's employee stock options. The expected life represents the period of time the stock options are expected to be outstanding and is based on the simplified method. The Company uses the simplified method due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected life of the stock options. Expected volatility is based on historical volatilities for publicly traded stock of comparable companies over the estimated expected life of the stock options. The Company assumes no dividend yield because dividends are not expected to be paid in the near future, which is consistent with the Company's history of not paying dividends.

The following table summarizes the assumptions used for estimating the fair value of stock options granted to employees for the years ended December 31:

	2015	2014
Risk-free interest rate	1.83% - 1.91%	1.70% - 1.91%
Expected term (years)	5.96 - 6.08	5.81 - 6.06
Expected volatility	45% - 50%	78% - 81%
Dividend yield	— %	— %

The following table summarizes the assumptions used for estimating the fair value of stock options granted to non-employees for the year ended December 31:

	2015	2014
Risk-free interest rate	1.90% - 2.27%	2.14% - 2.26%
Expected term (years)	9.57 - 9.76	9.57 - 9.76
Expected volatility	50%	77%
Dividend yield	— %	— %

The following table summarizes the stock option activity for employees and non-employees for the year ended December 31, 2015:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding balance at December 31, 2014	**1,082,455**	**$ 0.40**	**8.21**	**$ —**
Granted	840,000	0.85		
Exercised	—	—		
Cancelled	(80,000)	0.55		
Outstanding balance at December 31, 2015	**1,842,455**	**$ 0.60**	**8.45**	**$ —**
Exercisable at December 31, 2015	622,206	$ 0.36	**6.54**	$304,973
Vested and expected to vest at December 31, 2015	**1,842,455**	**$ 0.60**	**8.45**	**$465,873**

The following table provides a summary of options issued to employees and non-employees that are outstanding and vested as of December 31, 2015:

Exercise Prices	Number Outstanding	Weighted-Average Life (in Years)	Number Exercisable	Weighted-Average Life (in Years)
$0.11	47,230	3.07	47,230	3.07
$0.18	12	3.94	12	3.94
$0.30	86,437	5.07	86,437	5.07
$0.32	60,000	5.94	60,000	5.94
$0.38	523,276	7.51	321,194	7.10
$0.48	285,500	8.16	107,333	7.90
$0.85	840,000	9.96	—	—
	1,842,455	**8.45**	**622,206**	**6.54**

The weighted average grant date fair values for the Company's stock options granted during the years ended December 31, 2015 and 2014 were $0.85 per share and $0.27 per share, respectively. The total compensation cost related to non-vested stock options not yet recognized as of December 31, 2015 was $394,000, which will be recognized over a weighted average period of approximately 8.45 years. No stock options were exercised during the years ended December 31, 2015 and 2014.

In December 2014, the Company modified the exercise price of 357,500 stock options granted from $0.62 to $0.38. The Company recognized additional compensation expense of $9,000 in December 2014 as a result of the modification.

During the year ended December 31, 2015, the Company granted options to purchase a total of 40,000 shares of common stock to non-employees under the Plan.

The Company recorded stock-based compensation expense for options issued to non-employees of $4,000 and $10,000 for the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015, 10,666 non-employee options were vested and outstanding.

Restricted Stock

The Company values stock-based compensation related to grants of its restricted stock based on the fair value of the Company's common stock as of the grant date and recognizes the expense over the requisite service period,

usually four years, adjusted for estimated forfeitures. To determine the value of its common stock, the Company utilized the Option Pricing Method. The valuation methodology includes estimates and assumptions that require the Company's judgment. Inputs used to determine the estimated fair value of the Company's common stock include the equity value of the Company, expected timing to a liquidity event of 2.0-2.5 years, a risk-free interest rate of 0.58%-0.59% and the expected volatility of 45%-66%. Generally, increases or decreases in these unobservable inputs would result in a directionally similar impact to the fair value measurement of the Company's common stock. During the year ended December 31, 2015, the Company issued 50,000 shares of restricted stock with a weighted average grant date fair value of $0.47 per share to employees for compensation. The Company recorded stock-based compensation expense related to the restricted stock of $60,000 and $57,000 for the years ended December 31, 2015 and 2014, respectively.

The following table summarizes the restricted share activity for the years ended December 31, 2015 and 2014:

	Restricted Shares	Weighted-Average Grant Date Fair Value
Nonvested at December 31, 2013	**398,063**	**$ 0.41**
Granted	165,776	0.38
Vested	(112,711)	0.42
Nonvested at December 31, 2014	**451,128**	**0.41**
Granted	50,000	0.47
Vested	(192,572)	0.41
Nonvested at December 31, 2015	**308,556**	**$ 0.44**

The total fair value of restricted stock that vested during the year ended December 31, 2015 was $60,000. The total compensation cost related to non-vested restricted stock not yet recognized as of December 31, 2015 was $112,000, which will be recognized over a weighted average period of approximately 2.52 years.

12. Income Taxes

The Company recorded no federal provision for income taxes for the years ended December 31, 2015 and 2014 due to reported net losses in each year. The Company recorded no state provision for income taxes for the years ended December 31, 2015 and 2014, due to revenues below the minimum tax threshold.

A reconciliation of the expected income tax benefit (expense) computed using the federal statutory income tax rate to the Company's effective income tax rate is as follows for the years ended December 31, 2015 and 2014 (in thousands):

	2015	2014
Income tax benefit computed at federal statutory tax rate	$(3,059)	$(2,136)
Change in Valuation Allowance	3,488	3,421
Orphan Drug & Research Credits generated, net of related expense disallowance	(1,309)	(1,508)
State Research Credits generated, net of federal benefit	(175)	(95)
Interest on Convertible Debt	867	284
Other Permanent Differences	188	34
Total	**$ —**	**$ —**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company has established a valuation allowance due to uncertainties regarding the realization of deferred tax assets based upon the Company's lack of earnings history. During the years ended December 31, 2015 and December 31, 2014, the

valuation allowance increased by $3.5 million and $3.4 million, respectively. Significant components of the Company's deferred tax assets and liabilities are as follows (in thousands):

	December 31, 2015	December 31, 2014
Deferred Tax Liabilities:		
Stock-based Compensation	$ 27	$ 56
Total Deferred Tax Liabilities	27	56
Deferred Tax Assets:		
Net Operating Loss Carryforwards	5,672	4,364
Depreciation and Amortization	6	13
Credit Carryforwards	5,190	3,127
Charitable Contributions	81	81
Accrued Liabilities	—	—
Total Deferred Tax Assets	10,949	7,585
Subtotal	10,922	7,529
Valuation Allowance	(10,922)	(7,529)
Net Deferred Taxes	$ —	$ —

As of December 31, 2015 and 2014, the Company had net operating loss ("NOL") carryforwards for federal income tax purposes of approximately $16.7 million and $12.8 million, respectively. The Company also had available research and orphan drug tax credit carryforwards for federal income tax purposes of approximately $5.0 million and $3.0 million, respectively. If not utilized, these carryforwards expire at various dates beginning in 2028. As of December 31, 2015 and 2014, the Company had state research and development tax credit carryforwards of approximately $0.3 million and $0.1 million, respectively, which will expire in 2034 if not utilized.

Utilization of the NOL and tax credit carryforwards may be subject to a substantial annual limitation due to ownership change limitations that have occurred previously or that could occur in the future, as provided by Section 382 of the Internal Revenue Code of 1986 ("Section 382"), as well as similar state provisions. Ownership changes may limit the amount of NOL carryforwards and tax credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Section 382, results from transactions that increase the ownership of 5% shareholders in the stock of a corporation by more than 50 percentage points in the aggregate over a three-year period. The Company has not performed a study to determine whether any ownership change has occurred since the Company's formation through December 31, 2015. However, the Company believes that it has experienced at least one ownership change in the past and that it may experience additional ownership changes as a result of subsequent shifts in its stock ownership. Should there be an ownership change that has occurred or will occur, the Company's ability to utilize existing carryforwards could be substantially restricted and may result in the expiration of such carryforwards prior to utilization.

The Company applies the accounting guidance in ASC 740 related to accounting for uncertainty in income taxes. The Company's reserves related to taxes are based on a determination of whether, and how much of, a tax benefit taken by the Company in its tax filings or positions is more likely than not to be realized following resolution of any potential contingencies present related to the tax benefit. As of December 31, 2015 and 2014, the Company had no unrecognized tax benefits. During the years ended December 31, 2015 and 2014, the Company had no interest and penalties related to income taxes.

The Company files income tax returns in the U.S. federal and Texas jurisdictions. As of December 31, 2015, the statute of limitations for assessment by the Internal Revenue Service ("IRS") is open for the 2012 and subsequent tax years, although carryforward attributes that were generated for tax years prior to then may still be adjusted

upon examination by the IRS if they either have been, or will be, used in a future period. The 2011 and subsequent tax years remain open and subject to examination by the State of Texas. There are currently no federal or state income tax audits in progress.

13. Net Loss per Share

Basic net loss per share is computed by dividing the net loss by the weighted-average number of common shares outstanding. Diluted net loss per share is computed similarly to basic net loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted net loss per share is the same as basic net loss per common share, since the effects of potentially dilutive securities are antidilutive.

As of December 31, 2015 and 2014, potentially dilutive securities include:

	December 31, 2015	December 31, 2014
Awards under equity incentive plan	1,842,455	1,082,455
Unvested restricted shares	308,556	417,079
Series A Convertible Redeemable Preferred Stock	1,799,906	1,799,906
Series B Convertible Redeemable Preferred Stock	5,675,387	5,675,387
Series C Convertible Redeemable Preferred Stock	4,038,790	—
2014 Series C Convertible Promissory Note	—	2,473,123
2016 Series C Convertible Promissory Note	—	—
Warrants to purchase Series B Convertible Redeemable Preferred Stock	289,966	289,966
Warrants to purchase Series C Convertible Redeemable Preferred Stock	—	—
Total	**13,955,060**	**11,737,916**

The following table reconciles basic earnings per share of common stock to diluted earnings per share of common stock for the years ended December 31, 2015 and 2014.

	December 31, 2015	December 31, 2014
Net loss	$ (8,999)	$ (6,282)
Accretion of redeemable convertible preferred stock	(183)	(121)
Net loss attributable to common stockholders	(9,182)	(6,403)
Undistributed earnings and loss available to common stockholders	(9,182)	(6,403)
Weighted average common shares outstanding, basic and diluted	1,653,259	1,503,058
Basic and diluted EPS	**$ (5.55)**	**$ (4.26)**

14. Subsequent Events

Final Series C Preferred Stock Closing

On February 16, 2016, the Company issued 413,792 shares of Series C Preferred Stock for net proceeds of $2,176,772, which included $1,368,000 in subscriptions to the Series C Preferred Stock collected during the year ending December 31, 2015.

2016 Convertible Promissory Notes

The Company has authorized and is pursing the subscription of up to $5 million, subject to an increase by an additional $10 million at the discretion of the Board, in a 2016 Convertible Promissory Note (the “2016 Note”)

financing. The 2016 Note carries an annual simple interest rate of 8.0% and is convertible into certain shares of the Company's equity dependent upon the earlier of the maturity date of June 30, 2018, a subsequent qualified financing, change of control event, Regulation A offering, an Initial Public Offering ("IPO"), or at the consent of a majority of the noteholders. In consideration for the purchase of the 2016 Notes on or prior to July 31, 2016, the Company will issue to each investor who purchases a 2016 Note, a warrant to purchase the Company's Series C Preferred Stock. Each warrant will be exercisable for that number of whole shares equal to the quotient obtained by dividing (a) by (b), where (a) is an amount equal to 15% of the principal amount of 2016 Note issued to the investor and (b) is the Series C Preferred Stock price. The exercise price per share shall be the Series C Preferred Stock price. The Warrants will expire five (5) years from the date of issuance, or earlier upon an Acquisition or IPO. The Warrants will be exercisable upon the earlier to occur of an Acquisition or an IPO.

Acquisition of Serendex Pharmaceuticals

On July 15, 2016, the Company closed on a Business Transaction Agreement ("BTA") under which the Company acquired certain assets, liabilities, employees, and subsidiaries of Serendex Pharmaceuticals A/S ("Seller"), a limited liability company incorporated under the laws of Denmark which delisted from the Oslo Axxes ("Oslo Stock Exchange") on or about May 4, 2016. The Seller's wholly owned subsidiaries include Pharmaorigin ApS and Drugrecure ApS (the "Subsidiaries") which are limited liability companies incorporated under the laws of Denmark. The Seller is a biopharmaceutical development company which, directly and through its Subsidiaries, advances a pipeline and portfolio of novel inhalation therapies and related technologies for the treatment of severe pulmonary conditions and which is focusing on inhaled formulations of two biologic compounds related to various orphan indications, and the medicinal product Molgradex® (an inhalation formulation of recombinant human GM-CSF for the treatment of pulmonary alveolar proteinosis).

The purchase price consists of 3,353,925 shares of the Company's common stock, subject to a hold back of 670,785 shares of common stock held by the Company in the name of the Seller as security for the Seller's obligations under the BTA until the lapse of the deadline for submission of claims, and $21.5 million of contingent cash consideration based upon the achievement of certain milestones. At the time the financial statements were available to be issued, the valuation of the Company's common stock and contingent cash consideration as well as the initial accounting for the business combination was incomplete. As a result, additional disclosures related to the acquisition of Serendex Pharmaceuticals A/S are unavailable.

Savara Inc. and Subsidiary
Condensed Consolidated Balance Sheets
(In thousands, except share amounts)

	September 30, 2016 (Unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 15,512	$ 16,683
Tax refund receivable	892	—
Prepaid expenses and other current assets	527	67
Inventory	18	—
Total current assets	16,949	16,750
Property and equipment, net	884	1,104
In-process R&D	11,172	—
Goodwill	3,253	—
Total assets	$ 32,258	$ 17,854
Liabilities, redeemable convertible preferred stock and stockholders' deficit		
Current liabilities:		
Accounts payable	$ 459	$ 385
Accrued expenses	1,461	430
Current portion of capital lease obligation	442	255
Total current liabilities	2,362	1,070
Long-term liabilities:		
Accrued interest on convertible promissory notes	62	—
Convertible promissory notes	3,200	—
Put option derivative liability	977	—
Contingent consideration	9,678	—
Deferred tax liability	2,458	—
Capital lease obligation, net of current portion	579	847
Warrant liability	396	274
Other long-term liabilities	21	6
Total liabilities	19,733	2,197
Redeemable convertible preferred stock:		
Series A redeemable convertible preferred stock, $0.001 par value, 1,799,906 shares authorized, issued, and outstanding as of December 31, 2015 and September 30, 2016; $3,254 liquidation value as of September 30, 2016	3,232	3,230
Series B redeemable convertible preferred stock, $0.001 par value, 6,000,000 shares authorized as of December 31, 2015 and September 30, 2016; 5,675,387 shares issued and outstanding as of December 31, 2015 and September 30, 2016; $17,762 liquidation value as of September 30, 2016	17,281	17,224
Series C redeemable convertible preferred stock, $0.001 par value; 5,000,000 and 8,000,000 shares authorized as of December 31, 2015 and September 30, 2016, respectively; 4,038,790 and 4,452,582 shares issued and outstanding as of December 31, 2015 and September 30, 2016, respectively; $23,423 liquidation value as of September 30, 2016	23,323	22,531
Total redeemable convertible preferred stock	43,836	42,985
Stockholders' deficit:		
Common stock, $0.001 par value, 20,000,000 and 27,000,000 shares authorized as of December 31, 2015 and September 30, 2016, respectively; 2,041,552 and 5,396,883 shares issued and outstanding as December 31, 2015 and September 30, 2016, respectively	5	2
Additional paid-in capital	3,084	153
Accumulated other comprehensive income (loss)	39	—
Accumulated deficit	(34,439)	(27,483)
Total stockholders' deficit	(31,311)	(27,328)
Total liabilities, redeemable convertible preferred stock, and stockholder's deficit	$ 32,258	$ 17,854

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

Savara Inc. and Subsidiary
Condensed Consolidated Statements of Operations and Comprehensive Loss
(In thousands, except share and per share amounts)
(Unaudited)

	Nine Months Ended September 30,	
	2016	2015
Grant and award revenue	$ —	$ 54
Operating expenses:		
Research and development	4,694	2,818
General and administrative	1,955	1,169
Depreciation	256	4
Total operating expenses	6,905	3,991
Loss from operations	(6,905)	(3,937)
Other income (expense):		
Investment income	13	4
Interest expense	(220)	(2,173)
Foreign currency exchange gain/(loss)	20	—
Change in fair value of financial instruments	137	(143)
Total other expense	(50)	(2,312)
Loss before income taxes	(6,955)	(6,249)
Income tax expense	—	—
Net loss	$ (6,955)	$ (6,249)
Accretion of redeemable convertible preferred stock	(70)	(157)
Net loss attributable to common stockholders	(7,025)	(6,406)
Other comprehensive income:		
Gain (loss) on foreign currency translation	39	—
Total Comprehensive Loss	$ (6,916)	$ (6,249)
Net loss per share:		
Basic and diluted	$ (2.58)	$ (3.92)
Weighted average common shares outstanding		
Basic and diluted	2,723,760	1,633,104

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

Savara Inc. and Subsidiary
Consolidated Statements of Changes in Preferred Stock and Stockholders' Deficit
As of September 30, 2016
(In thousands, except share amounts)
(Unaudited)

	Redeemable Convertible Preferred Stock							Stockholders' Deficit					
	Redeemable Convertible Series A Preferred Stock		Redeemable Convertible Series B Preferred Stock		Redeemable Convertible Series C Preferred Stock			Common Stock					
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Total	Number of Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Other Comprehensive Income	Total
Balance on December 31, 2015	**1,799,906**	**$ 3,230**	**5,675,387**	**$17,224**	**4,038,790**	**$22,531**	**$42,985**	**2,041,552**	**$ 2**	**$ 153**	**$ (27,483)**	**$ —**	**$(27,328)**
Redeemable convertible preferred stock	—	3		57		10	70	—	—	(70)	—	—	(70)
Exercise of options to acquire common stock	—	—	—	—	—	—	—	1,406	—	1	—	—	1
Common stock issued for acquisition of Serendex assets and subsidiaries	—	—	—	—	—	—	—	3,353,925	3	2,848	—	—	2,851
Issuance of Series C convertible preferred stock, net	—	—	—	—	413,792	782	782	—	—	—	—	—	—
Stock based compensation	—	—	—	—	—	—	—	—	—	154	—	—	154
Gain (loss) on foreign currency translation	—	—	—	—	—	—	—	—	—	—	—	39	39
Net loss incurred	—	—	—	—	—	—	—	—	—	—	(6,955)	—	(6,955)
Balance on September 30, 2016	**1,799,906**	**$ 3,232**	**5,675,387**	**$17,281**	**4,452,582**	**$23,323**	**$43,836**	**5,396,883**	**$ 5**	**$ 3,084**	**$ (34,439)**	**$ 39**	**$(31,311)**
		(a)					**(a)**			**(a)**	**(a)**		**(a)**

(a) Immaterial rounding difference due to financial statements being presented in thousands.

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

Savara Inc. and Subsidiary
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net loss	$ (6,955)	$ (6,249)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	256	4
Changes in fair value of financial instruments	(137)	143
Noncash interest	99	629
Foreign currency gain/(loss)	20	—
Accretion on discount to convertible promissory notes	121	1,544
Stock-based compensation	154	117
Changes in operating assets and liabilities:		
Grant and award receivable	—	961
Prepaid expenses and other current assets	(479)	158
Deferred rent	15	1
Accounts payable and accrued expenses	726	(557)
Net cash used in operating activities	(6,180)	(3,249)
Cash flows from investing activities:		
Purchase of property and equipment	(8)	—
Net cash used in investing activities	(8)	—
Cash flows from financing activity:		
Proceeds from issuance of convertible promissory notes	4,315	—
Proceeds from issuance of Series C redeemable convertible preferred stock, net	782	—
Net proceeds from the exercise of options to purchase common stock	1	—
Capital lease obligation principle payments	(81)	—
Net cash provided by financing activities	5,017	—
Decrease in cash and cash equivalents	(1,171)	(3,249)
Cash and cash equivalents beginning of period	16,683	12,688
Cash and cash equivalents end of period	$ 15,512	$ 9,439
Non-cash financing and investing activities:		
Issuance of common stock for Serendex	$ 2,851	$ —
Net assets acquired in business combination of Serendex	(12,375)	—
Contingent liability related to purchase of Serendex	9,524	—
Accretion of Series A redeemable convertible preferred stock	3	23
Accretion of Series B redeemable convertible preferred stock	57	135
Accretion of Series C redeemable convertible preferred stock	10	—
Equipment under capital lease	—	1,102

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

Savara Inc. and Subsidiary
Notes to Condensed Consolidated Financial Statements

1. Description of Business and Basis of Presentation

Description of Business

Savara Inc. ("Savara," the "Company," or as used in the context of "we" or "us") is a clinical stage specialty pharmaceutical company focusing on the development and commercialization of product candidates for patients with rare respiratory diseases, including cystic fibrosis (CF), and pulmonary alveolar proteinosis (PAP). Our lead clinical stage product candidate, AeroVanc, is an inhaled formulation of vancomycin, intended for the treatment of persistent methicillin-resistant Staphylococcus aureus (MRSA) lung infection in CF patients. Our second clinical stage product candidate, Molgradex, is an inhaled formulation of recombinant human granulocyte-macrophage colony-stimulating factor (GM-CSF), intended for the treatment of PAP. Savara was formed as a corporation in Delaware in 2007. The Company operates in one segment and has its principal offices in Austin, Texas.

On July 15, 2016, the Company completed the acquisition of certain assets, liabilities, and subsidiaries of Serendex A/S ("Serendex"), through its wholly-owned subsidiary, Savara ApS, a limited liability company established under the laws in Denmark (see note 7). Serendex was a biopharmaceutical development company that advances a pipeline and portfolio of novel inhalation therapies and related technologies for the treatment of severe pulmonary conditions. With this acquisition, Savara strengthened its pipeline of rare respiratory disease products.

Since inception, Savara has devoted substantially all of its efforts and resources to identifying and developing its product candidates, recruiting personnel, and raising capital. Savara has incurred operating losses and negative cash flow from operations and has no product revenue from inception to date. The Company has not yet commenced commercial operations.

Basis of Presentation

The condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") as defined by the Financial Accounting Standards Board ("FASB"). These condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2015. The results of operations for the nine months ended September 30, 2016 are not necessarily indicative of the results to be expected for the entire fiscal year or any future period.

Unaudited Interim Financial Information

The interim condensed consolidated financial statements included in this document are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and reflect, in the opinion of management, all adjustments of a normal and recurring nature that are necessary for a fair statement of the Company's financial position as of September 30, 2016, and its results of operations for the nine months ended September 30, 2016 and 2015, and cash flows for the nine months ended September 30, 2016 and 2015. The results of operations for the nine months ended September 30, 2016 are not necessarily indicative of the results to be expected for the year ending December 31, 2016 or for any other future annual or interim period. The December 31, 2015 balance sheet was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. These condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2015.

2. Summary of Significant Accounting Policies

Liquidity

As of September 30, 2016, the Company had an accumulated deficit of approximately $34.4 million. The Company also had negative cash flow from operations of approximately $6.2 million during the nine months ended September 30, 2016. The cost to further develop and obtain regulatory approval for any drug is substantial and, as noted below, the Company may have to take certain steps to maintain a positive cash position. Accordingly, the Company will need additional capital to further fund the development of, and seek regulatory approvals for, its product candidates and begin to commercialize any approved products.

The Company is currently focused primarily on the development of pulmonary drugs and believes such activities will result in the Company's continued incurrence of significant research and development and other expenses related to those programs. If the clinical trials for any of the Company's product candidates fail or produce unsuccessful results and those product candidates do not gain regulatory approval, or if any of the Company's product candidates, if approved, fails to achieve market acceptance, the Company may never become profitable. Even if the Company achieves profitability in the future, it may not be able to sustain profitability in subsequent periods. The Company intends to cover its future operating expenses through cash and cash equivalents on hand and through a combination of equity offerings, debt financings, government or other third-party funding, and other collaborations and strategic alliances. The Company cannot be sure that additional financing will be available when needed or that, if available, financing will be obtained on terms favorable to the Company or its stockholders.

While the Company expects its existing cash and cash equivalents of $15.5 million as of September 30, 2016 will enable it to fund operations and capital expenditure requirements into 2018, the Company may have to delay, reduce, limit or terminate some or all of its development programs or future commercialization efforts or grant rights to develop and market product candidates that the Company might otherwise prefer to develop and market itself in order to maintain a positive cash position. Failure to obtain adequate financing could adversely affect the Company's ability to operate as a going concern. If the Company raises additional funds from the issuance of equity securities, substantial dilution to existing stockholders may result. If the Company raises additional funds by incurring debt financing, the terms of the debt may involve significant cash payment obligations as well as covenants and specific financial ratios that may restrict the Company's ability to operate its business.

The Company intends to raise additional capital through the issuance of additional equity, including in connection with the reverse merger discussed in the Note 12, and potentially through borrowings, and strategic alliances with partner companies. However, if such financings are not available timely and at adequate levels, the Company will need to reevaluate its operating plans. Management is currently pursuing financing alternatives. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Principles of Consolidation

The condensed consolidated financial statements of the Company are stated in U.S. dollars and are prepared using U.S. GAAP. These financial statements include the accounts of the Company and its wholly owned subsidiary. The financial statements of the Company's wholly owned subsidiary are recorded in its functional currency and translated into the reporting currency. The cumulative effect of changes in exchange rates between the foreign entity's functional currency and the reporting currency is reported in Accumulated Other Comprehensive Income. All significant intercompany transactions and accounts have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires the Company to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Management's estimates include those related to the accrual of research and development costs, the valuation of preferred and common shares, certain financial instruments recorded at fair value, stock-based compensation, and the valuation allowance for deferred tax assets. The Company bases its estimates on historical experience and on various other market-specific and relevant assumptions that it believes to be reasonable under the circumstances. Accordingly, actual results could be materially different from those estimates.

Risks and Uncertainties

The product candidates being developed by the Company require approvals from the U.S. Food and Drug Administration (FDA) or foreign regulatory agencies prior to commercial sales. There can be no assurance that the Company's product candidates will receive the necessary approvals. If the Company is denied regulatory approval of its product candidates, or if approval is delayed, it may have a material adverse impact on the Company's business, results of operations and its financial position.

The Company is subject to a number of risks similar to other life science companies, including, but not limited to, risks related to the successful discovery and development of drug candidates, raising additional capital, development of competing drugs and therapies, protection of proprietary technology and market acceptance of the Company's products. As a result of these and other factors and the related uncertainties, there can be no assurance of the Company's future success.

Cash and Restricted Cash

Cash and cash equivalents consist of cash and institutional bank money market accounts with original maturities of three months or less when acquired and are stated at cost, which approximates fair value.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents. The Company places its cash and cash equivalents with a limited number of high quality financial institutions and at times may exceed the amount of insurance provided on such deposits.

Accrued Research and Development Costs

The Company records the costs associated with research nonclinical studies, clinical trials, and manufacturing development as incurred. These costs are a significant component of the Company's research and development expenses, with a substantial portion of the Company's on-going research and development activities conducted by third-party service providers, including contract research and manufacturing organizations.

The Company accrues for expenses resulting from obligations under agreements with contract research organizations ("CROs"), contract manufacturing organizations ("CMOs"), and other outside service providers for which payment flows do not match the periods over which materials or services are provided to the Company. Accruals are recorded based on estimates of services received and efforts expended pursuant to agreements established with CROs, CMOs, and other outside service providers. These estimates are typically based on contracted amounts applied to the proportion of work performed and determined through analysis with internal personnel and external service providers as to the progress or stage of completion of the services. The Company makes significant judgments and estimates in determining the accrual balance in each reporting period. In the event advance payments are made to a CRO, CMO, or outside service provider, the payments will be recorded as a prepaid asset which will be amortized as the contracted services are performed. As actual costs become known, the Company adjusts its prepaids and accruals. Inputs, such as the services performed, the number of patients enrolled, or the study duration, may vary from the Company's estimates resulting in adjustments to research and

development expense in future periods. Changes in these estimates that result in material changes to the Company's accruals could materially affect the Company's results of operations. The Company has not experienced any material deviations between accrued and actual research and development expenses.

Goodwill and Acquired In-Process Research and Development (IPR&D)

Goodwill and acquired IPR&D are not amortized but they are tested annually for impairment or more frequently if impairment indicators exist. The Company adopted accounting guidance related to annual and interim goodwill and acquired IPR&D impairment tests which allows the Company to first assess qualitative factors before performing a quantitative assessment of the fair value of a reporting unit. If it is determined on the basis of qualitative factors that the fair value of the reporting unit is more likely than not less than the carrying amount, a quantitative impairment test is required.

Tax Refund Receivable

The Company, through its acquisition of Serendex on July 15, 2016 (see note 7), acquired a receivable for a Danish tax credit earned by a subsidiary of Serendex in 2015. Under Danish Tax Law, Denmark remits a research and development tax credit equal to 22% of qualified research and development expenditures, not to exceed established thresholds. As part of the purchase price accounting, this receivable was transferred to Savara. As of September 30, 2016, the payment had not yet been received and a receivable of $892,000 was recorded on the balance sheet. The amount was subsequently received in December 2016.

Segment Reporting

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision making group, in making decisions on how to allocate resources and assess performance. Our chief operating decision maker is the chief executive officer. We have one operating segment, specialty pharmaceuticals within the respiratory system.

Fair Value of Financial Instruments

The accounting standard for fair value measurements provides a framework for measuring fair value and requires disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on the Company's principal or, in absence of a principal, most advantageous market for the specific asset or liability.

The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. The hierarchy requires the Company to use observable inputs when available, and to minimize the use of unobservable inputs, when determining fair value.

The three tiers are defined as follows:

- Level 1 — Observable inputs that reflect quoted market prices (unadjusted) for identical assets or liabilities in active markets;
- Level 2 — Observable inputs other than quoted prices in active markets that are observable either directly or indirectly in the marketplace for identical or similar assets and liabilities; and
- Level 3 — Unobservable inputs that are supported by little or no market data, which require the Company to develop its own assumptions.

Financial instruments carried at fair value include cash and cash equivalents, certain warrants classified as liabilities, an embedded put option separated from the convertible promissory notes, and contingent consideration related to the acquisition of Serendex. These financial instruments are carried at fair value on a recurring basis.

Financial instruments not carried at fair value include accounts payable, accrued liabilities, and the convertible promissory notes host contract. The carrying amounts of these financial instruments approximate fair value due to the highly liquid nature of these short-term instruments.

Net Loss per Share

Basic net loss per share is calculated by dividing the net loss by the weighted average number of shares of common stock outstanding during the period without consideration of common stock equivalents. Since the Company was in a loss position for all periods presented, diluted net loss per share is the same as basic net loss per share for all periods as the inclusion of all potential common shares outstanding would have been anti-dilutive.

Redeemable Convertible Preferred Stock and Series B and C Warrants

The Series A, Series B, and Series C redeemable convertible preferred stock is classified in temporary equity as it is redeemable at the written request from the holders of at least two-thirds of the then outstanding shares of preferred stock, at any time after October 31, 2022. Additionally, certain outstanding warrants to purchase the Series B and Series C redeemable convertible preferred stock (“Series B Warrants” and the “Series C Warrants”) are classified as liabilities because the Series B and Series C redeemable convertible preferred stock are contingently redeemable.

Stock-Based Compensation

The Company recognizes the cost of stock-based awards granted to employees based on the estimated grant-date fair value of the awards. The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service period. The Company recognizes the compensation costs for awards that vest over several years on a straight-line basis over the vesting period (see Note 10). The Company recognizes the cost of stock-based awards granted to nonemployees at their then-current fair values as services are performed, and such awards are remeasured through the counterparty performance date.

Manufacturing Contingencies

The Company is subject to various manufacturing royalties and payments related to Molgradex. Upon the successful development, registration and attainment of approval by the proper health authorities, such as the FDA, in any territory except Latin America, Central America and Mexico, the Company must pay a royalty of three percent (3%) on annual net sales to the manufacturer of its Active Pharmaceutical Ingredients (“API”). Under this agreement with the API manufacturer, no signing fee or milestones are included in the royalty payments, and there is no minimum royalty. Additionally, Savara has a commitment to acquire a working cell bank and a master cell bank for $1,950,000 from this API manufacturer in the third quarter of 2017.

The Company is also subject to certain contingent milestone payments up to approximately $7 million euros based upon various development activities and regulatory approvals payable to the Company’s manufacturer of its nebulizer used to administer Molgradex. In addition to these milestones, the Company will owe a royalty to the manufacturer of its nebulizer based on net sales. The royalty rate ranges from three and a half percent (3.5%) to five percent (5%) depending on the device technology used by the Company to administer to product.

Additionally, should the Company choose to sublicense AeroVanc or Molgradex, it may be required to make milestone payments and remit royalties and other amounts to third parties.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities will be recognized in the period that includes the enactment date. A valuation allowance is established against the deferred tax assets to reduce their carrying value to an amount that is more likely than not to be realized.

Recent Accounting Pronouncements

In August 2014, the FASB issued Accounting Standards Update 2014-15, “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern” (“ASU 2014-15”), which provides guidance on the presentation of management’s plans, when conditions or events 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. ASU 2014-15 is effective for fiscal years ending after December 15, 2016, and for annual periods and interim periods thereafter. The adoption of this standard is not expected to have a material impact on the Company’s financial statements.

In November 2015, the FASB issued Accounting Standards Update 2015-17, “Income Taxes, Balance Sheet Classification of Deferred Taxes” (“ASU 2015-17”), which eliminates the current requirement for reporting entities to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, reporting entities will be required to classify all deferred tax assets and liabilities as noncurrent. This guidance is effective for fiscal years beginning after December 15, 2016. The adoption of this standard is not expected to have a material impact on the Company’s financial statements.

In February 2016, the FASB issued Accounting Standards Update 2016-02, “Leases” (“ASU 2016-02”). The update aims at making leasing activities more transparent and comparable, and requires substantially all leases to be recognized by lessees on their balance sheet as a right-of-use asset and a corresponding lease liability, including leases currently accounted for as operating leases. The update also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 with early adoption permitted. The Company is currently evaluating the impact of the adoption of ASU 2016-02 on its financial statements.

In March 2016, the FASB issued Accounting Standards Update 2016-09, “Compensation — Stock Compensation: Improvements to Employee Share-Based Payment Accounting” (“ASU 2016-09”). ASU 2016-09 changes certain aspects of the accounting for share-based payment awards, including accounting and cash flow classification for excess tax benefits and deficiencies; income tax withholding obligations; forfeitures; and cash flow classification. ASU 2016-09 is effective for the Company for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018 with early adoption permitted. The Company is currently evaluating the effect of this new guidance on its financial statements.

In August 2016, the FASB issued Accounting Standards Update 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments” (“ASU 2016-15”), which intended to add or clarify guidance on the classification of certain cash receipts and payments on the statement of cash flows. The new guidance addresses cash flows related to the following: debt prepayment or extinguishment costs, settlement of zero-coupon bonds, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies and bank-owned life insurance policies, distributions received from equity method investees, beneficial interest in securitization transactions, and the application of predominance principle to separately identifiable cash flows.

ASU2016-15 is effective for the Company for annual periods beginning after December 15, 2018 with early adoption permitted. The Company is currently evaluating the effect of this new guidance on its financial statements.

In January 2017, the FASB issued Accounting Standards Update 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business” (“ASU 2017-01”), which intended 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. ASU 2017-01 is effective for the Company for annual periods beginning after December 15, 2018 with early adoption permitted. The Company is currently evaluating the effect of this new guidance on its financial statements.

3. Prepaid expenses and other current assets

Prepaid expenses, consisted of (in thousands):

	September 30, 2016	December 31, 2015
Prepaid clinical trial costs	$ 443	$ —
Deposits	18	15
Other	66	52
Total prepaid expenses and other current assets	**$ 527**	**$ 67**

4. Accrued expenses and other liabilities

Accrued expenses and other liabilities, consisted of (in thousands):

	September 30, 2016	December 31, 2015
Accrued contracted research and development costs	$ 1,096	$ 314
Accrued compensation	154	—
Other	211	116
Total accrued expenses and other liabilities	**$ 1,461**	**$ 430**

5. Convertible Promissory Notes

During 2014, the Company borrowed $10,000,000 from several investors under convertible subordinate promissory notes (the “2014 Notes”). The 2014 Notes contained conversion features including automatic conversion, voluntary conversion, change in control conversion, IPO conversion, and maturity date conversion, that, if triggered, would convert the Notes into Series C Preferred Stock. On December 3, 2015, the 2014 Notes were converted into Series C Preferred Stock in accordance with the Automatic Conversion provision of the 2014 Notes.

During 2016, the Company borrowed approximately $4.4 million from several investors under convertible subordinate promissory notes (the “2016 Notes”). The 2016 Notes accrues interest at 8.0% per annum computed on the basis of the actual number of days elapsed and a 365-day year. All unpaid principal, together with any then accrued but unpaid interest is due and payable on the earliest of (i) June 30, 2018 (the “Maturity Date”), (ii) the closing of a change of control as defined, or (iii) the occurrence of an event of default, as defined (such earliest date is hereinafter referred to as Maturity). The 2016 Notes are prepayable only with the written consent of the holders of a majority of the principal amount of the then-outstanding 2016 Notes. Of the total convertible notes, $1.5 million is due to a related party, Sorana A/S, the majority owner of Serendex, which holds approximately 15.2% of the Company’s fully diluted common stock pursuant to the Business Transfer Agreement effective on July 15, 2016 (see note 7). The following paragraphs describe the conversion features of the 2016 Notes.

Automatic Conversion

The principal and any accrued interest automatically convert into shares of Qualified Private Placement Financing Securities at the 2016 Note Conversion Price, upon the closing of a Qualified Private Placement Financing ("Private Placement Automatic Conversion"). In the event of a Private Placement Automatic Conversion, the 2016 Notes are converted into a number of Qualified Private Placement Financing Securities determined by dividing (i) the aggregate outstanding principal amount and accrued but unpaid interest by (ii) the 2016 Note Conversion Price. A Qualified Private Placement Financing is defined as the next Private Placement transaction (or series of related transactions) after the date of this 2016 Note and before Maturity in which the Company issues and sells shares of its preferred stock in exchange for aggregate gross proceeds of at least $5,000,000 (excluding amounts received upon conversion of indebtedness). Private Placement means any equity financing transaction (or series of related transactions) pursuant to a private placement exempt from the registration requirements of the Securities Act, other than pursuant to the exemption provided by Regulation A under the Securities Act (i.e., not a Regulation A Offering or the Initial Public Offering).

The Note Conversion Price is the lesser of (A) (i) the price per share of the Next Round Securities, Qualified Financing Shares or Regulation A Offering Shares, as the case may be, times (ii) 0.8 (i.e. a 20% discount), or (B) the quotient obtained by dividing $125,0000,000 (the "Valuation Cap") by the Company's fully diluted capitalization immediately prior to the initial closing of the Qualified Financing, Non-Qualified Financing, Qualified Regulation A Offering or Non-Qualified Regulation A Offering in which the Notes are converted. Non-Qualified Private Placement Financing means any transaction (or series of related transactions) after the date of this 2016 Note and before Maturity in which the Company issues and sells shares of its capital stock in any Private Placement transaction that is not deemed to be a Qualified Private Placement Financing. Next Round Securities means the equity shares sold in a Non-Qualified Private Placement Financing.

The entire outstanding principal amount of the 2016 Notes and any accrued but unpaid interest will be converted automatically into shares of Regulation A Securities at the Note Conversion Price upon the closing of a Qualified Regulation A Offering. In the event of an automatic conversion under a Qualified Regulation A Offering, the 2016 Notes will be converted into that number of Regulation A Securities determined by dividing (i) the aggregate outstanding principal amount of the 2016 Note and any accrued but unpaid interest by (ii) the Note Conversion Price. A Qualified Regulation A Offering means a Regulation A Offering with gross proceeds to the Company of at least $5,000,000 in one or more closings during a twelve-month period, excluding amounts received on conversion of the 2016 Notes.

Voluntary Conversion

In the event that the Company consummates a Non-Qualified Private Placement Financing, at the option of each holder or holders of a majority of the outstanding aggregate principal amount, all or part of the outstanding principal and any accrued interest may be converted into Next Round Securities. A Non-Qualified Private Placement Financing is any transaction (or series of related transactions) after the date of the 2016 Notes and before Maturity in which the Company issues and sells shares of its capital stock in any Private Placement transaction that is not deemed to be a Qualified Private Placement Financing at the applicable 2016 Note Conversion Price as defined above.

In the event that the Company consummates a Non-Qualified Regulation A Offering (i) at the option of the Holder, but subject to the consent of the Board, all or part of the outstanding principal amount of the 2016 Notes and any accrued but unpaid interest may be converted into Regulation A Securities, and (ii) at the option of the Majority Holders, all or part of the outstanding principal amount of the 2016 Notes and any accrued but unpaid interest will be converted into shares of Regulation A Securities. In the event of such conversion, the 2016 Notes will be converted into that number of shares of Regulation A Securities determined by dividing (x) the aggregate outstanding principal amount of the 2016 Notes and any accrued but unpaid interest by (y) the Note Conversion Price. A Non-Qualified Regulation A Offering means the closing of a Regulation A Offering with gross proceeds to the Company of less than $5,000,000, excluding amounts received on conversion of the 2016 Notes.

Change in Control Conversion

In the event of a Change of Control after the date of the 2016 Notes but prior to Maturity, at the option of each holder or holders of a majority of the outstanding aggregate principal amount, all or part of the outstanding principal amount and any accrued interest, (i) may be converted into the number of shares of Series C Redeemable Convertible Preferred Stock ("Series C Preferred Stock") determined by dividing (x) the aggregate outstanding principal amount and any accrued interest by (y) the quotient obtained by dividing (1) the Valuation Cap ($125,000,000) by (2) the Company's capital stock outstanding immediately prior to such Change of Control.

A Change of Control means any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, and shall be deemed to be occasioned by, or to include, (i) a merger or consolidation of the Company into or with another entity after which the stockholders of the Company immediately prior to such transaction do not own, immediately following the consummation of the transaction by virtue of their shares in the Company or securities received in exchange for such shares in connection with the transaction, a majority of the voting power of the surviving entity in proportions substantially identical to those that existed immediately prior to such transaction and with substantially the same rights, preferences, privileges and restrictions as the shares they held immediately prior to the transaction, (ii) the sale, transfer or other disposition (but not including a transfer or disposition by pledge or mortgage to a bona fide lender) of all or substantially all of the assets of the Company (other than to a wholly-owned subsidiary), or (iii) the sale or transfer by the Company or its stockholders of more than 50% of the voting power of the Company in a transaction or series of related transactions other than in a transaction or series of transactions effected by the Company primarily for financing purposes.

IPO Conversion

Upon an Initial Public Offering of the Company's common stock, the entire outstanding principal amount plus any accrued interest under the 2016 Notes automatically converts into shares of Company common stock at the IPO Conversion Price. The IPO Conversion Price means the lesser of the (x) quotient obtained by dividing (1) the Valuation Cap ($125,000,000) by (2) the Company's fully diluted capitalization immediately prior to the consummation of the Initial Public Offering or (y) quotient obtained by dividing (1) the pre-money valuation of the Company approved by the Board of Directors in connection with the Initial Public Offering, by (2) the Company's fully diluted capitalization immediately prior to the consummation of the Initial Public Offering.

Maturity Date Conversion

The entire outstanding principal amount and any accrued interest under the 2016 Notes automatically converts into shares of Series C Preferred Stock at the Series C Price upon the close of business of the Maturity Date. In the event of such automatic conversion, the 2016 Notes convert into that number of Series C Preferred Stock determined by dividing (i) the aggregate outstanding principal amount of the 2016 Notes plus any accrued interest by (ii) the Series C Price. The Series C Price is $5.26 as adjusted for stock dividends, stock splits, recapitalizations and other similar events.

Accounting for 2016 Notes

Management determined that the automatic conversion upon a Qualified Private Placement Financing, a Qualified Regulation A Offering, a Non-Qualified Private Placement Financing, or a Non-Qualified Regulation A Offering as defined above represents, in substance, a put option (redemption feature) designed to provide the investor with a fixed monetary amount, settleable in shares. Management determined that this put option should be separated and accounted for as a derivative primarily because the put option meets the net settlement criterion and the settlement provisions are not consistent with a fixed-for-fixed equity instrument.

The put option, with a fair value of $977,000 at inception, was initially recorded as a derivative liability on the accompanying balance sheet and a corresponding discount to the 2016 Notes. The Company is accreting the discount to interest expense on the statement of operations and comprehensive loss over the term of the 2016 Notes using the effective interest rate method. The Company recorded interest expense of $121,000 during the nine months ended September 30, 2016 related to the accretion of the discount attributed to the put option liability and Series C Warrants (see note 6). The derivative liability was recorded at fair value at issuance of the 2016 Notes with changes in fair value recognized in the statement of operations and comprehensive loss. The change in fair value from the date of issuance through September 30, 2016 was immaterial.

6. Fair Value Measurements

The Company measures and reports certain financial instruments at fair value on a recurring basis and evaluates its financial instruments subject to fair value measurements on a recurring basis to determine the appropriate level in which to classify them in each reporting period. The Company determined that the warrant liability for the Series B and C Warrants, the put option on the 2014 Notes, the put option on the 2016 Notes, described further in Note 5, and the contingent consideration, described further in Note 7, were Level 3 financial instruments. The 2014 Notes and the related put option were converted into Series C Preferred Stock on December 3, 2015. The fair value of these instruments as of September 30, 2016 and December 31, 2015 was as follows (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2015:			
Put option on the 2014 Notes	$ —	$ —	$ —
Warrant liability	$ —	$ —	$ 274
As of September 30, 2016:			
Put option on the 2016 Notes	$ —	$ —	$ 977
Warrant liability	$ —	$ —	$ 396
Contingent consideration	$ —	$ —	$ 9,678

The estimated fair value of the put option on the 2014 Notes and the put option on the 2016 Notes was determined using a multi-scenario probability weighted average method analysis in which the future probability of the equity financing event was weighted for its respective probability. The Company used the following assumptions to value the put option on the 2016 Notes as of September 30, 2016. As discussed above, the 2014 Notes and the related put option were converted into Series C Preferred Stock on December 3, 2015. Therefore, there was no put option on the 2014 Notes outstanding at December 31, 2015.

Assumption	September 30, 2016
Discount rate	0.43%
Probability of event	85%

Changes in the unobservable inputs noted above would impact the fair value of the put option and have a corresponding impact on the Company’s net loss. The probability of the automatic conversion feature was determined by management based on its consideration of the expected timeline for the next round of financing and historical experience. Increases (decreases) in discount rate would decrease (increase) the value of the put option, and an increase (decrease) in the probability of the equity financing event occurring would increase (decrease) the value of the put option.

The estimated fair value of the warrant liability (Series B and Series C warrants) was determined using a Norren Wolfson option pricing model. The assumptions used in valuing these warrants are presented in the table below.

Assumption	September 30, 2016	December 31, 2015
Expected term	0.92 - 4.96	1.42
Expected dividend yield	0%	0%
Expected volatility	46.37% - 51.22%	45.33%
Risk-free interest rate	0.71% - 1.14%	0.84%

Changes in the unobservable inputs noted above would impact the fair value of the liabilities and have a corresponding impact on the Company's net loss. Increases (decreases) in the expected term and expected volatility would increase (decrease) net loss and the value of the warrant liability and an increase (decrease) in the risk-free interest rate would decrease (increase) net loss and the value of the warrant liability.

The Company did not transfer any assets measured at fair value on a recurring basis to or from Level 1 and Level 2 during the nine months ended September 30, 2016 and 2015.

The following tables sets forth a summary of the changes in the fair value of the Company's Level 3 financial instrument (in thousands) for the nine months ended September 30, 2016 and year ended December 31, 2015:

	Warrant Liability	Put Option on 2016 Notes
Balance at January 1, 2016	**$ 274**	**$ —**
Put option at issuance of 2016 Notes	—	977
Issuance of Series C Warrants	259	—
Change in fair value	(137)	—
Balance at September 30, 2016	**$ 396**	**$ 977**

	Warrant Liability	Put Option on 2014 Notes
Balance at January 1, 2015	**$ 153**	**$ 2,564**
Change in fair value	121	144
Extinguishment of put option	—	(2,708)
Balance at December 31, 2015	**$ 274**	**$ —**

Due to the short duration of time between the acquisition date, July 15, 2016, and September 30, 2016, there was no material change in the fair value of the contingent consideration except for an increase due to foreign currency translation.

7. Acquisition of Serendex Pharmaceuticals

On May 13, 2016, the Company entered into a Business Transfer Agreement with Serendex under which Serendex agreed to sell, transfer and assign to Savara all of its assets and subsidiaries, certain of its contracts, and certain of its employees and liabilities. Serendex was a limited liability company incorporated in Denmark and was listed on the Oslo Stock Exchange until May 4, 2016. On July 15, 2016, the Company completed the acquisition of Serendex through its wholly-owned subsidiary, Savara ApS, a limited liability company established under the laws in Denmark.

The Serendex Acquisition was an important step in fulfilling Savara's vision to become a specialty pharmaceutical company focused on rare respiratory diseases. Serendex was a biopharmaceutical development

company that was advancing a pipeline and portfolio of novel inhalation therapies for the treatment of severe pulmonary conditions. Through this acquisition, Savara gained access to the late-stage Molgradex for the treatment of PAP, with a Phase 2/3 clinical study ongoing in the EU and Japan. In addition to Molgradex, Savara gained access to an experienced development team familiar with all aspects of the Molgradex program.

For the purchase consideration, Savara agreed to provide the seller with 3,353,925 shares of Savara's common stock representing approximately 17.1% of the total outstanding common stock of Savara prior to the acquisition date. In addition to the purchase consideration shares, Savara agreed to pay the seller (i) $5,000,000 upon receipt of marketing approval of the medicinal product Molgradex, an inhalation formulation of recombinant human GM-CSF for the treatment of pulmonary alveolar proteinosis (the Product) by the European Medicines Agency, (ii) $15,000,000 upon receipt of marketing approval of the Product by the United States Food and Drug Administration, and (iii) $1,500,000 upon receipt of marketing approval of the Product by the Japanese Pharmaceuticals and Medical Devices Agency (the Contingent Milestone Payments). The Company estimated the likelihood of approval in each region, separately, based on the product candidate's current phase of development and utilizing published studies of clinical development success rates for comparable non-oncology orphan drugs. The present value of the potential cash outflows from the probability weighted Contingent Milestone Payments was then estimated by taking into consideration that the Contingent Milestone Payments are similar to a business expense of the Company and would be senior to any Company debt obligations. The resulting weighted average present value factor was applied to discount the probability adjusted Contingent Milestone Payments for each region to derive the fair value of the Contingent Milestone Payments.

The Company accounted for the acquisition as a business combination by applying the acquisition method, which requires the assets acquired and liabilities assumed be recorded at fair value with limited exceptions. The Company used the Multi-Period Excess Earnings Model (MPEEM), a form of the income approach to value the in-process research and development intangible asset. The excess of the purchase price over the assets acquired and liabilities assumed represents goodwill. The goodwill is primarily attributable to the synergies expected to arise after the acquisition and is not expected to be deductible for tax purposes. The following table summarizes the consideration that the Company paid for Serendex and the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

	(In thousands)
Purchase Consideration	
Fair value of Savara common stock issued for the acquisition	$ 2,851
Estimated fair value of Contingent Milestone Payments	9,524
Fair value of total consideration	**$ 12,375**
Assets acquired and liabilities assumed	
Inventory	$ 18
Income tax receivable	872
Property and equipment, net	28
Current liabilities	(320)
Deferred tax liability	(2,419)
In-process research and development intangible asset	10,994
Total assets acquired and liabilities assumed	9,173
Goodwill	3,202
	$ 12,375

Included in the consolidated statement of operations for the nine months ended September 30, 2016 is $0 of revenue and $685,000 of net loss generated by the Serendex business since July 15, 2016, the acquisition date.

The following pro forma financial information reflects the consolidated results of operations of the Company as if the acquisition of Serendex had taken place on January 1, 2015 (in thousands). The pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transactions been effected on the assumed date.

	Period Ended September 30, 2016	Year Ended December 31, 2015
Net revenues	$ —	$ 54
Net loss	$ 13,449	$ 18,403

Non-recurring pro forma transaction costs directly attributable to the acquisition were $331,000 for the year ended December 31, 2016 and have been deducted from the net loss presented above.

8. Redeemable Convertible Preferred Stock

The following table summarizes the Company's redeemable convertible preferred stock as of September 30, 2016 (in thousands, except share amounts).

Redeemable Convertible Preferred Stock	Par Value	Authorized Shares	Shares Issued and Outstanding	Carrying Value	Liquidation Value
Series A	$.001	1,799,906	1,799,906	$ 3,232	$ 3,254
Series B	$.001	6,000,000	5,675,387	$17,281	$ 17,762
Series C	$.001	8,000,000	4,452,582	$23,323	$ 23,423

On February 16, 2016, the Company issued 413,792 shares of Series C Preferred Stock for net proceeds of $2,150,000, which included $1,368,000 in subscriptions to the Series C Preferred Stock collected during the year ending December 31, 2015.

9. Common Stock

The Company's shares of common stock reserved for issuance as of September 30, 2016, and December 31, 2015 were as follows:

	September 30, 2016	December 31, 2015
Series A Preferred Stock	1,799,906	1,799,906
Series B Preferred Stock	5,675,387	5,675,387
Series C Preferred Stock	4,452,582	4,038,790
Series B Warrants	289,966	289,966
Series C Warrants	125,885	—
Stock options outstanding	1,649,955	1,737,455
Total shares reserved	13,993,681	13,541,504

10. Stock-Based Compensation

The Company adopted the Savara Inc. Stock Option Plan (the "Plan"), pursuant to which the Company has reserved 5,300,076 shares for issuance to employees, directors, and consultants. The Plan includes 1) the option grant program providing for both incentive and non-qualified stock options, as defined by the Internal Revenue Code, and 2) the stock issuance program providing for the issuance of awards that are valued based upon common stock, including restricted stock, dividend equivalents, stock appreciation rights, phantom stock, and performance units. The Plan also allows eligible persons to purchase shares of common stock at an amount

determined by the Plan Administrator. Upon a participant's termination, the Company retains the right to repurchase unvested shares issued in conjunction with the stock issuance program at the fair market value per share as of the date of termination.

To date the Company has issued incentive and non-qualified options and restricted stock to employees and non-employees under the Plan. The terms of the stock options, including the exercise price per share and vesting provisions, are determined by the board of directors. Stock options are granted at exercise prices not less than the estimated fair market value of the Company's common stock at the date of grant based upon numerous objective and subjective factors including: third-party valuations, preferred stock transactions with third parties, current operating and financial performance, management estimates and future expectations. Stock option grants typically vest quarterly over three to four years and expire ten years from the grant date, and restricted stock grants vest on a quarterly basis over four years and expire ten years from the grant date. Inception to date, the Company has issued 992,563 shares of restricted stock.

Restricted Stock

The Company values stock-based compensation related to grants of its restricted stock based on the fair value of the Company's common stock as of the grant date and recognizes the expense over the requisite service period, usually four years, adjusted for estimated forfeitures. To determine the value of its common stock, the Company utilized the Option Pricing Method. The valuation methodology includes estimates and assumptions that require the Company's judgment. Inputs used to determine the estimated fair value of the Company's common stock include the equity value of the Company, expected timing to a liquidity event, a risk-free interest rate and the expected volatility. Generally, increases or decreases in these unobservable inputs would result in a directionally similar impact on the fair value measurement of the Company's common stock.

During the nine months ended September 30, 2016 and 2015, the Company issued 0 and 40,000 shares of restricted stock to employees for compensation, respectively.

Stock Options

The Company values stock options using the Black-Scholes option-pricing model, which requires the input of subjective assumptions, including the risk-free interest rate, expected life, expected stock price volatility and dividend yield. The risk-free interest rate assumption is based upon observed interest rates for constant maturity U.S. Treasury securities consistent with the expected term of the Company's employee stock options. The expected life represents the period of time the stock options are expected to be outstanding and is based on the simplified method. The Company uses the simplified method due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected life of the stock options. Expected volatility is based on historical volatilities for publicly traded stock of comparable companies over the estimated expected life of the stock options. The Company assumes no dividend yield because dividends are not expected to be paid in the near future, which is consistent with the Company's history of not paying dividends. The valuation of stock options is also impacted by the valuation of common stock. Refer to the section above for further information on the valuation methodology utilized by the Company to determine the value of its common stock.

For the nine months ended September 30, 2016 and 2015, the Company granted 235,219 (of which, 215,219 were forfeited prior to period end) and 0 stock options, respectively to employees and non-employees. As of September 30, 2016 and 2015, 1,859,955 and 1,002,455 stock options were outstanding. For the nine months ended September 30, 2016 and 2015, 1,406 and 0 options were exercised, respectively.

Stock-based compensation expense is included in the following line items in the accompanying statements of operations and comprehensive loss for the nine months ended September 30, 2016 and 2015 (in thousands):

	September 30, 2016	September 30, 2015
Research and development	$ 67	$ 52
Selling, general and administrative	87	65
Total stock-based compensation	**$ 154**	**$ 117**

11. Net Loss per Share

Basic net loss per share is computed by dividing the net loss by the weighted-average number of common shares outstanding. Diluted net loss per share is computed similarly to basic net loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted net loss per share is the same as basic net loss per common share, since the effects of potentially dilutive securities are antidilutive.

As of September 30, 2016 and 2015, potentially dilutive securities include:

	September 30, 2016	September 30, 2015
Awards under equity incentive plan	1,859,955	1,002,455
Unvested restricted shares	215,889	337,789
Series A Redeemable Convertible Preferred Stock	1,799,906	1,799,906
Series B Redeemable Convertible Preferred Stock	5,675,387	5,675,387
Series C Redeemable Convertible Preferred Stock	4,452,582	—
2014 Series C Convertible Note	—	2,615,308
2016 Series C Convertible Note	852,459	—
Warrants to purchase Series B Redeemable Convertible Preferred Stock	289,966	289,966
Warrants to purchase Series C Redeemable Convertible Preferred Stock	125,885	—
Total	**15,272,029**	**11,720,811**

The following table reconciles basic earnings per share of common stock to diluted earnings per share of common stock for the nine months ended September 30, 2016 and 2015.

	September 30, 2016	September 30, 2015
Net loss	$ (6,955)	$ (6,249)
Accretion of redeemable convertible preferred stock	(70)	(157)
Net loss attributable to common stockholders	(7,025)	(6,406)
Undistributed earnings and net loss attributable to common stockholders	(7,025)	(6,406)
Weighted average common shares outstanding, basic and diluted	2,723,760	1,633,104
Basic and diluted EPS	**$ (2.58)**	**$ (3.92)**

12. Subsequent Events

Merger Agreement with Mast Therapeutics

On January 6, 2017, Savara entered into an Agreement and Plan of Merger and Reorganization, or the Merger Agreement, with Mast Therapeutics, or Mast, a publicly traded company on the NYSE MKT (MSTX), pursuant

to which, among other things, subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement, a wholly owned subsidiary of Mast will merge with and into Savara, with Savara becoming a wholly-owned subsidiary of Mast and the surviving corporation of the Merger. Mast is a biopharmaceutical company focused on developing clinical-stage therapies for serious or life-threatening diseases. At the closing of the Merger, each outstanding share of Savara's common stock will be converted into the right to receive shares of common stock (to be determined at a later date) of Mast as well as the payment of cash in lieu of fractional shares. Immediately following the effective time of the Merger, Mast equity holders are expected to own approximately 24% of the combined company, with Savara's preexisting equity holders expected to own approximately 76%. At the time the financial statements were available to be issued, the valuation of the Company's common stock as well as the initial accounting for the business combination was incomplete. As a result, additional disclosures related to the Merger with Mast are unavailable.

Modification of the 2016 Notes

The 2016 Notes and the Warrants were amended to include a conversion clause in the case of a reverse merger with Mast, further discussed above. The amendement provides the warrant holder the right to voluntarily exercise the Warrants; however, the 2016 Notes are automatically converted in the case of a reverse merger with Mast. Notes that were issued on or prior to August 15, 2016 were assigned a conversion price of $4.22 and notes that were issued after August 15, 2016, were assigned a conversion price of 80% of the amount equal to the average trading price of Mast's common stock for the twenty day period ending two days prior to the closing of the acquisition of Mast by the Company, as adjusted by the exchange ratio described in the Agreement and Plan of Merger and Reorganization dated January 6, 2017.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Savara Inc.

We have audited the accompanying consolidated financial statements of Serendex Pharmaceuticals A/S and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated income statement, statement of comprehensive income, cash flows and changes in equity for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Serendex Pharmaceutical A/S and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Grant Thornton

GRANT THORNTON
Statsautoriseret Revisionspartnerselskab

Copenhagen, Denmark
February 7, 2017

Consolidated Income Statement
for the period 1 January — 31 December

DKK thousand	Notes	2015	2014
Net revenue	3	153	786
Cost of goods sold		(125)	(326)
Gross profit		27	461
Staff expenses	4, 5	(18,233)	(13,590)
External expenses	5	(8,542)	(11,537)
Other expenses	5	(7,282)	(900)
Operating profit/loss (-)		(34,030)	(25,566)
Net financials	7	(3,182)	(3,787)
Profit/loss (-) before tax		(37,212)	(29,353)
Tax expenses	8	3,359	7,202
Net profit/loss (-)		**(33,853)**	**(22,151)**

STATEMENT OF COMPREHENSIVE INCOME

DKK thousand	Notes	2015	2014
Net profit/loss (-)		(33,853)	(22,151)
Other comprehensive income		0	0
Total comprehensive income		**(33,853)**	**(22,151)**
Total earnings per share (DKK)	9	(2.25)	(1.47)
Diluted total earnings per share (DKK)	9	(2.21)	(1.47)

Consolidated Balance Sheet
AT 31 DECEMBER

ASSETS

DKK thousand	Notes	2015	2014
NON-CURRENT ASSETS			
Intangible assets			
Development projects	11	58,763	29,417
Tangible assets			
Plant and equipment	12	219	278
Financial assets			
Long-term deferred tax	14	0	2,516
Non-current receivables			
Deposits	13	199	194
Total non-current assets		59,182	32,406
CURRENT ASSETS			
Inventories	15	1,244	1,249
Receivables			
Trade receivables		0	619
Tax receivables	14	5,875	6,250
Prepayments		0	750
Other receivables		1,117	566
Total receivables		6,992	8,185
Cash and cash equivalents		5,974	20,460
Total current assets		14,210	29,893
Total assets		**73,391**	**62,299**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		12,134	1,506
Retained earnings		49,059	32,179
Total equity		61,193	33,685
LIABILITIES			
Non-current liabilities			
Long-term loans from shareholders and management	16	1,168	23,464
Total non-current liabilities		1,168	23,464
Current liabilities			
Trade payables		5,921	386
Other current liabilities		5,108	4,763
Total current liabilities		11,029	5,149
Total liabilities		12,197	28,614
Total equity and liabilities		**73,391**	**62,299**

Consolidated Changes in equity

DKK thousand	Notes	Share capital	Retained earnings	Total
Equity at 1 January 2014		**1,144**	**4,974**	**6,118**
Profit/loss (-)		0	(22,151)	(22,151)
Other comprehensive income		0	0	0
Total comprehensive income		1,144	(17,177)	(16,033)
Share capital increase		362	0	362
Share premium by IPO in 2014		0	56,647	56,647
Capital transactions costs		0	(7,291)	(7,291)
Equity at 31 December 2014		**1,506**	**32,179**	**33,685**
Equity at 1 January 2015		**1,506**	**32,179**	**33,685**
Profit/loss (-)		0	(33,853)	(33,853)
Other comprehensive income		0	0	0
Total comprehensive income		0	(33,853)	(33,853)
Share-based incentive	4	0	651	651
Share capital increase		10,628	0	10,628
Share premium by converted shareholder loan		0	51,394	51,394
Capital transactions costs		0	(1,311)	(1,311)
Equity at 31 December 2015		**12,134**	**49,059**	**61,193**

The share capital comprises of 15,055,150 shares (2014: 15,055,150 shares), each with a nominal value of DKK 0.10. shareholder loan conversion recognized end of 2015 comprises of 106,279,592 shares, also each with a nominal value of DKK 0.10. No shares hold particular rights. Conversion registered in “Erhvervsstyrelsen” on the 13.01.2016.

Consolidated Cash Flow Statement
for the period 1 January 2015 — 31 December

DKK thousand	Notes	2015	2014
Profit/loss (-)before tax		**(37,212)**	**(29,353)**
Adjustments	21	9,322	4,138
Change in working capital	22	6,703	450
Cash flow from operating activities before net financials		**(21,187)**	**(24,765)**
Currency gain/loss	7	796	(1,315)
Net interest costs	7	(3,978)	(2,472)
Interest accrued on shareholder loan		3,725	0
Cash flow from ordinary activities		**(20,644)**	**(28,552)**
Tax reimbursement	14	6,250	1,250
Cash flow from operating activities		**(14,394)**	**(27,302)**
Addition of intangible assets	11	(34,776)	(16,916)
Addition of tangible assets	12	0	(313)
Paid deposits	13	(5)	(194)
Cash flow from investment activities		**(34,781)**	**(17,422)**
Loans received from shareholders		36,000	13,439
Share capital increase		0	362
Share premium by IPO		0	56,647
Capital transaction costs		(1,311)	(7,517)
Cash flow from financial activities		**34,689**	**62,931**
Cash flow in total		**(14,487)**	**18,206**
Cash and cash equivalents at the beginning of the year		20,460	2,253
Cash and cash equivalents end of period		**5,974**	**20,460**

Notes
DKK thousand

1. CAPITAL RESOURCES

Serendex intends to license its products to pharmaceutical companies and thereby derive income from a combination of fixed payments and ongoing royalty income. Until Serendex has established such a license agreement, Serendex will be a capital-consuming company due to investments in drug development and in further strengthening of the pipeline. Therefore, it is vital that the company always has sufficient financial resources.

Serendex has a satisfactory cash situation for 2016 to continue the phase IIb clinical trial of GM-CSF for ARDS and the pivotal phase II/III clinical trial of Molgradex® for PAP according to plans. Hence, the annual report for 2015 has been prepared for on-going business.

In order to pursue the development strategy as outlaid in the Management Report, Serendex is dependent on acquiring additional capital during 2016 to continue operations in 2017 and onwards. Serendex will therefore continue to investigate opportunities and terms for entering into strategic partnerships or mergers and/or licensing agreements that will strengthen Serendex's financial position. In addition, the company will investigate opportunities for receiving additional loans or equity financing.

2. ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires the making of estimates and judgments that affect the reporting of assets, liabilities and expenses. The estimates and judgments are reviewed on an ongoing basis. Estimates and judgments are based on historical results and on various other assumptions, which Serendex believes to be reasonable under the circumstances. However, the actual results may differ significantly from the estimates. We believe that the accounting policies relating to development costs and deferred tax involve estimates or judgments by management that could materially affect the reported financial position and results.

Development costs

Serendex is confident it will obtain approval of its pipeline products, as the products are based on an existing approved drug, and hold the evidence to support this. Further, phase IIb clinical trial of Molgradex® for ARDS and pivotal phase II/III clinical trial Molgradex® for PAP is initiated. Additionally, Serendex is confident, that it will acquire the necessary resources to either sell or complete the development. Thus, management judge that the technical feasibility criterion in IAS 38.57 is met.

The carrying amount of capitalised development costs is DKK 58.8 million for the group (2014: DKK 29.4 million).

Deferred tax

Due to tax credit reimbursement instalment by the Danish government, Serendex Group expects to be reimbursed DKK 5.9 million of the tax asset in Q4 2016 — hence the tax receivable has been recognized in the balance sheet.

The long-term deferred tax asset has been evaluated against the future income within the next three fiscal years and will not be recognised in the balance sheet, as they are not realizable.

The long-term deferred tax asset amount is DKK 5.6 million as of 31 December 2015 (2014: DKK 8.7 million).

3. SEGMENT DATA

As of 31 December 2015, Serendex has only one segment according to IFRS. The goods sold can be categorized as follows:

	2015	2014
Revenue from sales of active pharmaceutical ingredient (API)	147	377
Revenue from named patient sales (NPS)	0	410
Other Sales	6	0
Total segmented revenue	**153**	**787**

The entire revenue is based on major customers (>10% of the total revenue). The revenue is globally allocated as 100% in Denmark. All tangible and intangible assets are located in Denmark.

4. STAFF EXPENSES

	2015	2014
Staff		
Salaries, cash bonus, etc.	8,627	6,123
Pension costs or other social security costs	1,826	834
Share based incentive	130	0
Other staff costs	398	79
	10,981	7,036
Management		
Fees to Board of Directors	1,400	1,050
Salary, cash bonus, etc. to Executive Management	4,905	5,245
Pension contributions to Executive Management	426	259
Share-based incentive	521	0
	7,252	6,554
Total staff expenses	**18,233**	**13,590**
Full year average number of full time employees (FTE)	12.3	7.5
FTEs as of end of period	12.3	10.8

Remuneration to Executive Management is based on a fixed salary and pension as well as a potential cash bonus and share-based incentive. If the majority of votes in Serendex changes hands or is transferred by agreement, or Serendex is dissolved by merger or demerger, or active transition or contractual relationship actually involves the same change in ownership or control conditions, the Board shall inform the Executive Management within 14 days after the Board becomes aware of this. Serendex termination notice to the Executive Management is then extended by nine months so that the Executive Management will be entitled to a notice period of a total of 18 months.

The increase in total staff expenses is primarily due to the increased number of employees, based on the increased activity level.

Share-based incentive

In order to encourage common and sustainable long term goals for the participants and Serendex's shareholders in line with the company's strategy, Serendex Pharmaceuticals A/S has established a share-based incentive plan. Thus, the Board of directors has granted warrants to the company's management and selected employees.

The warrants are granted in accordance with the authorisation given to the Board of Directors by the shareholders. Grant takes place at the date of establishment of the programme, allocation is subject to meeting certain milestones and exercise is by default subject to continuing employment with the company.

The terms of the share-based incentive plan are published together with the notice of the company's General Meeting.

Assumptions for warrants granted in 2015

The fair value of the share options is calculated using Black-Scholes option pricing model. The share options were granted in April 2015 and the assumptions are shown below.

	2015	2014
Expected life of the warrant in years (average)	5.0	n.a.
Expected volatility (historical volatility — 12 months)	76%	n.a.
Expected dividend per share (in DKK)	0	n.a.
Risk-free interest rate (based on Danish government bonds)	4.0%	n.a.
Share price at end of period (DKK)	0.66	n.a.

Outstanding warrant plans

The price and exercise period for the grant are stated in the table below.

Outstanding warrants	Executive Management No. of warrants	Key employees No. of warrants	Average exercise price DKK	Fair value DKK '000
Outstanding at the beginning of the year	0	0	n.a	n.a
Grant in period	200,000	50,000	0.10	651
Exercise in period	0	0	n.a	n.a
Fair value adjustment				(505)
Outstanding warrants end of period	**200,000**	**50,000**	**0.10**	**146**

Board of directors are not eligible to participate in Serendex's incentive programme

Exercisable and outstanding warrants	Issued warrants	Exercised/ reversed	Outstanding/ not exercised	Exercise period
Warrant scheme for 2015	250,000	0	250,000	04.03.2016 (24.03.2020)
Warrant scheme exercisable end of period	**250,000**	**0**	**250,000**	

5. OTHER EXPENSES AND COSTS BY FUNCTION

	2015	2014
Other expenses		
Write-down of intangible assets	5,430	0
Capital cost (funding)	1,852	900
	7,282	**900**
Costs by function		
Sales and distribution costs	722	512
Expensed development costs	6,940	4,200
Administrative expenses	26,395	21,315
	34,057	**26,027**

6. FEE TO STATUTORY AUDITORS

	2015	2014
Statutory audit	170	150
Other assurance engagements	0	0
Tax advisory services	0	0
Other services	105	142
	275	**292**

7. FINANCIAL EXPENSES (NET)

	2015	2014
Interest expense	(3,984)	(2,478)
Interest income	6	6
Foreign exchange (net) — realized	796	18
Foreign exchange (net) — unrealized	0	(1,333)
Financial expenses for the period	**(3,182)**	**(3,787)**

8. TAX EXPENSES

	2015	2014
Calculated income tax for the period	0	0
Not recognised deferred tax for the year	(2,896)	0
Deferred tax for the year	0	(952)
Tax reimbursement for the year	(5,875)	(6,250)
Calculated tax for the year, 23,5% (2014: 24,5%)	**(8,771)**	**(7,202)**
Tax reimbursement for the year	(5,875)	(6,250)
Change in deferred tax	2,516	(952)
Tax for the year	**(3,359)**	**(7,202)**
Effective tax rate	**9.0%**	**24.5%**
Tax on other comprehensive income for the period	**0**	**0**

The long-term deferred tax asset has been evaluated against the future income within the next three fiscal years and will not be recognised in the balance sheet, as they are not realizable.

The long-term deferred tax asset amount is DKK 5.6 million as of 31 December 2015.

9. EARNINGS PER SHARE (EPS)

	2015	2014
Net profit/(loss)	(33,853)	(22,151)
Average number of outstanding shares*	15,055.150	15,055.150
Earnings per share (EPS)	(2.25)	(1.47)
Diluted earnings per share (DKK) including warrants (31.12.2015)	**(2.21)**	**(1.47)**
Diluted earnings per share (DKK) including warrants (31.03.2016)	**(0.21)**	**(0.13)**

* Average number of outstanding shares is based on issued shares of 15,055,150 and therefore not including major shareholder loan that is converted and recognised as equity as of 31 December 2015.

10. ALLOCATION OF LOSS

	2015	2014
It is proposed that the year's consolidated loss is transferred to retained earnings	(33,853)	(22,151)

11. DEVELOPMENT PROJECTS

	2015	2014
Costs at the beginning of the year	30,186	13,271
Additions in the period	34,776	16,916
Costs end of period	64,962	30,186
Depreciation and write-down at the beginning of the year	769	769
Depreciation in period	0	0
Write-down in period	5,430	0
Depreciation and write-down end of period	6,199	769
Book value end of period	**58,763**	**29,417**

All capitalised development costs are related to development work in progress.

Write-down is linked to development projects related to current products but regarded as out of scope in the current strategy for Serendex. The write-down amounts to DKK 5,4 million (2014: DKK 0 million).

In order for costs to be qualified in the balance sheet as development costs, the nature of the expense has to be linked to a specific activity in the development process. Development costs, which do not fulfil the requirements for recognition in the balance sheet, are expensed immediately in the income statement.

The development costs directly recognised in the income statement in 2015 is DKK 1.6 million for the Group (2014: DKK 4.2 million) exclusive the write-down of DKK 5,4 million.

12. TANGIBLE ASSETS

	2015	2014
Costs at the beginning of the year	313	117
Addition in period	0	313
Disposals in period	0	(117)
Costs end of period	313	313
Depreciation and write-down at the beginning of the year	35	27
Reversed depreciation on disposals	0	(27)
Depreciation in period	59	35
Write-down in period	0	0
Depreciation and write-down end of period	94	35
Book value end of period	**219**	**278**

The tangible assets consists of leasehold improvements and office equipment related to Slotsmarken 17, Hørsholm.

13. DEPOSITS

	2015	2014
Deposit at the beginning of the year	194	134
Disposals during the period	0	(134)
Additions during the period	5	194
Deposit end of period	**199**	**194**

14. TAX RECEIVABLES AND DEFERRED TAX

	2015	2014
Deferred tax at the beginning of the year	8,766	2,814
Tax Credit Reimbursement	(6,250)	(1,250)
Deferred tax net change	8,961	7,202
Deferred tax end of period	**11,477**	**8,766**
The deferred tax concerns		
Intangible assets	(12,848)	(6,339)
Tangible assets	9	15
Loss carried forward	24,316	15,090
	11,477	**8,766**
The deferred tax is reconciled as follows		
Deferred tax end of period[A]	11,477	8,766
Long-term deferred tax not recognised in the balance sheet[B]	(5,602)	0
	5,875	**8,766**

A) The long-term deferred tax asset has been evaluated against the future taxable income within the next three fiscal years and will not be recognized in the balance sheet due to change in accounting estimates of the future value. The long-term deferred tax asset amount is DKK 5.6 million as of 31 December 2015 (2014: 0 DKK).

B) Due to tax credit reimbursement instalment by the Danish government, Serendex Group expects to be reimbursed DKK 5.875 million of the tax asset in Q4 2016.

15. INVENTORY

	2015	2014
Raw materials and consumables	197	283
Work in progress	343	714
Manufactured goods and goods for resale	704	251
Total	**1,244**	**1,248**

16. LOANS FROM SHAREHOLDERS

	2015	2014
Loans at the beginning of the year	23,464	10,025
Additions during the period	36,000	12,000
Interest	3,726	2,315
	63,190	24,376
Repayment in the period	0	(912)
Converted to equity	(62,022)	0
Loans at the end of the period	**1,168**	**23,464**

Agreed and signed on 10 December 2015 it was decided to convert loans of DKK 62.0 million into shares — hence the amount has been converted and recognised as equity as of 31 December 2015.

The shareholders have provided a secured undrawn committed credit facility of DKK 25 million in 2016.

17. PLEDGED ASSETS AND SECURITIES

In security for a loan to shareholder, the parent company Serendex has pledged shares in the subsidiaries of book value DKK 26.7 million (2014: 26.7 million).

18. CONTRACTUAL OBLIGATIONS AND PENDING LITIGATIONS

Obligations on rental properties

As of 31 December 2015 Serendex has total commitments of DKK 1.5 million until 2019.

Pending litigations

As of 31 December 2015 Serendex has made an external legal assessment of alleged claims against the company. None has been seen as having any material impact — hence, no provisions have been made.

19. FINANCIAL RISKS

Serendex is primarily exposed to exchange rate risks in the countries where Serendex has its main activities. I.e. the risks relate to the rise/fall in EURO, GBP, USD and NOK. It is Group policy not to actively conduct speculation in any financial risks and it is management's strategy to seek to offset exchange-rate risks by matching revenue, as well as other positive cashflow, against costs in the same currencies.

20. RELATED-PARTY TRANSACTIONS

Related parties comprise the company's Executive Management, Board of Directors and the major shareholder. All transactions between the related parties are based on the principle of "arm's length". In 2015 Serendex had the following related party transactions:

Legal services DKK 642k, from Bech-Bruun Law Firm. Partner Christian Vinding Thomsen serves as board member in Serendex.

Interest DKK 3.7 million to Sorana A/S, which is owned by board member Lorenz Jørgensen.

Remuneration paid to the members of the Executive Management and the Board of Directors. Please see note 3 for information.

As of 15 March 2016 board member Lorenz Jørgensen and his related parties hold 85.5% of the total shares in Serendex A/S. No other shareholder holds more than 5% of the shares.

Loan and conversion of loan from shareholder (note 16).

21. STATEMENT OF CASH FLOWS — ADJUSTMENTS

	2015	2014
Financial income and expenses	3,182	3,787
Amortisation and depreciation	5,489	124
Adjustments in tangible assets	0	227
Share based incentive	651	0
Total adjustments	**9,322**	**4,138**

22. STATEMENT OF CASH FLOWS — CHANGE IN WORKING CAPITAL

	2015	2014
Net change in receivables	1,237	(1,150)
Reduction in tax credit reimbursement	(375)	0
Net change in inventory	5	51
Net change in current debt	5,836	1,549
Total change in working capital	**6,703**	**450**

23. RISK OVERVIEW

Serendex is exposed to uncertainties and risk factors, which may affect some or all of the company’s activities.

Development risks

Drug development involves considerable risks. The average development period is typically more than 10 years, costs are high and the probability of reaching the market is relatively low. However, the foundation of Serendex’s business model is to produce and develop well-known biological products, which have previously been used systemically, into unique products for inhalation. Hence, the repositioning approach reduces pre-clinical and clinical risks, development costs, as well as the overall time to market.

That said, Serendex is still exposed to development risks and the following factors are assessed regularly for all development programmes:

- The occurrence of unexpected and adverse side effects developed by inhalation or inducting the drug candidate into the lungs; this risk is highest in the early phases of development (preclinical and phase I) and confidence increases as the total number of patients who have been exposed to the product increases

- The scientific rationale may be based on preclinical models and literature data. The early exploratory patient studies will provide an indication as to whether or not this rationale can be applied to the human setting

- The complexity of clinical development, access to patients, and the speed of which an indication of a clinical effect can be established may affect the timelines of the planned clinical phase II/III development

- Regulatory assessment of the drug candidate’s efficacy, safety profile and probability of final approval is not completed until phase III data are available

Commercial risks

The flowing factors are assessed in connection with the initiation of a drug development programme and are evaluated in connection with reassessing the pipeline:

Degree and scope of patent protection
Market size (prevalence and expected growth in patients)
Competitive situation (existing treatment as well as new drugs under development with the same scientific rationale)
Development time and associated costs
Interest from potential partners
Market access

Contractual risks

Serendex's business model is founded upon an extensive outsourcing strategy and international strategic alliances. Thus it is essential to secure that vendor contracts or other agreements do not impose abnormal obligations on Serendex, nor are drafted in an unbalanced manner with regards to the protection of Serendex's business. Therefore, before entering any agreements, partners are thoroughly evaluated with regards to financial solidity, delivery quality, timeliness as well as overall reliability.

Employee risks

Serendex is well aware that employees are an important asset. As Serendex's business model is founded upon an extensive outsourcing strategy, having the right competencies with the adequate experience is vital. Therefore, it is important that Serendex continues to attract, retain and develop skilled employees. Failure to do so will negatively impact the Company's continued development.

Financial risks

Serendex is primarily exposed to interest risks in connection with surplus liquidity and interest-bearing liabilities as the non-current loans are stablished at a fixed interest rate. Interest is added to surplus liquidity in accordance with the development of the day to day interest in Danske Bank between 0-1%.

Further, Serendex is primarily exposed to exchange rate risks in the countries where Serendex has its main activities. I.e. the risks relate to the rise/(fall) in the British pound, American dollar, Norwegian kroner and Euro. As of 31 December 2015, a realized currency gain of DKK 0.8 million was recognised as a financial income, which primarily was related to the increase in the Norwegian kroner compared to the Danish kroner in the beginning of 2015. At the end of 2015 a total increase in Norwegian kroner vs. Danish kroner of 10 % will result in a decrease in operating profit of DKK 0.0 million (2014: DKK 1.8 million). A total increase in British pounds vs. Danish kroner of 10 % will result in a decrease in operating profit of DKK 0.0 million (2014: DKK 0.2 million). A total increase in American dollars vs. Danish kroner of 10 % will result in a decrease in operating profit of DKK 0.1 million (2014: DKK 0.7 million). A total increase in Euro vs. Danish kroner of 10 % will result in a decrease in operating profit of DKK 0.1 million (2014: DKK 0.0 million). It is Group policy not to

actively conduct speculation in financial risks and it is management's strategy to seek to offset exchange-rate risks by matching revenue and costs in the same currencies.

LIQUIDITY RISK AS OF 31 December 2015	31-12-2015	0-1 year	1-5 years
Loan, non-current	1,168		1,555
Lease liability	1,700	425	1,275
Trade payables	5,921	5,921	
Other current liabilities	5,108	5,108	
Total liabilities	13,897	11,454	2,830
Cash	5,974	—	
Receivables, non-current	—	—	
Receivables	6,992	6,992	
Other expenses	—	—	
Financial assets	12,966	6,992	
Liquidity risk	**931**	**4,463**	**2,830**

Serendex has secured an undrawn committed credit facility provided by the major shareholder, which provides Serendex with a satisfactory cash situation for 2016.

Capital resources

Serendex intends to license its products to pharmaceutical companies and thereby derive income from a combination of fixed payments and ongoing royalty income. Until Serendex has established such a license agreement, Serendex will be a capital-consuming company due to investments in drug development and in further strengthening of the pipeline. Therefore, it is vital that the Company always has sufficient financial resources. The Board of Directors receives reports on a monthly basis, which include information dealing with the amount and scope of Serendex's financial resources. Moreover, at each board meeting, the financial resources are assessed in regards to the potential of procuring necessary capital.

Serendex has a satisfactory cash situation for 2016 to continue the phase IIb clinical trial of GM-CSF for ARDS and the pivotal phase II/III clinical trial of Molgradex® for PAP according to plans. Hence, the annual report for 2015 has been prepared for on-going business. In order to pursue the development strategy as outlaid in the Management Report, Serendex is dependent on acquiring additional capital to continue operations 2017 onwards. Serendex will therefore continue to investigate opportunities and terms for entering into strategic partnerships or mergers and/or licensing agreements that will strengthen Serendex's financial position. In addition, the company will investigate opportunities for receiving additional debt or equity financing.

Securing the company's operation and assets

Serendex has taken out insurance to cover both any losses due to claims in connection with clinical studies and the named patient sales programme as well as the loss of assets due to fire, water damage, theft, and so forth. All insurance related issues are handled by an external insurance broker who reports yearly as to whether the company's insurance cover is sufficient and reasonable.

24. SIGNIFICANT EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The rights issue initiated in 2015 was fully subscribed when the subscription period ended 4 January 2016.

Serendex has in 2016 secured an undrawn committed credit facility provided by the major shareholder that supports a satisfactory cash situation for Serendex for 2016.

Oslo Stock Exchange has in 2016 approved the delisting of Serendex from Oslo Axess. This means that Serendex as of 4 May 2016 no longer is a listed company

As of 15 July 2016 Serendex Pharmaceuticals A/S has signed a business agreement with Savara Inc, Texas (USA), including transfer of the entire operation and all activities.

Serendex Pharmaceuticals A/S has

- changed its chairman of the board as of 16 July 2016.
- changed its CEO as of 16 July 2016.
- changed its name to **Serenova A/S** as of 5 September 2016.
- changed its business address as of 2 September 2016.

No other significant events have occurred subsequent to the balance sheet date that are considered to have a material influence in the evaluation of the 2015 report.

25. BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

BOARD OF DIRECTORS

Karin Verland	**Other positions**
Chairman Board member since 2014	Nygart Privathospital A/S (chairman), N2MO (board member) and Justitia (board member).

As of 01.03.2016 Karin Verland and her related parties hold 234,110 Serendex shares.

Lorenz Johannes Thorndahl Jørgensen	**Other positions**
Board member since 2013 Member of Audit committee	Sorana A/S (board member), LJ investering ApS (board member), Investeringsselskabet Fir A/S International (board member), Fagus A/S (board member), Scanpol International ApS (board member), Triton Hotel A/S (board member), Musholmfonden (board member), Sorø Kunstmuseum (board member).

As of 01.03.2016 Lorenz Jørgensen and his related parties hold 140,369,193 Serendex shares.

Christian Vinding Thomsen	**Other positions**
Board member since 2013	Bech-Bruun Law firm (partner), KT Stålindustri A/S (chairman), RAC Denmark A/S (AVIS & Budget) (board member) and Mark & Gerstenberg A/S (board member).

As of 01.03.2016 Christian Vinding Thomsen and his related parties hold 50,000 Serendex shares.

Søren Bech Justesen	**Other positions**
Board member since 2016 Member of Audit committee	Conscia Holdning A/S (CFO and member of executive management), AX IV CON II ApS (member of Executive management) and Conscia A/S (board member).

As of 01.03.2016 Søren Bech Justesen and his related parties hold 100,000 Serendex shares and 80,000 warrants.

Don deBethizy, Helena Nordin Rudberg and Tone Bjørnov resigned from the Board of Directors with effect from the extraordinary general meeting of 9 February 2016.

EXECUTIVE MANAGEMENT

Kim Arvid Nielsen

CEO and member of Executive Management since 2013

As of 01.03.2016 Kim Arvid Nielsen and his related parties hold 114,746 Serendex shares and 120,000 warrants.

Søren Bech Justesen resigned from Executive Management January 2016

26. ACCOUNTING POLICIES

Accounting policies applied in the preparation of the consolidated financial statements are set out below. The accounting policies are unchanged compared to 2014.

New standards and interpretations

Based on an assessment of new or amended and revised accounting standards and interpretations ('IFRSs') issued by the International Accounting Standards Board (IASB) effective on or after 1 January 2015, it has been assessed that the application of these new IFRSs has not had a material impact on the Consolidated financial statements in 2015, and Management does not anticipate any significant impact on future periods from the adoption of these new IFRSs.

IASB has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect. In general, the following standards are expected to have the most significant impact on current accounting regulation:

- IASB has issued IFRS 9 'Financial Instruments', with effective date 1 January 2018. The Management does currently not see this amendment relevant for Serendex Pharmaceuticals A/S.
- IASB has issued IFRS 15 'Revenue from contracts with customers', with effective date 1 January 2018. The Management does currently not see this amendment relevant for Serendex Pharmaceuticals A/S.
- IASB has issued IFRS 16 'Leases' with effective date 1 January 2019. The Management does currently not see this amendment relevant for Serendex Pharmaceuticals A/S.

Basis of preparation

The Annual Report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the IASB.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Serendex Pharmaceuticals A/S Group's accounting policies. The areas involving a higher degree of judgment or complexity, and areas where assumptions and estimates are significant to the consolidated financial statements are disclosed.

Serendex has a satisfactory cash situation for 2016. Thus, the annual report for 2015 has been prepared for on-going business.

The consolidated financial statements are presented in DKK, reflecting the company's functional currency.

Basis of consolidation

The consolidated financial statements are prepared by adding the audited financial statements of the parent company and the individual subsidiaries, all of which are prepared in accordance with the group's accounting policies.

The following companies are consolidated:

- Serendex Pharmaceuticals A/S (parent company)
- Drugrecure ApS (100% Serendex)
- Pharmaorigin ApS (100% Serendex)

Recognition and measurement in general

The net revenue is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net revenue is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Recognition of value adjustments of assets and liabilities are recognised in the profit and loss account upon financial assessment.

All costs — including depreciation, amortisation, write-down, provisions, and reversals, which are due to changes in estimated amounts previously recognised in the profit and loss account — are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

Translation of foreign currency

Operational transactions in foreign currency are translated by using the exchange rate at cost basis upon bank transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency — not settled at the date of the balance sheet — are translated by using the period closing rate held by The Danish Central Bank. The difference between the closing rate and the rate at the time of establishment of the receivable or the payable is recognised in the profit and loss account under financial income and financial costs.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

INCOME STATEMENT

Net revenue

As of 31 December 2015 Serendex has only one segment according to IFRS.

Revenue represents amounts receivable for products or services delivered in the normal course of business of the company. Revenue is reduced for estimated customer returns and other similar allowances whenever applicable

based on historical data and expectations of future sales. Revenue is recognised upon invoiced sale and when risks and rewards of ownership is transferred to the customer. The risks and rewards of ownership are generally transferred at the time the product is shipped and delivered to the customer. Revenue is recognised in the profit and loss account when management has established that all aforementioned conditions for revenue recognition have been met.

Other operating income and costs comprise accounting items of secondary nature in proportion to the principal activities of the enterprise.

Up-front payments that are attributable to subsequent research and development activities are recognised as deferred revenue and will subsequently be recognised as revenue over the expected contract period. Non-refundable up-front payments and milestone payments that are not attributable to subsequent research and/or development activities or other delivery obligations are recognised as revenue when the contracts are signed or when the milestone criteria are met respectively.

Cost of goods sold

The cost of goods sold comprises costs paid for manufacturing in order to generate net revenue for the year including depreciation, amortisation and write-downs of inventory.

Staff expenses

Staff expenses comprise total remuneration to Serendex employees including fees to Board of Directors.

Raw materials and consumables used

Raw materials and consumables used comprise handling charges, distributions costs and costs paid for manufacturing samples and references.

External expenses

External expenses compromise all external costs including development costs, which are not directly attributable to the Company’s development of new products (capitalised costs). External expenses includes depreciation and write-downs.

The classification of costs (income statement vs. equity), associated with the rights issue is in accordance with IAS32. I.e. costs directly attributable to issuing shares or expected Addition of equity are deducted from equity and costs related to the stock market listing, or otherwise not incremental and directly attributable to issuing new shares, are recognised as an external expense in the income statement.

NET FINANCIALS

Net financials include interest income, interest expenses on loans, and realized and unrealized exchange rate gains and losses. Net financials are recognised in the profit and loss account with the amounts concerning the financial year.

Tax

Tax comprises the current tax for the year and the changes in deferred tax. Tax costs are recognised in the profit and loss account with the amounts concerning the fiscal year with the share referring to entries in the equity subsequently deferred tax asset.

BALANCE SHEET ITEMS

Intangible assets

Intangible fixed assets comprise development projects, patents, and licenses. Development costs comprise costs directly and indirectly attributable to development of new products from which the Company expects a future economic benefit.

All other development costs are recognised as costs in the profit and loss accounts.

Capitalised development costs are measured at cost with deduction of accrued amortisations or at the recoverable value, if this is lower.

The carrying amounts of intangible assets carried at cost or amortized cost are tested annually to determine whether there are indications of any impairment in excess of that expressed in normal amortisation. If that is the case, the asset is written down to the recoverable amount, which is the higher value of the net sales price and the capitalised value. Impairment losses on intangible assets are recognised under the same line item as amortisation of the assets.

For development projects in progress, the recoverable amount is assessed annually, regardless of whether any indications of impairment have been found.

After completion of the development work, capitalised development costs are amortized on a straight line basis over the estimated financial useful life.

Profit and loss from the realization of development projects, patents, and licenses are measured as the difference between the sales price with deduction of sales costs and the book value at the time of the sale.

Tangible assets

Tangible assets are measured at cost with deduction of accrued depreciation and write-down.

The basis of depreciation is costs with deduction of expected residual value after the end of the useful life of the asset.

The cost comprises the Addition cost and costs directly attached to the Addition until the time when the asset is ready for use.

Depreciation takes place on a straight-line basis and based on an evaluation of the expected useful life:

Office equipment and fittings: 3 years
IT and software licenses: 2 years
Leasehold improvements: 10 years

Minor assets with an expected useful life of less than 1 year and/or of a cost less than EUR 2,000 (app. DKK 15,000) are recognised as costs in the profit and loss account in the year of Addition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or loss is recognised in the profit and loss account under depreciation.

Write-down of assets

The book values of intangible as well as tangible fixed assets are subject to annual write-down assessment in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Write-down takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net income deriving from the use of the asset or the group of assets. Any loss based on the write-down test is recognised in the profit and loss account under depreciation.

Inventories

Inventories are measured at cost on basis of measured average prices. In case the net realizable value is lower than the cost, write-down takes place at this lower value.

The inventory includes:

Addition of pharmaceutical ingredients, which include the cost for raw materials and the initial processing

The cost for manufactured goods and works in progress

The net realizable value for inventories is recognised as the market price with the deduction of completion costs and selling costs, and it is determined by taking negotiability, obsolescence, and the development of the expected market price into consideration. All logistic costs related to the inventories are recognised in the profit and loss account.

Deferred tax

Long-term deferred tax (+12 months) and current tax (less than 12 months) are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years, taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax. In the period 2014 to 2016, the corporate tax rate will be reduced gradually from 25% to 22%, which will affect the deferred tax liabilities and deferred tax assets. Unless a recognition with a different tax rate than 22% will result in a significant material deviation in the estimated deferred tax liability or tax asset, deferred tax liabilities and assets are recognised by 22%.

Trade receivables

Trade receivables are recognised at amortized cost less potential losses on doubtful debts. Write-downs are based on individual assessments of each debtor.

Other receivables, prepayments and accrued expenses

Deposits comprise rental deposits paid to real estate agencies.

Prepaid expenses paid in advance but which has not yet been incurred are recognised under assets.

Accrued expenses recognised under assets comprise incurred costs concerning the next financial year.

Cash and cash equivalents

Cash and cash equivalents includes cash in Danske Bank.

Non-current liabilities

Non-current liabilities comprise long term loans to management and corresponds to the outstanding debt of the loan.

Current liabilities

Current liabilities are measured at amortized costs, which usually corresponds to the nominal value.

CASH FLOW STATEMENT

The cash flow statement shows the cash flow of the company for the year, divided in cash flows deriving from
Operating activities
Capitalised activities
Financing activities
Changes in the liabilities
Available funds at the beginning and the end of the year respectively

Cash flow from operating activities

Cash flow from operating activities is calculated as the profit and loss results for the year adjusted for non-cash operating items, the change in the working capital, and corporate tax paid/received.

Cash flow from capitalised activities

Cash flow from investment activities comprises development costs directly attributable to the Company’s research and development of new products and payments in connection with the Addition tangible assets.

Cash flow from financing activities

Cash flow from financing activities comprises changes in the size or the composition of the share capital and the costs in this connection. Furthermore, these activities comprise borrowings, instalments on interest bearing debt, and payment of dividend to the shareholders.

27. STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors have on February 7, 2017 approved the consolidated financial statements of Serendex Pharmaceuticals A/S for the period 1 January 2015 to 31 December 2015.

Unaudited Consolidated Income Statement
for the period 1 January — 30 June

DKK thousand	Notes	half year 2016	half year 2015
Net revenue		704	147
Cost of goods sold		(232)	(115)
Gross profit		471	32
Staff expenses	3,4	(8,698)	(9,256)
External expenses	4	(4,633)	(4,106)
Other expenses	4	(5,424)	(520)
Operating profit/loss (-)		(18,284)	(13,851)
Net financials		(328)	(561)
Profit/loss (-) before tax		(18,612)	(14,412)
Tax expenses		0	3,170
Net profit/loss (-)		**(18,612)**	**(11,242)**

STATEMENT OF COMPREHENSIVE INCOME

DKK thousand		
Net profit/loss (-)	(18,612)	(11,242)
Other comprehensive income	0	0
Total comprehensive income	**(18,612)**	**(11,242)**

Unaudited Consolidated Balance Sheet

ASSETS

DKK thousand	Notes	half year 2016	December 31, 2015
NON-CURRENT ASSETS			
Intangible assets			
Development projects	5	76,023	58,763
Tangible assets			
Plant and equipment	6	191	219
Financial assets			
Long-term deferred tax		0	0
Non-current receivables			
Deposits		199	199
Total non-current assets		76,412	59,182
CURRENT ASSETS			
Inventories		118	1,244
Receivables			
Tax receivables	7	5,875	5,875
Trade receivables		0	0
Other receivables		562	1,117
Total receivables		6,437	6,992
Cash and cash equivalents		2,398	5,914
Total current assets		8,849	14,210
Total assets		**85,366**	**73,391**

EQUITY AND LIABILITIES

EQUITY			
Share capital		16,410	12,134
Retained earnings		52,046	49,059
Total equity		68,456	61,193
LIABILITIES			
Non-current liabilities			
Long-term loans from shareholders and management	8	11,168	1,168
Total non-current liabilities		11,168	1,168
Current liabilities			
Trade payables		3,150	5,921
Other current liabilities		2,592	5,108
Total current liabilities		5,742	11,029
Total liabilities		16,910	12,197
Total equity and liabilities		**85,366**	**73,391**

Unaudited Consolidated Changes in equity

DKK thousand	Notes	Share capital	Retained earnings	Total
Equity at 1 January 2015		**1,506**	**32,179**	**33,685**
Profit/loss (-)		0	(33,853)	(33,853)
Other comprehensive income		0	0	0
Total comprehensive income		0	(33,853)	(33,853)
Share-based incentive	3	0	651	651
Share capital increase		10,628	0	10,628
Share premium by converted shareholder loan		0	51,394	51,394
Capital transactions costs		0	(1,311)	(1,311)
Equity at 31 December 2015		**12,134**	**49,059**	**61,193**
Equity at 1 January 2016		**12,134**	**49,059**	**61,193**
Profit/loss (-)		0	(18,612)	(18,612)
Other comprehensive income		0	0	0
Total comprehensive income		0	(18,612)	(18,612)
Share-based incentive	3	0	2,605	2,605
Share capital increase		4,276	0	4,276
Share premium		0	20,600	20,600
Capital transactions costs		0	(1,606)	(1,606)
Equity at 30 June 2016		**16,410**	**52,046**	**68,456**

The share capital comprises of 16,410,113.50 shares, each with a nominal value of DKK 0.10. Shareholder loan conversion recognized end of 2015 comprises of 106,279,592 shares, also each with a nominal value of DKK 0.10. No shares hold particular rights. Conversion registered in “Erhvervsstyrelsen” on the 13.01.2016.

Unaudited Consolidated Cash Flow Statement
for the period 1 January 2016 — 30 June

DKK thousand	Notes	half year 2016	half year 2015
Profit/loss (-) before tax		**(18,612)**	**(14,412)**
Adjustments	10	2,962	1,897
Change in working capital	11	(3,606)	364
Cash flow from operating activities before net financials		**(19,257)**	**(12,151)**
Currency gain/loss		(146)	822
Net interest costs		(182)	(1,383)
Cash flow from ordinary activities		**(19,585)**	**(12,711)**
Tax reimbursement		0	0
Cash flow from operating activities		**(19,585)**	**(12,711)**
Addition of intangible assets	5	(17,260)	(15,941)
Addition of tangible assets	6	0	0
Paid deposits		0	14
Cash flow from investment activities		**(17,260)**	**(15,927)**
Loans received from shareholders	8	10,000	12,000
Share capital increase		0	0
Share premium by IPO		24,876	0
Capital transaction costs		(1,606)	(2,251)
Cash flow from financial activities		**33,270**	**9,749**
Cash flow in total		**(3,576)**	**(18,889)**
Cash and cash equivalents at the beginning of the year		5,974	20,460
Cash and cash equivalents end of period		**2,398**	**1,571**

Unaudited Notes
DKK thousand

1. CAPITAL RESSOURCES

As of 15 July 2016 Serendex A/S has signed a business agreement with Savara Inc, Texas (USA), including transfer of the entire operation and all activities. This is done in order to strengthening the financial and strategic platform for the further development of the pipeline.

Savara Inc will continue to provide the necessary funding of the Danish entities including Savara ApS, Drugrecure Aps and Pharmorigin ApS — in order to secure the continued operation of the entities going forward.

2. ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires the making of estimates and judgments that affect the reporting of assets, liabilities and expenses. The estimates and judgments are reviewed on an ongoing basis. Estimates and judgments are based on historical results and on various other assumptions, which Serendex believes to be reasonable under the circumstances. We believe that the accounting policies relating to development costs and deferred tax involve estimates or judgments by management that could have a materially affect to the reported financial position and results.

Significant accounting policies

The interim financial statements are prepared in accordance with IAS 34, Interim Financial Reporting, as issued by IASB. The interim financial statements are presented in Danish Kroner (DKK), which is considered the primary currency of the Group's activities and the functional currency of the parent company. The accounting policies used in the interim financial statements are consistent with those used in the consolidated financial statements for 2015 and in accordance with the recognition and measurement policies in the International Financial Reporting Standards (IFRS) as issued by the ASB.

Significant accounting estimates, assumptions and uncertainties

In the preparation of the interim financial statements according to IAS 34, Interim Financial Reporting, as issued by the IASB, Management is required to make certain estimates as many financial statement items cannot be reliably measured, but must be estimated. Such estimates comprise judgments made on the basis of the most recent information available at the reporting date. It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or due to supplementary information, additional experience or subsequent events. Similarly, the value of assets and liabilities often depends on future events that are somewhat uncertain. In that connection, it is necessary to set out e.g. a course of events that reflects Management's assessment of the most probable course of events.

Further to the significant accounting estimates, assumptions and uncertainties, which are stated in the Annual Report 2015, the Management has not changed significant estimates and judgments regarding recognition and measurement.

Basis of consolidation

The interim consolidated financial statements are prepared by adding the interim financial statements of the parent company and the individual subsidiaries, all of which are prepared in accordance with the group's accounting policies.

The following companies are consolidated:

- Serendex A/S
- Drugrecure ApS
- Pharmaorigin ApS

Development costs

The management is confident of achieving approval of the pipeline products, as the products are based on an existing approved drug, and hold the evidence to support this. The entire capitalized cost base of development costs is part of the signed business transfer agreement with Savara Inc.

Deferred tax

Due to tax credit reimbursement instalment by the Danish government, Serendex expects to be reimbursed DKK 5.9 million in Q4 2016 (relating to tax loss 2015). Hence the tax receivable has been recognized in the balance sheet. Due to the loss in 2016, Serendex expects to be correspondingly reimbursed in Q4 2017 (relating to tax loss in 2016), however it is not possible to estimate the amount reliable and a tax receivable relating to this reimbursement has not been recognized in the balance sheet. Long-term deferred tax asset has been evaluated against the future income within the next three fiscal years and will not be recognised in the balance sheet, as they are not realizable. The long-term deferred tax asset amounts to DKK 9.1 million as of 30 June 2016.

3. STAFF EXPENSES

DKK thousand	half year 2016	half year 2015
Staff		
Salaries, cash bonus, etc.	4,300	3,991
Pension costs or other social security costs	618	917
Share based incentive	1,157	0
Other staff costs	195	207
	6,270	5,115
Management		
Fees to Board of Directors	292	717
Salary, cash bonus, etc. to Executive Management	555	3,072
Pension contributions to Executive Management	133	213
Share-based incentive	1,448	139
	2,428	4,141
Total staff expenses	**8,698**	**9,256**
Average number of full time employees (FTE)	12.6	11.5
FTEs as of end of period	11.3	11.8

4. OTHER EXPENSES AND COSTS BY FUNCTION

DKK thousand	half year 2016	half year 2015
Other expenses		
Capital cost (funding)	5,424	520
	5,424	**520**
Costs by function		
Sales and distribution costs	917	415
Expensed development costs	1,449	378
Staff and Administrative expenses	10,965	12,570
	18,755	**13,883**

5. DEVELOPMENT PROJECTS

DKK thousand	half year 2016	half year 2015
Costs at the beginning of the year	64,962	30,186
Additions in the period	17,260	15,941
Costs end of period	82,222	46,127
Depreciation and write-down at the beginning of the year	6,199	769
Depreciation in period	0	0
Write-down in period	0	0
Depreciation and write-down end of period	6,199	769
Book value end of period	**76,023**	**45,357**

All capitalised development costs are related to development work in progress. In order for costs to be qualified in the balance sheet as development costs, the nature of the expense has to be linked to a specific activity in the development process. Development costs, which do not fulfil the requirements for recognition in the balance sheet, are expensed immediately in the income statement. The development costs recognised in the income statement as of 30 June 2016 is DKK 2.0 million for the Group.

6. TANGIBLE ASSETS

Costs at the beginning of the year	313	313
Addition in period	0	0
Disposals in period	0	0
Costs end of period	313	313
Depreciation and write-down at the beginning of the year	93	35
Reversed depreciation on disposals	0	0
Depreciation in period	29	29
Write-down in period	0	0
Depreciation and write-down end of period	122	64
Book value end of period	**191**	**249**

The tangible assets consist of leasehold improvements and office equipment related to Slotsmarken 17, Hørsholm.

7. TAX RECEIVABLES AND DEFERRED TAX

DKK thousand	half year 2016	half year 2015
Deferred tax at the beginning of the year	11,477	8,766
Tax Credit Reimbursement 2015	(5,875)	0
Tax Credit Reimbursement as of 30 June 2016	(2,979)	0
Deferred tax net change	6,448	3,170
Deferred tax end of period	**9,071**	**11,936**
The deferred tax concerns		
Intangible assets	(16,966)	(9,846)
Tangible assets	9	12
Loss carried forward	26,028	21,770
Deferred tax end of period	**9,071**	**11,936**
The deferred tax is reconciled as follows		
Deferred tax end of period	14,946	11,936
Long-term deferred tax	0	5,686
Long-term deferred tax not recognised in the balance sheet	9,071	0
Current asset	**5,875**	**6,250**

The long-term deferred tax asset has been evaluated against the future taxable income within the next three fiscal years and will not be recognised in the balance sheet, as they are not realizable. Due to tax credit reimbursement instalment by the Danish government, Serendex Group was cash reimbursed DKK 5.875 million of the tax asset in November 2016.

8. LOANS FROM SHAREHOLDERS

Loans at the beginning of the year	1,168	24,448
Additions during the period	10,000	12,000
Loans at the end of the period	11,168	36,598
Interest (accrued)	181	0
Loans including unpaid interest at the end of the period	**11,349**	**36,598**

The shareholders have provided a secured and committed credit facility of DKK 25 million of which DKK 15.0 million is undrawn as of 30 June 2016.

9. FINANCIAL RISKS

Serendex is exposed to exchange rate risks in the countries where Serendex conducts its business i.e. the risk relates to the rise/fall in EURO, GBP and USD. It is Group policy not to actively conduct speculation in any financial risks and it is the management’s strategy to seek to offset exchange-rate risks.

10. STATEMENT OF CASH FLOWS — ADJUSTMENTS

DKK thousand	Unaudited Notes	half year 2016	half year 2015
Financial income and expenses		328	561
Amortisation and depreciation		28	29
Accumulated interests		0	1,134
Share based incentive		2,605	174
Total adjustments		**2,962**	**1,897**

11. STATEMENT OF CASH FLOWS — CHANGE IN WORKING CAPITAL

Net change in receivables	555	1,357
Net change in inventory	1,126	125
Net change in current debt	(5,287)	(1,118)
Total change in working capital	**(3,289)**	**364**

12. Significant events occurring after the balance sheet date

As of 15 July 2016 Serendex Pharmaceuticals A/S has signed a business agreement with Savara Inc, Texas (USA), including transfer of the entire operation and all activities.

Serendex Pharmaceuticals A/S has

- changed its chairman of the board as of 16 July 2016.
- changed its CEO as of 16 July 2016.
- changed its name to **Serenova A/S** as of 5 September 2016.
- changed its business address as of 2 September 2016.

No other significant events have occurred subsequent to the balance sheet date that are considered to have a material influence in the evaluation of the 30 June 2016 Interim Report.

13. CONTINGIENT LIABILITIES

Pending litigations

As of 30 June 2016 Serendex has made an external legal assessment of alleged claims against the company. None has been seen as having any material impact — hence, no provisions have been made.

Joint Taxation

Serendex A/S is part of a Danish joint taxation scheme with Sorana A/S, Drugrecure ApS and Pharmaorigin, and has consequently a joint and several liabilities with respect to corporate income taxes etc. for the jointly-taxed companies, and a joint and several liability with respect to any obligations to withhold tax on interest, royalties and dividends for these companies.

14. ACCOUNTING POLICIES

Accounting policies applied in the preparation of the consolidated financial statements are set out below. The accounting policies are unchanged compared to 2015.

New standards and interpretations

Based on an assessment of new or amended and revised accounting standards and interpretations ('IFRSs') issued by the International Accounting Standards Board (IASB) effective on or after 1 January 2016, it has been assessed that the application of these new IFRSs has not had a material impact on the Consolidated financial statements in 2016, and Management does not anticipate any significant impact on future periods from the adoption of these new IFRSs.

IASB has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect. In general, the following standards are expected to have the most significant impact on current accounting regulation:

- IASB has issued IFRS 9 'Financial Instruments', with effective date 1 January 2018. The Management does currently not see this amendment relevant for Serendex Pharmaceuticals A/S.
- IASB has issued IFRS 15 'Revenue from contracts with customers', with effective date 1 January 2018. The Management does currently not see this amendment relevant for Serendex Pharmaceuticals A/S.
- IASB has issued IFRS 16 'Leases' with effective date 1 January 2019. The Management does currently not see this amendment relevant for Serendex Pharmaceuticals A/S.

Basis of preparation

The Annual Report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by IASB.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Serendex Pharmaceuticals A/S Group's accounting policies. The areas involving a higher degree of judgment or complexity, and areas where assumptions and estimates are significant to the consolidated financial statements are disclosed.

Serendex has a satisfactory cash situation for the next 12 months – hence the interim report has been prepared for on-going business.

The consolidated financial statements are presented in DKK, reflecting the company's functional currency.

Basis of consolidation

The consolidated financial statements are prepared by adding the financial statements of the parent company and the individual subsidiaries, all of which are prepared in accordance with the group's accounting policies.

The following companies are consolidated:

- **Serendex Pharmaceuticals A/S (parent)**
- **Drugrecure ApS (100% Serendex)**
- **Pharmaorigin ApS (100% Serendex)**

Recognition and measurement in general

The net revenue is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net revenue is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in

connection with the sale. Recognition of value adjustments of assets and liabilities are recognised in the profit and loss account upon financial assessment.

All costs — including depreciation, amortisation, write-down, provisions, and reversals, which are due to changes in estimated amounts previously recognised in the profit and loss account — are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

Translation of foreign currency

Operational transactions in foreign currency are translated by using the exchange rate at cost basis upon bank transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency — not settled at the date of the balance sheet — are translated by using the period closing rate held by The Danish Central Bank. The difference between the closing rate and the rate at the time of establishment of the receivable or the payable is recognised in the profit and loss account under financial income and financial costs.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

INCOME STATEMENT

Net revenue

As of 30 June 2016 Serendex has only one segment according to IFRS.

Revenue represents amounts receivable for products or services delivered in the normal course of business of the company. Revenue is reduced for estimated customer returns and other similar allowances whenever applicable based on historical data and expectations of future sales. Revenue is recognised upon invoiced sale and when risks and rewards of ownership is transferred to the customer. The risks and rewards of ownership are generally transferred at the time the product is shipped and delivered to the customer. Revenue is recognised in the profit and loss account when management has established that all aforementioned conditions for revenue recognition have been met.

Other operating income and costs comprise accounting items of secondary nature in proportion to the principal activities of the enterprise.

Up-front payments that are attributable to subsequent research and development activities are recognised as deferred revenue and will subsequently be recognised as revenue over the expected contract period. Non-refundable up-front payments and milestone payments that are not attributable to subsequent research and/or development activities or other delivery obligations are recognised as revenue when the contracts are signed or when the milestone criteria are met respectively.

Cost of goods sold

The cost of goods sold comprises costs paid for manufacturing in order to generate net revenue for the year including depreciation, amortisation and write-downs of inventory.

Staff expenses

Staff expenses comprise total remuneration to Serendex employees including fees to Board of Directors.

Raw materials and consumables used

Raw materials and consumables used comprise handling charges, distributions costs and costs paid for manufacturing samples and references.

External expenses

External expenses compromise all external costs including development costs, which are not directly attributable to the Company's development of new products (capitalised costs). External expenses includes depreciation and write-downs.

The classification of costs (income statement vs. equity), associated with the rights issue is in accordance with IAS32. I.e. costs directly attributable to issuing shares or expected Addition of equity are deducted from equity and costs related to the stock market listing, or otherwise not incremental and directly attributable to issuing new shares, are recognised as an external expense in the income statement.

NET FINANCIALS

Net financials include interest income, interest expenses on loans, and realized and unrealized exchange rate gains and losses. Net financials are recognised in the profit and loss account with the amounts concerning the financial year.

Tax

Tax comprises the current tax for the year and the changes in deferred tax. Tax costs are recognised in the profit and loss account with the amounts concerning the fiscal year with the share referring to entries in the equity subsequently deferred tax asset.

BALANCE SHEET ITEMS

Intangible assets

Intangible fixed assets comprise development projects, patents, and licenses. Development costs comprise costs directly and indirectly attributable to development of new products from which the Company expects a future economic benefit. All other development costs are recognised as costs in the profit and loss accounts.

Capitalised development costs are measured at cost with deduction of accrued amortisations or at the recoverable value, if this is lower.

The carrying amounts of intangible assets carried at cost or amortized cost are tested annually to determine whether there are indications of any impairment in excess of that expressed in normal amortisation. If that is the case, the asset is written down to the recoverable amount, which is the higher value of the net sales price and the capitalised value. Impairment losses on intangible assets are recognised under the same line item as amortisation of the assets. For development projects in progress, the recoverable amount is assessed annually, regardless of whether any indications of impairment have been found.

After completion of the development work, capitalised development costs are amortized on a straight-line basis over the estimated financial useful life.

Profit and loss from the realization of development projects, patents, and licenses are measured as the difference between the sales price with deduction of sales costs and the book value at the time of the sale.

Tangible assets

Tangible assets are measured at cost with deduction of accrued depreciation and write-down. The basis of depreciation is costs with deduction of expected residual value after the end of the useful life of the asset.

The cost comprises the Addition cost and costs directly attached to the Addition until the time when the asset is ready for use. Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

Office equipment and fittings: 3 years
IT and software licenses: 2 years
Leasehold improvements: 10 years

Minor assets with an expected useful life of less than 1 year and/or of a cost less than EUR 2,000 (app. DKK 15,000) are recognised as costs in the profit and loss account in the year of Addition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or loss is recognised in the profit and loss account under depreciation.

Write-down of assets

The book values of intangible as well as tangible fixed assets are subject to annual write-down assessment in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Write-down takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net income deriving from the use of the asset or the group of assets. Any loss based on the write-down test is recognised in the profit and loss account under depreciation.

Inventories

Inventories are measured at cost on basis of measured average prices. In case the net realizable value is lower than the cost, write-down takes place at this lower value.

The inventory includes:

Addition of pharmaceutical ingredients, which include the cost for raw materials and the initial processing

The cost for manufactured goods and works in progress

The net realizable value for inventories is recognised as the market price with the deduction of completion costs and selling costs, and it is determined by taking negotiability, obsolescence, and the development of the expected market price into consideration. All logistic costs related to the inventories are recognised in the profit and loss account.

Deferred tax

Long-term deferred tax (+12 months) and current tax (less than 12 months) are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years, taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously. Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax. In the period 2014 to 2016, the corporate tax rate will be reduced gradually from 25% to 22%, which will affect the deferred tax liabilities and deferred tax assets. Unless a recognition with a different tax rate than 22% will result in a significant material deviation in the estimated deferred tax liability or tax asset, deferred tax liabilities and assets are recognised by 22%.

Trade receivables

Trade receivables are recognised at amortized cost less potential losses on doubtful debts. Write-downs are based on individual assessments of each debtor.

Other receivables, prepayments and accrued expenses

Deposits comprise rental deposits paid to real estate agencies.

Prepaid expenses paid in advance but which has not yet been incurred are recognised under assets.

Accrued expenses recognised under assets comprise incurred costs concerning the next financial year.

Cash and cash equivalents

Cash and cash equivalents includes cash in Danske Bank.

Non-current liabilities

Non-current liabilities comprise long term loans to management and corresponds to the outstanding debt of the loan.

Current liabilities

Current liabilities are measured at amortized costs, which usually corresponds to the nominal value.

CASH FLOW STATEMENT

The cash flow statement shows the cash flow of the company for the year, divided in cash flows deriving from Operating activities, Capitalised activities, Financing activities, Changes in the liabilities, Available funds at the beginning and the end of the year respectively

Cash flow from operating activities

Cash flow from operating activities is calculated as the profit and loss results for the year adjusted for non-cash operating items, the change in the working capital, and corporate tax paid/received.

Cash flow from capitalised activities

Cash flow from investment activities comprises development costs directly attributable to the Company's research and development of new products and payments in connection with the Addition tangible assets.

Cash flow from financing activities

Cash flow from financing activities comprises changes in the size or the composition of the share capital and the costs in this connection. Furthermore, these activities comprise borrowings, instalments on interest bearing debt, and payment of dividend to the shareholders.

15. STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors on the February 7, 2017 approved the unaudited consolidated financial statements of Serendex A/S for the period 1 January 2016 to 30 June 2016.

Annex A

AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

BY AND AMONG

MAST THERAPEUTICS, INC.,

VICTORIA MERGER CORP.,

AND

SAVARA INC.,

Dated as of January 6, 2017

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AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

THIS AGREEMENT AND PLAN OF MERGER AND REORGANIZATION, is made and entered into as of January 6, 2017 (this "***Agreement***"), by and among **MAST THERAPEUTICS, INC.** a Delaware corporation ("***Parent***"), **VICTORIA MERGER CORP.**, a Delaware corporation ("***Merger Sub***") and **SAVARA INC.**, a Delaware corporation ("***Company***"). Parent, Merger Sub and Company are each a "***Party***" and referred to collectively herein as the "***Parties***." Certain capitalized terms used in this Agreement are defined in **Exhibit A**.

RECITALS:

WHEREAS, this Agreement contemplates a merger of the Merger Sub with and into Company, with Company remaining as the surviving entity after the merger (the "***Merger***"), whereby the Company Stockholders will receive Parent Common Stock in exchange for their Company Capital Stock;

WHEREAS, the Parties intend, by approving resolutions authorizing this Agreement, to adopt this Agreement as a plan of reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "***Code***"), and the regulations thereunder, and to cause the Merger to qualify as a reorganization under the provisions of Section 368(a) of the Code;

WHEREAS, pursuant to the terms and conditions of this Agreement, the holders of the outstanding equity of Company immediately prior to the Effective Time will own approximately 75.9% of the outstanding equity of Parent immediately following the Effective Time and the holders of the outstanding equity of Parent immediately prior to the Merger will own approximately 24.1% of the outstanding equity of Parent immediately following the Effective Time, subject to adjustment as provided herein;

WHEREAS, the board of directors of Parent (i) has determined that the Merger is fair to, and in the best interests of, Parent and its stockholders, (ii) has approved this Agreement, the Merger, the issuance of shares of Parent Common Stock to the Company Stockholders pursuant to the terms of this Agreement, the change of control of Parent, and the other actions contemplated by this Agreement, (iii) has approved the Amended and Restated Charter and Reverse Split; and (iv) has determined to recommend that the stockholders of Parent vote to approve the Parent Stockholder Approval Matters, the Reverse Split and such other actions as contemplated by this Agreement;

WHEREAS, the board of directors of Merger Sub (i) has determined that the Merger is fair to, and in the best interests of, Merger Sub and its sole stockholder, (ii) has approved this Agreement, the Merger, and the other actions contemplated by this Agreement and has deemed this Agreement advisable and (iii) has determined to recommend that its sole stockholder vote to adopt this Agreement and thereby approve the Merger and such other actions as contemplated by this Agreement;

WHEREAS, the board of directors of Company (i) has determined that the Merger is advisable and fair to, and in the best interests of, Company and its stockholders, (ii) has approved this Agreement, the Merger and the other transactions contemplated by this Agreement and the agreements entered into in connection herewith (the "***Transactions***") and has deemed this Agreement advisable and (iii) has determined to recommend that the Company Stockholders vote to approve the Company Stockholder Matters;

WHEREAS, as a condition to the willingness of, and an inducement to each of Parent and the Company to enter into this Agreement, contemporaneously with the execution and delivery of this Agreement, each of the Company Voting Agreement Signatories is entering into a voting agreement, in favor of Company, in substantially the form of Exhibit B-1 attached hereto (the "***Company Voting Agreements***"), and each of the Parent Voting Agreement Signatories is entering into a voting agreement, in favor of Parent, in substantially the

form of Exhibit B-2 attached hereto (individually, the "***Parent Voting Agreements***" and collectively, the "***Voting Agreement***") under which the Voting Agreement Signatories will agree, with respect to a portion of the shares of Company Capital Stock or Parent Capital Stock, as applicable, held thereby, to vote as stockholders in favor of the Required Company Stockholder Vote Matters or Parent Stockholder Matters, as applicable, pursuant to the terms and conditions of the Voting Agreements, as applicable; and

WHEREAS, as a condition to the willingness of, and an inducement to each of Parent and the Company to enter into this Agreement, contemporaneously with the execution and delivery of this Agreement, each of the Lock-up Signatories is entering into a lock-up agreement, in substantially the form of **Exhibit F** attached hereto (the "***Lock-up Agreements***") with respect to a portion of the shares of Parent Common Stock held thereby from time to time;

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties and covenants herein contained, and for other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

ARTICLE 1

THE MERGER

1.1 The Merger. Subject to and upon the terms and conditions of this Agreement and Delaware General Corporation Law ("***Delaware Law***"), Merger Sub will be merged with and into Company at the Effective Time. From and after the Effective Time, the separate corporate existence of Merger Sub will cease, and Company will continue as the surviving corporation. Company as the surviving corporation after the Merger is hereinafter sometimes referred to as the "***Surviving Corporation***."

1.2 Closing; Effective Time. Unless this Agreement has been terminated and the Transactions herein contemplated have been abandoned pursuant to Section 7.1 of this Agreement, and subject to the satisfaction or waiver of the conditions set forth in Article 6 of this Agreement, the consummation of the Merger (the "***Closing***") will take place at the offices of DLA Piper LLP, 4365 Executive Drive, Suite 1100, San Diego, CA 92121, at 10:00 a.m. on a date to be specified by the Parties which, subject to the terms of **Section 1.10**, will be no later than three Business Days after satisfaction or waiver of the conditions set forth in Article 6 (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of each such conditions), or at such other time, date and place as Parent and Company may mutually agree in writing. The date on which the Closing actually takes place is referred to as the "***Closing Date***". On the Closing Date, the Parties will cause the Merger to be consummated by executing and filing a Certificate of Merger in accordance with the relevant provisions of Delaware Law (the "***Certificate of Merger***"), in substantially the form of **Exhibit C-1** attached hereto, together with any required related certificates, with the Secretary of State of the State of Delaware, in such form as required by, and executed in accordance with the relevant provisions of, Delaware Law. The Merger will become effective at the time of the filing of such Certificate of Merger with the Secretary of State of the State of Delaware or at such later time as may be specified in such Certificate of Merger with the consent of Parent and Company (the time as of which the Merger becomes effective being referred to as the "***Effective Time***").

1.3 Effect of the Merger. At the Effective Time, the effect of the Merger will be as provided in this Agreement, the Certificate of Merger and the applicable provisions of Delaware Law. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the property, rights, privileges, powers and franchises of Company will vest in the Surviving Corporation, and all debts, liabilities, obligations and duties of Company will become the debts, liabilities, obligations and duties of the Surviving Corporation.

1.4 Certificate of Incorporation; Bylaws; Reverse Split; Parent Name Change. Unless otherwise determined by Parent and Company:

(a) the certificate of incorporation of Company will be amended and restated at the Effective Time to read in its entirety as set forth on **Exhibit C-2** hereto, and, as so amended and restated, will be the certificate of incorporation of the Surviving Corporation until thereafter amended as provided by Delaware Law and such certificate of incorporation;

(b) the bylaws of Company will be amended and restated to read in the form of the bylaws of Merger Sub, as in effect on the date hereof and, as so amended and restated, will be the bylaws of the Surviving Corporation until thereafter amended as provided by Delaware Law, the certificate of incorporation of the Surviving Corporation and such bylaws; and

(c) immediately prior to the Effective Time, Parent will amend its certificate of incorporation and take all other actions necessary to (i) cause its name to be changed to Savara Inc. or such other name as the Company directs in writing no later than three (3) Business Days prior to the Closing, (ii) effect the Reverse Split to the extent applicable, and (iii) make such other changes as are mutually agreeable to Parent and Company in substantially the formed attached hereto as Exhibit D (the "***Parent Amended and Restated Charter***").

1.5 Directors and Officers of the Surviving Corporation and Parent. Unless otherwise determined by Parent and Company, the parties will take all action such that:

(a) unless otherwise determined by the Company prior to the Effective Time, the directors of the Company immediately prior to the Effective Time will be the directors of the Surviving Corporation immediately following the Effective Time until such time as their respective successors are duly elected or appointed;

(b) unless otherwise determined by the Company prior to the Effective Time, the officers of Company immediately prior to the Effective Time will be the officers of the Surviving Corporation immediately following the Effective Time until such time as their respective successors are duly elected or appointed; and

(c) the directors and officers of Parent immediately following the Effective Time shall be elected and appointed in accordance with Section 5.11.

1.6 Conversion of Company Securities. At the Effective Time, by virtue of the Merger and without any action on the part of Parent, Merger Sub, Company, any stockholder of the Company or any other Person:

(a) Conversion of Company Capital Stock. Each share of Company Capital Stock issued and outstanding immediately prior to, and contingent upon the occurrence of, the Effective Time (excluding any shares to be canceled pursuant to **Section 1.6(b)** or **Section 1.6(c)** and any Dissenting Shares to be treated in accordance with **Section 1.7**) will be converted into and represent the right to receive a number of shares of validly issued, fully paid and nonassessable shares of common stock of Parent, $0.001 par value per share ("***Parent Common Stock***") equal to the Exchange Ratio (subject to adjustment pursuant to **Section 1.10**) *plus* cash in lieu of any fractional shares of Parent Common Stock to be issued or paid in consideration therefor (the "***Merger Consideration***").

(b) Merger Sub Common Stock. Each share of Merger Sub Common Stock then outstanding will be converted into one share of common stock of the Surviving Corporation. Each stock certificate of Merger Sub evidencing ownership of any such shares will, as of the Effective Time, evidence ownership of such shares of common stock of the Surviving Corporation.

(c) Cancellation. Each share of Company Capital Stock held in the treasury of Company and each share of Company Capital Stock owned by Parent or by any direct or indirect wholly owned Subsidiary of Company or Parent immediately prior to the Effective Time will, by virtue of the Merger and without any action on the part of the holder thereof, cease to be outstanding, be canceled and extinguished without any conversion thereof and without payment of any consideration therefor and cease to exist.

(d) Company Options. Each Company Option under the Company Option Plan that is outstanding and unexercised as of immediately prior to the Effective Time will be subject to Section 5.17. Prior to the Closing Date, and subject to the review and approval of Parent, Parent and Company will take all actions necessary to effect the transactions contemplated by this Section 1.6(d) under applicable Legal Requirements and all such Company Options, including delivering all notices required thereby and, if required, entering into termination agreements with the holders of such Company Options. In addition, promptly after the date of this Agreement, and in any event within ten (10) Business Days before the Effective Time, and subject to the review and approval of Parent, Company shall deliver notice to all holders of Company Options setting forth such holders' rights pursuant to this Agreement.

(e) Company Warrants.

(i) Each Company Warrant that is outstanding and unexercised as of immediately prior to the Effective Time will be subject to Section 5.18.

(ii) Prior to the Closing Date, and subject to the review and approval of Parent, Parent and Company will take all actions necessary to effect the transactions contemplated by this Section 1.6(e) under applicable Legal Requirements and all Company Warrants, including delivering all notices required thereby, and if required, entering into termination agreements with holders of such Company Warrants. In addition, if required by any applicable Company Warrant, promptly after the date of this Agreement, and in any event within ten (10) Business Days before the Effective Time, and subject to the review and approval of Parent, Company shall deliver notice to the holders of such Company Warrants setting forth such holders' rights pursuant to this Agreement.

(f) Adjustments to Exchange Ratio. The Exchange Ratio and the price paid for fractional shares pursuant to Section 1.6(g) below will be adjusted pursuant to Section 1.10, as well as appropriately adjusted to reflect fully the effect of any stock split, reverse split (including the Reverse Split contemplated by this Agreement), stock dividend (including any dividend or distribution of securities convertible into Parent Common Stock or Company Capital Stock), reorganization, recapitalization or other like change with respect to Parent Common Stock or Company Capital Stock or issuance of Parent Common Stock or Company Capital Stock occurring after the date hereof and prior to the Effective Time. For the avoidance of doubt, no such adjustment shall be made in respect of any Post-Closing Financing.

(g) Fractional Shares. No fraction of a share of Parent Common Stock will be issued in connection with the Merger, and no certificates or scrip for any such fractional shares will be issued. Company Stockholders will not be entitled to any voting rights, rights to receive any dividends or distributions or other rights as a stockholder of Parent with respect to any such fraction of a share that would have otherwise been issued to such Company Stockholder. Any Company Stockholder who would otherwise be entitled to receive a fraction of a share of Parent Common Stock (after aggregating all fractional shares of Parent Common Stock issuable to such holder) will, in lieu of such fraction of a share and upon surrender of such holders' Company Stock Certificate(s), be paid in cash the dollar amount (rounded down to the nearest whole cent), without interest, determined by multiplying such fraction by the average of the closing sale prices of Parent Common Stock as quoted on the NYSE MKT or, if Parent Common Stock is not listed on the NYSE MKT, as quoted on the applicable over-the-counter market for the ten (10) consecutive trading days ending with the second to last trading day immediately preceding the Effective Time (as adjusted pursuant to Section 1.6(f) above).

(h) Restrictions. If any shares of Company Capital Stock outstanding immediately prior to the Effective Time are unvested or are subject to a repurchase option, risk of forfeiture or other condition under any applicable restricted stock purchase agreement or other Contract with Company or under which Company has any rights, then the shares of Parent Common Stock issued in exchange for such shares of Company Capital Stock, subject to Section 5.17, will also be unvested and subject to the same repurchase option, risk of forfeiture or other condition, and the book-entry representing such shares of Parent Common Stock may accordingly be

marked with appropriate legends. Company will take all action that may be necessary to ensure that, from and after the Effective Time, Parent is entitled to exercise any such repurchase option or other right set forth in any such restricted stock purchase agreement or other Contract.

1.7 Dissenting Shares. For purposes of this Agreement, "***Dissenting Shares***" mean any shares of Company Capital Stock outstanding immediately prior to the Effective Time and held by a person who has not voted such shares in favor of the adoption of this Agreement and the Merger, has properly demanded appraisal for such shares in accordance with Delaware Law and has not effectively withdrawn or forfeited such demand for appraisal. Notwithstanding anything to the contrary contained herein, Dissenting Shares will not be converted into a right to receive the Merger Consideration unless such holder fails to perfect or withdraws or otherwise loses its rights to appraisal or it is determined that such holder does not have appraisal rights in accordance with Delaware Law. If after the Effective Time, such holder fails to perfect or withdraws or loses its right to appraisal, or if it is determined that such holder does not have appraisal rights, such shares will be treated as if they had been converted as of the Effective Time into the right to receive the merger consideration set forth in Section 1.6(a) hereof (if any). Company will give Parent prompt notice of any demands received by Company for appraisal of shares of Company Capital Stock, withdrawals of such demands, and any other instruments that relate to such demands received by Company. The Company shall control all negotiations and proceedings with respect to such demands, *provided* that (i) the Company shall keep Parent reasonably apprised of all material events, circumstance or changes with respect to any such demand following the making thereof and (ii) the Company will not, except with prior written consent of Parent (such consent not to be unreasonably withheld, conditioned or delayed), make any payment with respect to, or settle or offer to settle, any such demands, unless and to the extent required to do so under applicable Legal Requirements.

1.8 Exchange Of Certificates.

(a) Exchange Agent. On or prior to the Closing Date, Parent will select American Stock Transfer & Trust Company, LLC, Parent's transfer agent or another reputable bank or trust company reasonably acceptable to Company to act as exchange agent in connection with the Merger (the "***Exchange Agent***"). As soon as practicable after the Effective Time, Parent will issue and cause to be deposited with the Exchange Agent (i) non-certificated shares of Parent Common Stock represented by book-entry issuable pursuant to Section 1.6(a); and (ii) cash sufficient to make payments in lieu of fractional shares in accordance with Section 1.6(g). The shares of Parent Common Stock and cash amounts so deposited with the Exchange Agent, together with any dividends or distributions received by the Exchange Agent with respect to such shares, are referred to collectively as the "***Exchange Fund***."

(b) Exchange Procedures. As soon as reasonably practicable after the Effective Time, Parent will cause the Exchange Agent to mail to the record holders of Company Stock Certificates (i) a letter of transmittal in customary form and containing such provisions on which Parent and the Company may mutually agree (and which will include a provision confirming that delivery of Company Stock Certificates will be effected, and risk of loss and title to Company Stock Certificates will pass, only upon delivery of such Company Stock Certificates to the Exchange Agent), and (ii) instructions for use in effecting the surrender of Company Stock Certificates in exchange for non-certificated shares of Parent Common Stock represented by book-entry issuable pursuant to Section 1.6(a). Upon surrender of a Company Stock Certificate to the Exchange Agent for exchange, together with a duly executed letter of transmittal and such other documents as may be reasonably required by the Exchange Agent or Parent, (A) the holder of such Company Stock Certificate will be entitled to receive in exchange therefor non-certificated shares of Parent Common Stock represented by book-entry equal to the number of whole shares of Parent Common Stock that such holder has the right to receive pursuant to the provisions of Section 1.6(a) (and cash in lieu of any fractional share of Parent Common Stock pursuant to Section 1.6(g)), and (B) the Company Stock Certificate so surrendered will be canceled. Until surrendered as contemplated by this Section 1.8(b), each Company Stock Certificate held by a Company Stockholder will be deemed, from and after the Effective Time, to represent only the right to receive the Merger Consideration (and cash in lieu of any fractional share of Parent Common Stock). If any Company Stock Certificate will have been

lost, stolen or destroyed, the Exchange Agent will require the owner of such lost, stolen or destroyed Company Stock Certificate to provide an appropriate affidavit and to deliver a bond as indemnity against any claim that may be made against the Exchange Agent, Parent or the Surviving Corporation with respect to such Company Stock Certificate.

(c) Distributions with Respect to Unexchanged Shares. No dividends or other distributions declared or made with respect to Parent Common Stock with a record date after the Effective Time will be paid to the holder of any unsurrendered Company Stock Certificate with respect to the shares of Parent Common Stock that such holder has the right to receive in the Merger until such holder surrenders such Company Stock Certificate in accordance with this Section 1.8 (at which time such holder will be entitled, subject to the effect of applicable escheat or similar laws, to receive all such dividends and distributions, without interest).

(d) Transfers of Ownership. If any shares of Parent Common Stock are to be issued in a name other than that in which the Company Stock Certificate surrendered in exchange therefor is registered, it will be a condition of the issuance thereof that the Company Stock Certificate so surrendered will be properly endorsed and otherwise in proper form for transfer and that the Person requesting such exchange will have paid to Parent or any Person designated by it any transfer or other taxes required by reason of the issuance of the shares of Parent Common Stock in any name other than that of the registered holder of the Company Stock Certificate surrendered, or established to the satisfaction of Parent or any agent designated by it that such tax has been paid or is not payable.

(e) Unclaimed Portion of the Exchange Fund.

(i) Any portion of the Exchange Fund that remains undistributed to holders of Company Stock Certificates as of the date 180 days after the date on which the Merger becomes effective will be delivered to Parent upon demand, and any holders of Company Stock Certificates who have not theretofore surrendered their Company Stock Certificates in accordance with this Section 1.8 will thereafter look only to Parent for satisfaction of their claims for Parent Common Stock, cash in lieu of fractional shares of Parent Common Stock and any dividends or distributions with respect to Parent Common Stock.

(ii) Neither Parent nor the Surviving Corporation will be liable to any holder or former holder of Company Capital Stock or to any other Person with respect to any shares of Parent Common Stock (or dividends or distributions with respect thereto), or for any cash amounts, delivered to any public official pursuant to any applicable abandoned property law, escheat law or similar Legal Requirement.

(f) Withholding Rights. Each of the Exchange Agent, Parent and the Surviving Corporation will be entitled to deduct and withhold from any consideration payable or otherwise deliverable pursuant to this Agreement to any holder or former holder of Company Capital Stock such amounts as are required to be deducted or withheld therefrom under the Code or any provision of state, local or foreign tax law or under any other applicable Legal Requirement. To the extent such amounts are so deducted or withheld and timely paid to the appropriate Governmental Body, such amounts will be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid.

1.9 Stock Transfer Books. At the Effective Time: (a) all shares of Company Capital Stock outstanding immediately prior to the Effective Time will automatically be canceled and retired and cease to exist, and all holders of Company Capital Stock that were outstanding immediately prior to the Effective Time will cease to have any rights as stockholders of Company; and (b) the stock transfer books of Company will be closed with respect to all shares of Company Capital Stock outstanding immediately prior to the Effective Time. No further transfer of any such shares of Company Capital Stock will be made on such stock transfer books after the Effective Time. If, after the Effective Time, a valid certificate previously representing any shares of Company Capital Stock (a "***Company Stock Certificate***") is presented to the Exchange Agent or to the Surviving Corporation or Parent, such Company Stock Certificate will be canceled and exchanged as provided in Section 1.8.

1.10 Calculation of Net Cash.

(a) For the purposes of this Agreement, the "***Determination Date***" shall be the date that is ten (10) calendar days prior to the anticipated date for Closing, as agreed upon by Parent and Company at least ten (10) calendar days prior to the Parent Stockholders' Meeting (the "***Anticipated Closing Date***"). No later than the Determination Date, Parent shall deliver to Company a schedule (the "***Net Cash Schedule***") setting forth, in reasonable detail, Parent's good faith, estimated calculation of Net Cash as of the Anticipated Closing Date (using an estimate of each component thereof as of such date, and to the extent any such component is based on a number computed pursuant to GAAP, as determined in a manner substantially consistent with the manner in which such component was determined for Parent's most recent SEC filings) (the "***Net Cash Calculation***") prepared and certified by Parent's Chief Financial Officer (or if there is no Chief Financial Officer, the principal accounting officer for Parent). Parent shall make the work papers and back-up materials used or useful in preparing the Net Cash Schedule, as reasonably requested in writing by Company, available to Company and, if requested in writing by Company, its accountants and counsel at reasonable times and upon reasonable notice.

(b) Within three (3) Business Days after Parent delivers the Net Cash Schedule (the "***Response Date***"), Company shall have the right to dispute any part of such Net Cash Schedule by delivering a written notice to that effect to Parent (a "***Dispute Notice***"). Any Dispute Notice shall identify in reasonable detail the nature of any proposed revisions to the Net Cash Calculation.

(c) If on or prior to the Response Date, (i) Company notifies Parent in writing that it has no objections to the Net Cash Calculation or (ii) Company fails to deliver a Dispute Notice as provided in Section 1.10(b), then the Net Cash Calculation as set forth in the Net Cash Schedule shall be deemed, subject to the terms of Section 1.10(f), to have been finally determined for purposes of this Agreement and to represent the Net Cash at the Anticipated Closing Date for purposes of this Agreement.

(d) If Company delivers a Dispute Notice on or prior to the Response Date, then Representatives of Parent and Company shall promptly meet and attempt in good faith to resolve the disputed item(s) and negotiate an agreed-upon determination of Net Cash, which agreed upon Net Cash amount shall be deemed to have been finally determined for purposes of this Agreement and to represent the Net Cash at the Anticipated Closing Date for purposes of this Agreement.

(e) If Representatives of Parent and Company are unable to negotiate an agreed-upon determination of Net Cash at the Anticipated Closing Date pursuant to Section 1.10(d) within three (3) calendar days after delivery of the Dispute Notice (or such other period as Parent and Company may mutually agree upon), then Parent and Company shall jointly select an independent auditor of recognized national standing (the "***Accounting Firm***") to resolve any remaining disagreements as to the Net Cash Calculation. Parent shall promptly deliver to the Accounting Firm the work papers and back-up materials used in preparing the Net Cash Schedule, and Parent and Company shall use commercially reasonable efforts to cause the Accounting Firm to make its determination within seven (7) calendar days of accepting its selection. Company and Parent shall be afforded the opportunity to present to the Accounting Firm any material related to the unresolved disputes and to discuss the issues with the Accounting Firm; *provided*, *however*, that no such presentation or discussion shall occur without the presence of a Representative of each of Company and Parent. The determination of the Accounting Firm shall be limited to the disagreements submitted to the Accounting Firm. The determination of the amount of Net Cash made by the Accounting Firm shall be deemed to have been finally determined for purposes of this Agreement and to represent the Net Cash at the Anticipated Closing Date for purposes of this Agreement, and the Parties shall delay the Closing until the resolution of the matters described in this Section 1.10(e). The fees and expenses of the Accounting Firm shall be allocated between Parent and Company in the same proportion that the disputed amount of the Net Cash that was unsuccessfully disputed by such Party (as finally determined by the Accounting Firm) bears to the total disputed amount of the Net Cash amount.

(f) Following the final determination of Net Cash as of the Anticipated Closing Date in accordance with this Section 1.10 (either as a result of the mutual agreement of the parties or the determination of the

Accounting Firm), the Parties shall not be required to determine Net Cash again even though the Closing Date may occur later than the Anticipated Closing Date, except that either Party may request a redetermination of Net Cash if the Closing Date is more than fifteen (15) Business Days after the Anticipated Closing Date (including as a result of the engagement of the Accounting Firm), in which event the procedures set forth in this Section 1.10 shall once again apply and the parties shall select a new Anticipated Closing Date.

1.11 No Further Rights. The Merger Consideration delivered upon the surrender for exchange of Company Capital Stock in accordance with the terms of this Agreement will be deemed to have been issued in full satisfaction of all rights pertaining to such shares.

1.12 Tax Consequences. For United States federal income tax purposes, the Merger is intended to constitute a reorganization within the meaning of Section 368(a) of the Code. The parties to this Agreement hereby adopt this Agreement as a "plan of reorganization" within the meaning of Sections 1.368-2(g) of the Treasury Regulations, and intend to report consistently with the foregoing, including by filing the statement required by Section 1.368-3(a) of the Treasury Regulations.

1.13 Additional Actions. If, at any time after the Effective Time, any further action is necessary, desirable or proper to carry out the purposes of this Agreement and to vest the Surviving Corporation with full right, title and possession to all assets, property, rights, privileges, powers and franchises of Company and Merger Sub, the Surviving Corporation and its proper officers and directors or their designees are fully authorized (to the fullest extent allowed under applicable Legal Requirements) to execute and deliver, in the name and on behalf of either Company or Merger Sub, all deeds, bills of sale, assignments and assurances and do, in the name and on behalf of Company or Merger Sub, all other acts and things necessary, desirable or proper to vest, perfect or confirm its right, title or interest in, to or under any of the rights, privileges, powers, franchises, properties or assets of Company or Merger Sub, as applicable, and otherwise to carry out the purposes of this Agreement.

ARTICLE 2

REPRESENTATIONS AND WARRANTIES OF COMPANY

Company represents and warrants to Parent and Merger Sub as follows (it being understood that each representation and warranty contained in this Article 2 is subject to: (a) the exceptions and disclosures set forth in the part or subpart of the Company Disclosure Schedule corresponding to the particular Section or subsection in this Section 2 in which such representation and warranty appears; (b) any exceptions or disclosures explicitly cross-referenced in such part or subpart of the Company Disclosure Schedule by reference to another part or subpart of the Company Disclosure Schedule; and (c) any exception or disclosure set forth in any other part or subpart of the Company Disclosure Schedule to the extent it is reasonably apparent from the wording of such exception or disclosure that such exception or disclosure qualifies such representation and warranty).

2.1 Organization and Qualification; Charter Documents.

(a) Part 2.1(a) of the Company Disclosure Schedule identifies each Subsidiary of Company and indicates its jurisdiction of organization. Neither Company nor any of the Entities identified in Part 2.1(a) of the Company Disclosure Schedule owns any capital stock of, or any equity interest of any nature in, any other Entity, other than the Entities identified in Part 2.1(a) of the Company Disclosure Schedule. None of the Acquired Companies has agreed or is obligated to make, or is bound by any Contract under which it may become obligated to make, any future investment in or capital contribution to any other Entity.

(b) Each of the Acquired Companies is a corporation, limited liability company or similar entity duly organized, validly existing and, in jurisdictions that recognize the concept, is in good standing under the laws of the jurisdiction of its incorporation, formation or other establishment, as applicable, and has all necessary

corporate power and authority: (i) to conduct its business in the manner in which its business is currently being conducted; (ii) to own and use its assets in the manner in which its assets are currently owned and used; and (iii) to perform its obligations under all Contracts by which it is bound.

(c) Each of the Acquired Companies (in jurisdictions that recognize the following concepts) is qualified to do business as a foreign corporation, and is in good standing, under the laws of all jurisdictions where the nature of its business requires such qualification, except where the failure to be so qualified would not, individually or in the aggregate, have a Company Material Adverse Effect.

(d) Company has made available to Parent accurate and complete copies of: (a) the certificate of incorporation, bylaws and other charter and organizational documents of each Acquired Company, including all amendments thereto; (b) the stock records of each Acquired Company; and (c) the minutes and other records of the meetings and other proceedings (including any actions taken by written consent or otherwise without a meeting) of the stockholders of each Acquired Company, the board of directors of each Acquired Company and all committees of the board of directors of each Acquired Company. The books of account, stock records, minute books and other records of the Acquired Companies are accurate, up-to-date and complete in all material respects, and have been maintained in accordance with prudent business practices.

2.2 Capital Structure.

(a) The authorized capital stock of Company consists of (i) 27,000,000 shares of Company Common Stock, par value $0.001 per share, of which 5,396,883 shares are issued and outstanding as of the date of this Agreement and (ii) 15,799,906 shares of Company Preferred Stock, par value $0.001 per share, (A) 1,799,906 shares are designated as Series A Preferred Stock, all of which are issued and outstanding as of the date of this Agreement, (B) 6,000,000 shares of which are designated as Series B Preferred Stock, of which 5,675,387 shares are issued and outstanding as of the date of this Agreement and (C) 8,000,000 shares of which are designated as Series C Preferred Stock, of which 4,452,582 shares are issued and outstanding as of the date of this Agreement. No shares of capital stock are held in Company's treasury as of the date of this Agreement. All outstanding shares of Company Capital Stock are duly authorized, validly issued, fully paid and non-assessable and were issued in compliance with all applicable federal and state securities Legal Requirements.

(b) As of the date of this Agreement, (i) 4,156,316 shares of Company Common Stock are reserved for issuance to employees, consultants and non-employee directors pursuant to the Company Option Plan, under which options were outstanding for an aggregate of 1,972,665 shares of Company Common Stock and 2,183,651 shares or options to purchase shares of Company Common Stock remain available for grant or issuance and (ii) Company had reserved 289,966 shares of Series B Preferred Stock and 125,885 shares of Series C Preferred Stock were reserved for issuance to holders of Company Warrants upon their exercise. All shares of Company Common Stock or Company Preferred Stock subject to issuance as aforesaid, upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, would be duly authorized, validly issued, fully paid and non-assessable. Part 2.2(b) of the Company Disclosure Schedule lists each holder of Company Capital Stock and the number and type of shares of Company Capital Stock held by such holder, each outstanding Company Option and Company Warrant, the name of the holder of such Company Option or Company Warrant, the number of shares subject to such Company Option or Company Warrant, the exercise price of such Company Option or Company Warrant, the vesting schedule of such Company Option or Company Warrant and whether the exercisability of such Company Option or Company Warrant will be accelerated in any way by the transactions contemplated by this Agreement, indicating the extent of acceleration, if any.

(c) Except as set forth on Part 2.2(c) of the Company Disclosure Schedule: (i) none of the outstanding shares of Company Capital Stock are entitled or subject to any preemptive right, right of repurchase or forfeiture, right of participation, right of maintenance or any similar right; (ii) none of the outstanding shares of Company Capital Stock are subject to any right of first refusal in favor of Company; (iii) there are no outstanding bonds, debentures, notes or other indebtedness of the Acquired Companies having a right to vote on any matters on

which the Company Stockholders have a right to vote; (iv) there is no Contract to which the Acquired Companies are a party relating to the voting or registration of, or restricting any Person from purchasing, selling, pledging or otherwise disposing of (or from granting any option or similar right with respect to), any shares of Company Capital Stock. Except as set forth on Part 2.2(c) of the Company Disclosure Schedule, none of the Acquired Companies is under any obligation, or is bound by any Contract pursuant to which it may become obligated, to repurchase, redeem or otherwise acquire any outstanding shares of Company Capital Stock or other securities. Each share of Company Preferred Stock is convertible into one share of Company Common Stock.

2.3 Authority; Non-Contravention; Approvals.

(a) Company has the requisite corporate power and authority to enter into this Agreement and, subject to Required Company Stockholder Vote, to perform its obligations hereunder and to consummate the Transactions. The execution and delivery of this Agreement by Company, the performance by Company of its obligations hereunder and the consummation by Company of the Transactions have been duly authorized by all necessary corporate action on the part of Company, subject only to Required Company Stockholder Vote and the filing and recordation of the Certificate of Merger pursuant to Delaware Law. The affirmative vote of the holders of (i) a majority in voting power of the outstanding shares of Company Preferred Stock outstanding on the applicable record date (voting together as one class) and (ii) a majority in voting power of the outstanding shares of all Company Capital Stock on an as converted to Company Common Stock basis ("***Required Company Stockholder Vote***") is the only vote of the holders of any class or series of Company Capital Stock necessary to adopt this Agreement and approve the Merger and the other Transactions. This Agreement has been duly executed and delivered by Company and, assuming the due authorization, execution and delivery by Parent and Merger Sub constitutes the valid and binding obligation of Company, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy and other similar laws and general principles of equity.

(b) Company's board of directors, by resolutions duly adopted by vote at a meeting of all directors of Company duly called and held and, as of the date of this Agreement, not subsequently rescinded or modified in any way, has, as of the date of this Agreement (i) approved this Agreement and the Merger, and determined that this Agreement and the Transactions, including the Merger, are fair to, and in the best interests of the Company Stockholders, and (ii) resolved to recommend that the Company Stockholders adopt this Agreement and approve the Merger and all other Transactions and directed that such matters be submitted for consideration of the Company Stockholders at the Company Stockholders' Meeting.

(c) The execution and delivery of this Agreement by Company does not, and the performance of this Agreement by Company will not, (i) conflict with or violate the certificate of incorporation or bylaws of Company or the equivalent organizational documents of any of its Subsidiaries, (ii) subject to obtaining the Required Company Stockholder Vote and compliance with the requirements set forth in Section 2.3(d) below, conflict with or violate any Legal Requirement applicable to Company or any of its Subsidiaries or by which its or any of their respective properties is bound or affected, except for any such conflicts or violations that would not, individually or in the aggregate, have a Company Material Adverse Effect or would not prevent or materially delay the consummation of the Merger, or (iii) require an Acquired Company to make any filing with or give any notice to a Person, to obtain any Consent from a Person, or result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or impair Company's rights or alter the rights of obligations of any third party under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of a lien or encumbrance on any of the properties or assets of Company or any of its Subsidiaries pursuant to, any Company Contract (as defined below), except as would not, individually or in the aggregate, have a Company Material Adverse Effect or prevent or materially delay the Merger.

(d) No material consent, approval, order or authorization of, or registration, declaration or filing with any Governmental Body is required by or with respect to the Company in connection with the execution and delivery of this Agreement or the consummation of the Transactions, except for (i) the filing of the Certificate of

Merger with the Secretary of State of the State of Delaware, (ii) the filing of the Proxy Statement/Prospectus/ Information Statement with the Securities and Exchange Commission ("***SEC***") in accordance with the Securities Exchange Act of 1934, as amended (the "***Exchange Act***") and (iii) such Consents orders, registrations, declarations and filings as may be required under applicable federal and state securities laws.

2.4 Anti-Takeover Statutes Not Applicable. The board of directors of Company has taken all actions so that no state takeover statute or similar Legal Requirement applies or purports to apply to the execution, delivery or performance of this Agreement or to the consummation of the Merger or the other Transactions. The board of directors of Company has taken all action necessary to render inapplicable to this Agreement and the Transactions Section 203 of Delaware Law.

2.5 Company Financial Statements; No Undisclosed Liabilities.

(a) The audited consolidated financial statements (including any related notes thereto) representing the financial condition of Company as of December 31, 2014 and December 31, 2015 and the unaudited financial statements (including the notes thereto) representing the financial condition of Company as of September 30, 2016 (collectively, the "***Company Financials***"), including any available quarterly financial statements (including any related notes thereto), (i) were prepared in accordance with United States generally accepted accounting principles ("***GAAP***") applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto), (ii) fairly presented the consolidated financial position of Company and its Subsidiaries as at the respective dates thereof and the consolidated results of its operations and cash flows for the periods indicated, except that the unaudited interim financial statements were or are subject to normal and recurring year-end adjustments which were not, or are not expected to be, material in amount, and (iii) are consistent with, and have been prepared from, the books and records of Company. Company has not effected any securitization transactions or "off-balance sheet arrangements" (as defined in Item 303(c) of SEC Regulation S-K) since December 31, 2014. The balance sheet of Company as of September 30, 2016 is hereinafter referred to as the "***Company Balance Sheet***." Notwithstanding the foregoing, unaudited financial statements are subject to normal recurring year-end adjustments (the effect of which will not, individual or in the aggregate, be material) and the absence of footnotes.

(b) Each of Company and its Subsidiaries maintains a system of internal accounting controls comparable to those of similarly situated companies at a similar stage of development designed to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Company and each of its Subsidiaries maintains internal controls over financial reporting that provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

(c) Since January 1, 2014 (the "***Lookback Date***"), there have been no formal investigations regarding financial reporting or accounting policies and practices discussed with, reviewed by or initiated at the direction of the chief executive officer, chief financial officer or general counsel of Company, the board of directors of Company or any committee thereof. Since the Lookback Date, neither the Company nor its independent auditors have identified (i) any significant deficiency or material weakness in the system of internal accounting controls utilized by Company, (ii) any fraud, whether or not material, that involves Company's management or other employees who have a role in the preparation of financial statements or the internal accounting controls utilized by Company, or (iii) any claim or allegation regarding any of the foregoing.

(d) Except as disclosed in the Company Financials, neither Company nor any of its Subsidiaries has any liabilities, Indebtedness, obligation, expense, claim, deficiency, guaranty, or endorsement of any kind,

whether accrued, absolute, contingent, matured, or unmatured (whether or not required to be reflected in the financial statements in accordance with GAAP) (each, a "***Liability***") of a nature required to be disclosed on a balance sheet or in the related notes to the consolidated financial statements prepared in accordance with GAAP which are, individually or in the aggregate, material to the business, results of operations or financial condition of Company and its Subsidiaries taken as a whole, except Liabilities (i) identified in the Company Balance Sheet, (ii) incurred in connection with the Transactions, (iii) described on Part 2.5(d) of the Company Disclosure Schedule, (iv) set forth in any Company Contract or (v) incurred since the date of the Company Balance Sheet in the ordinary course of business consistent with past practices.

2.6 Absence Of Certain Changes Or Events. Since the date of the Company Balance Sheet through the date of this Agreement and other than with respect to the negotiation, execution and performance of this Agreement, each of the Acquired Companies has conducted its business only in the ordinary course of business consistent with past practice, and there has not been: (a) any event that has had a Company Material Adverse Effect, (b) any material change by Company in its accounting methods, principles or practices, except as required by concurrent changes in GAAP or as disclosed in the notes to the Company Financials, (c) any revaluation by Company of any of its assets having a Company Material Adverse Effect, or writing off notes or accounts receivable other than in the ordinary course of business, or (d) any other action, event or occurrence that would have required the consent of Parent pursuant to Section 4.1 of this Agreement had such action, event or occurrence taken place after the execution and delivery of this Agreement.

2.7 Taxes.

(a) Each income and other material Tax Return that any Acquired Company was required to file under applicable Legal Requirements: (i) has been timely filed on or before the applicable due date (including any extensions of such due date) and (ii) is true and complete in all material respects. All material Taxes due and payable by Company or its Subsidiaries have been timely paid, except to the extent such amounts are being contested in good faith by Company or are properly reserved for on the books or records of Company and its Subsidiaries. No extension of time with respect to any date on which a Tax Return was required to be filed by an Acquired Company is in force (except where such Tax Return was filed), and no waiver or agreement by or with respect to an Acquired Company is in force for the extension of time for the payment, collection or assessment of any Taxes, and no request has been made by an Acquired Company in writing for any such extension or waiver (except, in each case, in connection with any request for extension of time for filing Tax Returns). There are no liens for Taxes on any asset of an Acquired Company other than liens for Taxes not yet due and payable, Taxes contested in good faith or that are otherwise not material and reserved against in accordance with GAAP. No deficiency with respect to Taxes has been proposed, asserted or assessed in writing against Company or its Subsidiaries which has not been fully paid or adequately reserved or reflected in the Company Financials.

(b) All material Taxes that an Acquired Company has been required to collect or withhold have been duly collected or withheld and, to the extent required by applicable Legal Requirements when due, have been duly and timely paid to the proper Governmental Body.

(c) The unpaid Taxes of the Acquired Companies have been accrued on the Company Balance Sheet in accordance with GAAP. Since September 30, 2016, the Acquired Companies have not incurred any material liability for Taxes outside of the ordinary course of business or otherwise inconsistent with past custom or practice.

(d) No Acquired Company will be required to include any material item of income in, or exclude any material item of deduction or credit from, the computation of taxable income for any taxable period (or portion thereof) ending after the Closing Date, as a result of any (i) change in method of accounting for a taxable period ending on or prior to the Closing Date, (ii) "closing agreement" as described in Section 7121 of the Code (or any corresponding or similar provision of state, local or foreign income Tax law) executed on or prior to the Closing Date, (iii) installment sale or open transaction disposition made on or prior to the Closing Date, (iv) prepaid

amount received on or prior to the Closing Date outside of the ordinary course of business, (v) deferred intercompany gain or excess loss account described in the Treasury Regulations under Section 1502 of the Code (or any corresponding or similar provision of state, local or foreign Tax law) with respect to a transaction occurring on or prior to the Closing Date, or (vi) election under Section 108(i) of the Code made on or prior to the Closing Date.

(e) No closing agreements, private letter rulings, technical advice memoranda or similar agreements or rulings have been entered into by any Acquired Company with any taxing authority or issued by any taxing authority to an Acquired Company. There are no outstanding rulings of, or request for rulings with, any Governmental Body addressed to an Acquired Company that are, or if issued would be, binding on an Acquired Company.

(f) No Acquired Company is a party to any Contract with any third party relating to allocating or sharing the payment of, or liability for, Taxes or Tax benefits (other than pursuant to customary provisions included in credit agreements, leases, and agreements entered with employees, in each case, not primarily related to Taxes and entered into in the ordinary course of business). No Acquired Company has any liability for the Taxes of any third party under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign Legal Requirement) as a transferee or successor or otherwise by operation of Legal Requirements.

(g) No Acquired Company has been a member of an affiliated group of corporations within the meaning of Section 1504 of the Code or of any group that has filed a combined, consolidated or unitary Tax return under state, local or foreign Tax Legal Requirement (other than a group the common parent of which was Company).

(h) Other than the Subsidiaries identified in Part 2.1(a) of the Company Disclosure Schedule, Company does not have any direct or indirect interest in any trust, partnership, corporation, limited liability company, or other "business entity" for United States federal income tax purposes. Each Acquired Company is and always has been a corporation taxable under subchapter C of the Code for United States federal income tax purposes, and has had comparable status under the Legal Requirements of any state, local or non-U.S. jurisdiction in which it was required to file any Tax Return at the time it was required to file such Tax Return. None of the Acquired Companies is a "controlled foreign corporation" within the meaning of Section 957 of the Code or "passive foreign investment company" within the meaning of Section 1297 of the Code.

(i) No Acquired Company has participated in, or is currently participating in, a "listed transaction" within the meaning of Treasury Regulation Section 1.6011-4(b)(2). Company has disclosed on its respective United States federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of United States federal income Tax within the meaning of Section 6662 of the Code.

(j) Each Acquired Company is not (and has not been for the five-year period ending at the Effective Time) a "United States real property holding corporation" as defined in Section 897(c)(2) of the Code and the applicable Treasury Regulations.

(k) No Acquired Company has a permanent establishment, as defined in any applicable Tax treaty, in a country other than the country in which it is organized.

(l) No Acquired Company has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Sections 355 or 361 of the Code.

(m) No Acquired Company has taken or agreed to take any action that would prevent the Merger from constituting a reorganization qualifying under Section 368 of the Code. No Acquired Company is aware of any agreement, plan or other circumstance that would prevent the Merger from qualifying as a reorganization under Section 368 of the Code.

2.8 Intellectual Property.

(a) Part 2.8(a)(i) of the Company Disclosure Schedule lists all of the Patent Rights and all registered Trademark Rights owned solely by any Acquired Company as of the date hereof, setting forth in each case, as applicable, the jurisdictions in which patents have been issued, patent applications have been filed, trademarks have been registered and trademark applications have been filed, along with the respective application, registration or filing number and a summary of the prosecution history or subsequent registration activity thereof. Part 2.8(a)(ii) of the Company Disclosure Schedule lists, as of the date hereof, all of the Patent Rights and all Trademark Rights in which any Acquired Company has any co-ownership interest, other than those owned solely by an Acquired Company, setting forth in each case, as applicable, the jurisdictions in which patents have been issued, patent applications have been filed, trademarks have been registered and trademark applications have been filed, along with the respective application, registration or filing number and a summary of the prosecution history or subsequent registration activity thereof. Part 2.8(a)(iii) of the Company Disclosure Schedule lists all of the third party Patent Rights and registered Trademark Rights in which an Acquired Company has any exclusive right, title or interest, other than those owned solely or co-owned by an Acquired Company.

(b) Part 2.8(b) of the Company Disclosure Schedule lists all Contracts in effect as of the date of this Agreement under which any third party has licensed, granted or conveyed to any Acquired Company any right, title or interest in or to any Company IP Rights other than "shrink wrap" or "click through" license agreements accompanying widely available computer software that has not been modified or customized for an Acquired Company, employment agreements, consulting agreements or Excluded Contracts. To Company's knowledge, there are no breaches or defaults of, or any disputes or threatened disputes concerning, any of such Contracts.

(c) Part 2.8(c) of the Company Disclosure Schedule lists all Contracts in effect as of the date of this Agreement under which an Acquired Company has licensed, granted or conveyed to any third party any right, title or interest in or to any Company IP Rights (collectively, "***Out Licenses***") other than Excluded Contracts. To the Company's knowledge, there are no breaches or defaults of, or any disputes or threatened disputes concerning, any of such Contracts.

(d) The Acquired Companies own, co-own or otherwise possess legally enforceable rights in and to all Company IP Rights, free and clear of all Encumbrances. The Company IP Rights that are owned or co-owned by an Acquired Company or exclusively licensed to an Acquired Company (collectively, "***Company Owned IP Rights***") are valid and enforceable. No third party is overtly challenging in writing the right, title or interest of an Acquired Company in, to or under the Company Owned IP Rights, or the validity, enforceability or claim construction of any Patent Rights owned or co-owned or exclusively licensed to an Acquired Company, and there is no opposition, cancellation, proceeding, objection or claim pending with regard to any Company Owned IP Rights and the Company Owned IP Rights are not subject to any outstanding order, judgment, decree or agreement materially and adversely affecting the Acquired Companies' use thereof or their rights thereto. To the knowledge of the Company, no valid basis exists for any of the foregoing challenges or claims. Except for customary powers of attorney granted to the Company's patent prosecution counsel solely for purposes of representing the Company before U.S. Patent and Trademark Office or its foreign equivalents, no act has been done or omitted to be done by the Acquired Companies, which has, had or could have the effect of dedicating to the public, or entitling any third party to cancel, forfeit, modify or consider abandoned, any Company IP Rights that are owned or co-owned by an Acquired Company, or, except with respect to Contracts listed in Part 2.8(c) of the Company Disclosure Schedule and Excluded Contracts, give any Person any ownership or license rights with respect thereto. Except for items that have expired or were abandoned in the reasonable discretion and business judgment of the Company, all necessary registration, maintenance and renewal fees in respect of the Company Owned IP Rights have been paid and all necessary documents and certificates have been filed with the relevant Governmental Body for the purpose of maintaining such Company Owned IP Rights.

(e) Each Acquired Company has taken all reasonable measures to protect and maintain the confidentiality of the Trade Secrets included in the Company Owned IP Rights. The Acquired Companies have

not divulged, furnished to or made accessible any of their Trade Secrets to any Person except pursuant to an enforceable written agreement to maintain the confidentiality of such Trade Secrets or in connection with the filing of an application to obtain patent protection for the embodiment of such Trade Secret, and the Acquired Companies otherwise take and have taken reasonable measures to maintain the confidentiality of their Trade Secrets. All current and former officers and employees of, and consultants and independent contractors to, each Acquired Company who have contributed to the creation or development of any Company IP Rights owned or co-owned by an Acquired Company have assigned all of their respective ownership rights in such IP Rights to such Acquired Company, and have executed and delivered to such Acquired Company an agreement (containing no exceptions or exclusions from the scope of the coverage contained in such Acquired Company's applicable form agreement) regarding the assignment to such Acquired Company, of any IP Rights arising from services performed for such Acquired Company by such Persons, the current forms of which agreements have been made available in a data room or otherwise for review by Parent or its advisors. To the knowledge of Company, no current or former officers and employees of, or consultants or independent contractors to, any Acquired Company have breached any material term of any such agreements.

(f) With respect to third party Patent Rights and Trademark Rights that are valid and enforceable as of the date of this Agreement, none of the Acquired Companies or any of their respective current activities or products violates or otherwise conflicts with, or has, to the Knowledge of the Company, infringed, misappropriated or violated any IP Rights of any third party, and no Acquired Company has received any written notice nor are any of them subject to any actual, or to the knowledge of Company, threatened proceedings, claiming or alleging any of the foregoing.

(g) To the knowledge of the Company, no Company Owned IP Rights are being infringed, misappropriated or unlawfully used by any third party nor has an third party previously infringed, misappropriated or unlawfully used any such Company Owned IP Rights.

(h) Neither the execution, delivery or performance of this Agreement by Company nor the consummation by Company of the Transactions will contravene, conflict with or result in the imposition of any additional limitation on the Acquired Companies' right, title or interest in or to any material Company IP Rights.

(i) No funding, facilities, or personnel of any Governmental Body or any public or private university, college or other educational or research institution were used by any Acquired Company to develop or create, in whole or in part, any Company Owned IP Rights.

(j) Each Acquired Company is, and has at all times since the Lookback Date been, in material compliance with all Legal Requirements regarding the protection, storage, use and disclosure of Personal Data collected by such Acquired Company.

2.9 Compliance with Legal Requirements.

(a) Neither Company nor any of its Subsidiaries, since the Lookback Date has been, or currently is, in conflict with any Legal Requirement, order, judgment or decree applicable to Company or any of its Subsidiaries or by which its or any of their respective properties is bound or affected, or (ii) any Contract to which Company or any of its Subsidiaries is a party or by which Company or any of its Subsidiaries or its or any of their respective properties is bound or affected, except for any immaterial conflicts, defaults or violations. No investigation or review by any Governmental Body is pending or, to the knowledge of the Company, threatened against the Company or its Subsidiaries, nor has any Governmental Body indicated to an Acquired Company in writing an intention to conduct the same.

(b) The Company and its Subsidiaries hold all permits, licenses, authorizations, variances, exemptions, orders and approvals from governmental authorities which are necessary to the operation of the business of the Company and its Subsidiaries taken as a whole (collectively, the "***Company Permits***"). The Company and its

Subsidiaries are in compliance in all material respects with the terms of the Company Permits. No action, proceeding, revocation proceeding, amendment procedure, writ, injunction or claim is pending or, to the knowledge of Company, threatened, which seeks to revoke or limit any Company Permit. The rights and benefits of each Company Permit will be available to the Surviving Corporation immediately after the Effective Time on terms substantially identical to those enjoyed by Company immediately prior to the Effective Time. Company has made available Parent all material Company Permits and material correspondence from the FDA or other comparable Governmental Body.

(c) To the knowledge of Company, the Acquired Companies and Persons acting in concert with and on behalf of Company:

(i) have not used in any capacity the services of any individual or entity debarred, excluded, or disqualified under 21 U.S.C. Section 335a, 42 U.S.C. Section 1320a-7, 21 C.F.R. Section 312.70, or any similar laws, rules or regulations; and

(ii) have not been convicted of any crime or engaged in any conduct that has resulted, or would reasonably be expected to result, in debarment, exclusion, or disqualification under 21 U.S.C. Section 335a, 42 U.S.C. Section 1320a-7, 21 C.F.R. Section 312.70, or any similar laws, rules regulations.

(d) None of the Acquired Companies, and (to the knowledge of Company) no Representative of any of the Acquired Companies on their behalf with respect to any matter relating to any of the Acquired Companies, has: (i) used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity; (ii) made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns or violated any provision of the Foreign Corrupt Practices Act of 1977, as amended; or (iii) made any other unlawful payment.

(e) No product or product candidate manufactured, tested, distributed, held or marketed by or on behalf of the Company has, or by or on behalf of any of the other Acquired Companies since the Lookback Date has been recalled, withdrawn, suspended or discontinued (whether voluntarily or otherwise). At no time has the Company, or since the Lookback Date has any of the other Acquired Companies, received written notice that any Governmental Body or institutional review board or comparable body has commenced, or threatened to initiate, any proceeding seeking the recall, market withdrawal, suspension or withdrawal of approval, or seizure of any such product or product candidate; the imposition of material sales, marketing or production restriction on any such product or product candidate; or the suspension, termination or other restriction of preclinical or clinical research with respect to any such product candidate by or on behalf of any of the Acquired Companies, including any action regarding any investigator participating in any such research, nor is any such proceeding pending. The Company has, prior to the execution of this Agreement, provided or made available to Parent all information about serious adverse drug experiences obtained or otherwise received by any of the Acquired Companies from any source, in the United States or outside the United States, including information derived from clinical investigations prior to any market authorization approvals, commercial marketing experience, postmarketing clinical investigations, postmarketing epidemiological/surveillance studies or registries, reports in the scientific literature, and unpublished scientific papers relating to any product or product candidate manufactured, tested, distributed, held or marketed by any of the Acquired Companies or any of their licensees in the possession of any of the Acquired Companies (or to which any of them has access), except for any adverse drug experiences that would not, or would not reasonably be expected to, individually or in the aggregate, have a Company Material Adverse Effect.

(f) None of the Acquired Companies, or to the knowledge of the Company, Persons acting in concert with or on behalf of the Acquired Companies or any officers, employees or agents of the same, has with respect to any product that is manufactured, tested, distributed, held or marketed by or on behalf of the Company, or, since the Lookback Date, any of the other Acquired Companies, made an untrue statement of a material fact or fraudulent statement to the FDA or any other Governmental Body, failed to disclose a material fact required to be

disclosed to the FDA or any other Governmental Body, or committed an act, made a statement, or failed to make a statement that, at the time such disclosure was made, would reasonably be expected to provide a basis for the FDA to invoke its policy respecting "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities" set forth in 56 Fed. Reg. 46191 (September 10, 1991) or any other Governmental Body to invoke any similar policy.

(g) All pre-clinical and clinical studies relating to product or product candidates, conducted by or on behalf of the Company, or since the Lookback Date, the other Acquired Companies have been, or are being, conducted in all material respects in compliance with the applicable requirements of the FDA's Good Laboratory Practice and Good Clinical Practice requirements, including regulations under 21 C.F.R. Parts 50, 54, 56, 58, 312 and applicable guidance documents, as amended from time to time, the Animal Welfare Act, and all applicable similar requirements in other jurisdictions, including all requirements relating to protection of human subjects participating in any such clinical studies; *provided*, *however*, that the foregoing representation and warranty is made only to the Company's knowledge with respect to clinical and pre-clinical studies conducted by any third party on behalf of the Acquired Companies.

(h) The Company has, and since the Lookback Date, each of the other Acquired Companies have, filed with the FDA, any other Governmental Body, and any institutional review board or comparable body, all required notices, supplemental applications, and annual or other reports, including adverse experience reports, with respect to each investigational new drug application or any comparable foreign regulatory application, related to the manufacture, testing, study, or sale of any of its products or product candidates, as applicable.

2.10 Legal Proceedings; Orders.

(a) Except as set forth in Part 2.10(a) of the Company Disclosure Schedule, there is no pending Legal Proceeding, and (to the knowledge of Company) no Person has threatened to commence any Legal Proceeding: (i) that involves any of the Acquired Companies, any business of any of the Acquired Companies or any of the assets owned, leased or used by any of the Acquired Companies; or (ii) that challenges, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, the Merger or any of the other Transactions. None of the Legal Proceedings identified in Part 2.10(a) of the Company Disclosure Schedule has had or, if adversely determined, would reasonably be expected to have or result in a Company Material Adverse Effect. To the knowledge of Company, no event has occurred, and no claim, dispute or other condition or circumstance exists, that would reasonably be expected to give rise to or serve as a basis for the commencement of any Legal Proceeding of the type described in clause "(i)" or clause "(ii)" of the first sentence of this Section 2.10(a).

(b) There is no Order to which any of the Acquired Companies, or the assets owned or used by any of the Acquired Companies, is subject. To the knowledge of Company, no officer or other key employee of any of the Acquired Companies is subject to any Order that prohibits such officer or other employee from engaging in or continuing any conduct, activity or practice relating to the business of any of the Acquired Companies.

2.11 Brokers' And Finders' Fees. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Merger or any of the other Transactions based upon arrangements made by or on behalf of any of the Acquired Companies; *provided*, *however*, that with respect to any Post-Closing Financing or Refinancing, the Company may, in consultation with Parent, engage a broker, finder or investment banker in connection therewith.

2.12 Employee Benefit Plans.

(a) Part 2.12(a) of the Company Disclosure Schedule sets forth, as of the date of this Agreement, a complete and accurate list of each plan, program, policy, practice, contract, agreement or other arrangement providing for employment, compensation, retirement, pension, deferred compensation, loans, severance,

separation, relocation, repatriation, expatriation, visas, work permits, termination pay, performance awards, bonus, incentive, stock option, stock purchase, stock bonus, phantom stock, stock appreciation right, supplemental retirement, profit sharing, fringe benefits, cafeteria benefits, medical benefits, life insurance, disability benefits, accident benefits, salary continuation, accrued leave, vacation, sabbatical, sick pay, sick leave, unemployment benefits or other benefits, whether written or unwritten, including each "voluntary employees' beneficiary association", under Section 501(c)(9) of the Code and each "employee benefit plan" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("***ERISA***"), in each case, for active, retired or former employees, directors or consultants, which is currently sponsored, maintained, contributed to, or required to be contributed to or with respect to which any potential liability is borne by Company or any trade or business (whether or not incorporated) that is or at any relevant time was treated as a single employer with Company within the meaning of Section 414 of the Code (an "***ERISA Affiliate***"), (collectively, the "***Company Employee Plans***"). Neither Company nor, to the knowledge of Company, any other person or entity, has made any commitment to modify, change or terminate any Company Employee Plan, other than with respect to a modification, change or termination required by Legal Requirements. There are no loans by Company to any of its officers, employees, contractors or directors outstanding on the date hereof, except pursuant to loans under any Company Employee Plan intended to qualify under Section 401(k) of the Code, and there have never been any loans by Company subject to Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing margin requirements.

(b) Company has made available to Parent true and complete copies of each of Company Employee Plans and all material related plan documents, including trust documents, group annuity contracts, plan amendments, insurance policies or contracts, participant agreements, employee booklets, administrative service agreements, summary plan descriptions, compliance and nondiscrimination tests (including 401(k) and 401(m) tests) for the last three plan years, standard COBRA forms and related notices, registration statements and prospectuses and, to the extent still in its possession, any material employee communications relating thereto. With respect to each Company Employee Plan that is subject to ERISA reporting requirements, Company has made available for review by Parent copies of the Form 5500 reports filed for the last three (3) plan years. Company has made available in a data room for review by Parent the most recent Internal Revenue Service determination, advisory, notification or opinion letter (a "*Determination Letter*") issued with respect to each such Company Employee Plan, as applicable, and to Company's knowledge, nothing has occurred since the issuance of each such letter that would reasonably be expected to cause the loss of the tax-qualified status of any Company Employee Plan subject to Code Section 401(a). Company has made available in a data room for review by Parent all filings made by Company or any ERISA Affiliate of Company with any Governmental Body with respect to any Company Employee Plan to the extent relevant to any ongoing obligation or liability of Company, including any filings under the IRS' Employee Plans Compliance Resolution System Program or any of its predecessors or the Department of Labor Delinquent Filer Program.

(c) Each Company Employee Plan is being, and has been, administered substantially in accordance with its terms and in material compliance with the requirements prescribed by any and all Legal Requirements (including ERISA and the Code). Company and each ERISA Affiliate are not in material default under or material violation of, and have no knowledge of any material default or material violation by any other party to, any of Company Employee Plans. Any Company Employee Plan intended to be qualified under Section 401(a) of the Code has either obtained from the Internal Revenue Service a favorable Determination Letter as to its qualified status under the Code, including all currently effective amendments to the Code, and the corresponding related exemption of its trust from United States federal income taxation under Section 501(a) of the Code, if applicable, or has applied to the Internal Revenue Service for such favorable Determination Letter within the remedial amendment period under Section 401(b) of the Code. None of Company Employee Plans promises or provides retiree medical or other retiree welfare benefits to any person. Company has not engaged in, or participated in, any transaction which would be considered a non-exempt "prohibited transaction," as such term is defined in Section 406 of ERISA or Section 4975 of the Code, and to Company's knowledge, no other third-party fiduciary and/or party-in-interest has engaged in any such "prohibited transaction" with respect to any

Company Employee Plan. Neither Company nor any ERISA Affiliate is subject to any liability or penalty under Sections 4976 through 4980 of the Code or Title I of ERISA with respect to any Company Employee Plan. All contributions required to be made by Company or any ERISA Affiliate to any Company Employee Plan have been timely paid or accrued on Company Balance Sheet, if required under GAAP. With respect to each Company Employee Plan, no "reportable event" within the meaning of Section 4043 of ERISA (excluding any such event for which the thirty (30) day notice requirement has been waived under the regulations to Section 4043 of ERISA) has occurred, nor has any event described in Section 4062, 4063 or 4041 or ERISA occurred. Each Company Employee Plan subject to ERISA has prepared in good faith and timely filed all requisite governmental reports, which were true and correct in all material respects as of the date filed, and has properly and timely filed and distributed or posted all notices and reports to employees required to be filed, distributed or posted with respect to each such Company Employee Plan. No suit, administrative proceeding or action has been brought, or to the knowledge of Company is overtly threatened in communication with Company, against or with respect to any such Company Employee Plan, including any audit or inquiry by the Internal Revenue Service or the United States Department of Labor (other than routine claims for benefits arising under such plans). There has been no amendment to, or written interpretation or announcement by Company or any ERISA Affiliate regarding any Company Employee Plan that would materially increase the expense of maintaining such Company Employee Plan above the level of expense incurred with respect to that plan for the fiscal year ended December 31, 2015. None of the assets of Company or any ERISA Affiliate is, or may reasonably be expected to become, the subject of any lien arising under Section 302 of ERISA or Section 412(n) of the Code. All contributions and payments to Company Employee Plans are deductible under Section 162 or 404 of the Code. No assets of any Company Employee Plan are subject to a material amount of Tax as unrelated business taxable income under Section 511 of the Code, and no excise Tax could be imposed upon Company under Chapter 43 of the Code. With respect to Company Employee Plans, no event has occurred and, to the knowledge of Company, there exists no condition or set of circumstances in connection with which Company would reasonably expect to be subject to any material liability (other than for liabilities with respect to routine benefit claims) under the terms of, or with respect to, such Company Employee Plans, ERISA, the Code or any other applicable Legal Requirement.

(d) Neither Company nor any ERISA Affiliate has ever maintained, established, sponsored, participated in or contributed to, or is obligated to contribute to, or otherwise incurred any obligation or liability (including any contingent liability) under, any "multiemployer plan" (as defined in Section 3(37) of ERISA) or any "pension plan" (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA or Section 412 of the Code. Neither Company nor any ERISA Affiliate has, as of the date of this Agreement, any actual or potential withdrawal liability (including any contingent liability) for any complete or partial withdrawal (as defined in Sections 4203 and 4205 of ERISA) from any multiemployer plan.

(e) Neither Company nor any ERISA Affiliate has ever maintained, established, sponsored, participated in or contributed to any self-insured plan that is governed by ERISA and that provides benefits to employees (including any such plan pursuant to which a stop loss policy or contract applies).

(f) With respect to each Company Employee Plan, Company is in material compliance with (i) the applicable health care continuation and notice provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985 ("***COBRA***") and the regulations thereunder or any state Legal Requirement governing health care coverage extension or continuation; (ii) the applicable requirements of the Family and Medical Leave Act of 1993 and the regulations thereunder; (iii) the applicable requirements of the Health Insurance Portability and Accountability Act of 1996 ("***HIPAA***"); and (iv) the applicable requirements of the Cancer Rights Act of 1998. Company has no material unsatisfied obligations to any employees, former employees or qualified beneficiaries pursuant to COBRA, HIPAA or any state Legal Requirement governing health care coverage extension or continuation.

(g) Each Company Employee Plan that is a "nonqualified deferred compensation plan" subject to Section 409A of the Code has been operated in good faith compliance with, or is otherwise exempt from, Section 409A of the Code. No outstanding stock right (as defined in Treasury Regulation 1.409A-1(l)) has been granted

to any active, retired or former employees, directors or consultants that (i) has an exercise price that has been or may be less than the fair market value of the underlying equity as of the date such option or right was granted, as determined by the board of directors of Company in good faith, (ii) has any feature for the deferral of compensation other than the deferral of recognition of income until the later of exercise or disposition of such option or rights, or (iii) has been granted after December 31, 2004, with respect to any class of stock that is not "service recipient stock" (within the meaning of applicable regulations under Section 409A of the Code). No compensation payable by any of the Acquired Companies or any of the ERISA Affiliates will be or has been reportable as nonqualified deferred compensation in the gross income of any individual or entity as a result of the operation of Section 409A of the Code that would be subject to the excise and penalty taxes arising thereunder.

(h) Other than as specifically contemplated by this Agreement or as otherwise required under applicable Legal Requirements, consummation of the Merger will not (i) entitle any current or former employee or other service provider of Company or any ERISA Affiliate to severance benefits or any other payment (including unemployment compensation, golden parachute, bonus or benefits under any Company Employee Plan), except as expressly provided in Part 2.12(h) of the Company Disclosure Schedule; (ii) accelerate the time of payment or vesting of any such benefits or increase the amount of compensation due any such employee or service provider; (iii) result in the forgiveness of any indebtedness; (iv) result in any obligation to fund future benefits under any Company Employee Plan; or (v) result in the imposition of any restrictions with respect to the amendment or termination of any of Company Employee Plans. No benefit payable or that may become payable by Company pursuant to any Company Employee Plan in connection with the Transactions or as a result of or arising under this Agreement will constitute an "excess parachute payment" (as defined in Section 280G(b)(1) of the Code) subject to the imposition of an excise Tax under Section 4999 of the Code or the deduction for which would be disallowed by reason of Section 280G of the Code. Each Company Employee Plan can be amended, terminated or otherwise discontinued after the Effective Time in accordance with its terms, without material liability to Parent or Surviving Corporation other than ordinary administration expenses typically incurred in a termination event.

(i) Company is not a party to any contract, agreement, plan or arrangement, including but not limited to the provisions of this Agreement, covering any employee or former employee of Company that, individually or in the aggregate, would reasonably be expected to give rise to the payment of any material amount that would be subject to the deductibility limits of Section 404 of the Code.

(j) Company does not sponsor, contribute to or have any liability with respect to any employee benefit plan, program or arrangement that provides benefits to non — resident aliens with no United States source income outside of the United States.

(k) With respect to each Company Employee Plan that is an "employee welfare benefit plan" within the meaning of Section 3(2) of ERISA, other than any health care reimbursement plan under Section 125 of the Code, all claims incurred (including claims incurred but not reported) by employees, former employees and their dependents thereunder for which Company is, or will become, liable are (i) insured pursuant to a contract of insurance whereby the insurance company bears any risk of loss with respect to such claims, (ii) covered under a contract with a health maintenance organization (an "***HMO***") pursuant to which the HMO bears the liability for such claims, or (iii) reflected as a liability or accrued for on Company Financials for the fiscal year ended December 31, 2015.

2.13 Title to Assets; Real Property.

(a) The Acquired Companies own, and have good, valid and marketable title to, or, in the case of leased assets, valid leasehold interests in or other rights to use, all tangible assets purported to be owned or leased by them. All of said assets are owned by the Acquired Companies free and clear of any Encumbrances, except for Permitted Liens.

(b) All material items of equipment and other tangible assets owned by or leased to the Acquired Companies are adequate for the uses to which they are being put, are in good condition and repair (ordinary wear and tear excepted) and are adequate for the conduct of the business of the Acquired Companies in the manner in which such businesses are currently being conducted immediately prior to the Effective Time. The Acquired Companies do not own and have never owned any real property or any interest in real property. Part 2.13(b) of the Company Disclosure Schedule sets forth a complete and accurate list of all real property leases to which Company is a party.

2.14 Environmental Matters.

(a) No underground storage tanks and no amount of any substance that has been designated by any Governmental Body or by applicable federal, state or local Legal Requirement, to be radioactive, toxic, hazardous or otherwise a danger to health or the environment, including, without limitation, PCBs, asbestos, petroleum, urea-formaldehyde and all substances listed as hazardous substances pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, or defined as a hazardous waste pursuant to the United States Resource Conservation and Recovery Act of 1976, as amended, and the regulations promulgated pursuant to said laws, (a "***Hazardous Material***"), but excluding office and janitorial supplies, are present, as a result of the deliberate actions of Company or any of its Subsidiaries, or, to Company's knowledge, as a result of any actions of any third party or otherwise, in, on or under any property, including the land and the improvements, ground water and surface water thereof, that Company or any of its Subsidiaries has at any time owned, operated, occupied or leased.

(b) Neither Company nor any of its Subsidiaries has, since the Lookback Date transported, stored, used, manufactured, disposed of, released or exposed its employees or others to Hazardous Materials in violation of any Legal Requirement in effect on or before the date hereof, nor has Company or any of its Subsidiaries disposed of, transported, sold, or manufactured any product containing a Hazardous Material (collectively, "***Hazardous Material Activities***") in violation of any Legal Requirement promulgated by any Governmental Body in effect prior to or as of the date hereof to prohibit, regulate or control Hazardous Materials or any Hazardous Material Activity.

(c) Company and its Subsidiaries currently hold all environmental approvals, permits, licenses, clearances and consents (the "***Company Environmental Permits***") necessary for the conduct of Company's and its Subsidiaries' Hazardous Material Activities and other businesses of Company and its Subsidiaries as such activities and businesses are currently being conducted, except where the failure to so hold would not have a Company Material Adverse Effect.

(d) No material action, proceeding, revocation proceeding, amendment procedure, writ, injunction or claim is pending, or to the knowledge of Company, threatened concerning any Company Environmental Permit, Hazardous Material or any Hazardous Material Activity of Company or any of its Subsidiaries. Company is not aware of any fact or circumstance which could involve Company or any of its Subsidiaries in any environmental litigation or impose upon Company or any of its Subsidiaries any environmental liability.

2.15 Labor Matters.

(a) To the Company's knowledge, no key employee or group of employees has threatened to terminate employment with Company or has plans to terminate such employment.

(b) The Company is not a party to or bound by any collective bargaining agreement, nor has it experienced any strikes, grievances, claims of unfair labor practices or other collective bargaining disputes.

(c) Except as disclosed in Part 2.15(c) of the Company Disclosure Schedule, neither Company nor any of its Subsidiaries is a party to any written or oral: (i) agreement with any current or former employee the

benefits of which are contingent upon, or the terms of which will be materially altered by, the consummation of the Merger or other Transactions; (ii) agreement with any current or former employee of Company providing any term of employment or compensation guarantee extending for a period longer than one year from the date hereof or for the payment of compensation in excess of $150,000 per annum; or (iii) agreement or plan the benefits of which will be increased, or the vesting of the benefits of which will be accelerated, upon the consummation of the Merger.

2.16 Company Contracts.

(a) Except for Excluded Contracts or as set forth in Part 2.16 of the Company Disclosure Schedule, neither Company nor any of its Subsidiaries is a party to or is bound by:

(i) any management, employment, severance, retention, transaction bonus, change in control, consulting, relocation, repatriation or expatriation agreement or other similar Contract between: (i) any of the Acquired Companies or any of their ERISA Affiliates; and (ii) any active, retired or former employees, directors or consultants of any Acquired Company or any of their ERISA Affiliates, other than any such Contract that is terminable "at will" (or following a notice period imposed by applicable Legal Requirements) without any obligation on the part of any Acquired Company or any of their ERISA Affiliates to make any severance, termination, change in control or similar payment or to provide any benefit, other than severance payments required to be made by any Acquired Company under applicable foreign Legal Requirements;

(ii) any Contracts identified or required to be identified in Part 2.8(b), Part 2.8(c) or Part 2.13(b) of the Company Disclosure Schedule;

(iii) any Contract with any distributor, reseller or sales representative with an annual value in excess of $100,000;

(iv) any Contract with any manufacturer, vendor, or other Person for the supply of materials or performance of services by such third party to Company in relation to the manufacture of the Company's products or product candidates with an annual value in excess of $500,000;

(v) any agreement or plan, including, without limitation, any stock option plan, stock appreciation right plan or stock purchase plan, any of the benefits of which will be increased, or the vesting of benefits of which will be accelerated, by the occurrence of any of the Transactions or the value of any of the benefits of which will be calculated on the basis of any of the Transactions;

(vi) any Contract incorporating or relating to any guaranty, any warranty, any sharing of liabilities or any indemnity not entered into in the ordinary course of business, including any indemnification agreements between Company or any of its Subsidiaries and any of its officers or directors;

(vii) any Contract imposing, by its express terms, any material restriction on the right or ability of any Acquired Company: (A) to compete with any other Person; (B) to acquire any product or other asset or any services from any other Person; or (C) to develop, sell, supply, distribute, offer, support or service any product or any technology or other asset to or for any other Person;

(viii) any Contract currently in force relating to the disposition or acquisition of assets not in the ordinary course of business or any ownership interest in any corporation, partnership, joint venture or other business enterprise;

(ix) any mortgages, indentures, loans or credit agreements, security agreements or other agreements or instruments relating to the borrowing of money or extension of credit in excess of $500,000;

(x) any joint marketing or development agreement;

(xi) any commercial Contract that would reasonably be expected to have a material effect on the ability of the Company to perform any of its material obligations under this Agreement, or to consummate any of the transactions contemplated by this Agreement, that is not set forth on Part 2.3 of the Company Disclosure Schedule;

(xii) any Contract that provides for: (A) any right of first refusal, right of first negotiation, right of first notification or similar right with respect to any securities or assets of any Acquired Company; or (B) any "no shop" provision or similar exclusivity provision with respect to any securities or assets of any Acquired Company; or

(xiii) any Contract that contemplates or involves the payment or delivery of cash or other consideration in an amount or having a value in excess of $500,000 or more in the aggregate, or contemplates or involves the performance of services having a value in excess of $500,000 in the aggregate other than any arrangement or agreement expressly contemplated or provided for under this Agreement.

(b) Company has made available to Parent an accurate and complete copy of each Contract listed or required to be listed in Part 2.16 of the Company Disclosure Schedule (any such Contract, a ***"Company Contract"***). Neither Company nor any of its Subsidiaries, nor to Company's knowledge any other party to a Company Contract, has, since the Lookback Date, breached or violated in any material respect or materially defaulted under, or received written notice that it has breached, violated or defaulted under, any of the terms or conditions of any of the Company Contracts. To the knowledge of Company, no event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time) would reasonably be expected to: (i) result in a violation or breach in any material respect of any of the provisions of any Company Contract; (ii) give any Person the right to declare a default in any material respect under any Company Contract; (iii) give any Person the right to receive or require a rebate, chargeback, penalty or change in delivery schedule under any Company Contract; (iv) give any Person the right to accelerate the maturity or performance of any Company Contract; or (v) give any Person the right to cancel, terminate or modify any Company Contract. Each Company Contract is valid, binding, enforceable and in full force and effect, except as enforceability may be limited by bankruptcy and other similar laws and general principles of equity.

2.17 Books And Records. The minute books of Company and its Subsidiaries made available to Parent or counsel for Parent are the only minute books of Company and contain accurate summaries, in all material respects, of all meetings of directors (or committees thereof) and stockholders or actions by written consent since the time of incorporation of Company or such Subsidiaries, as the case may be. The books and records of Company accurately reflect in all material respects the assets, liabilities, business, financial condition and results of operations of Company and have been maintained in accordance with good business and bookkeeping practices.

2.18 Insurance.

(a) The Company or its Subsidiaries maintain all policies of fire, theft, casualty, general liability, workers compensation, business interruption, environmental, product liability and automobile insurance policies and bond and surety arrangements and other forms of insurance (the ***"Company Insurance Policies"***) in such amounts, with such deductibles and against such risks and losses that are reasonably adequate for the operation of the Company's and its Subsidiaries' businesses in all material respects. To Company's knowledge, such Company Insurance Policies are in full force and effect, maintained with reputable companies against loss relating to the business, operations and properties and such other risks as companies engaged in similar business as the Acquired Companies would, in accordance with good business practice, customarily insure. All premiums due and payable under such Company Insurance Policies have been paid on a timely basis and each Acquired Company is in compliance in all material respects with all other terms thereof. True, complete and correct copies, of such Company Insurance Policies, or summaries of all terms material thereof, have been made available to Parent.

(b) There are no material claims pending under any Company Insurance Policies as to which coverage has been questioned, denied or disputed. Since the Lookback Date, all material claims thereunder have been filed in a due and timely fashion and no Acquired Company has been refused insurance for which it has applied or had any policy of insurance terminated (other than at its request), nor has any Acquired Company received notice from any insurance carrier that: (i) such insurance will be canceled or that coverage thereunder will be reduced or eliminated; or (ii) premium costs with respect to such insurance will be increased, other than premium increases in the ordinary course of business applicable on their terms to all holders of similar policies.

2.19 Government Contracts. Company has not been suspended or debarred from bidding on contracts with any Governmental Body, and no such suspension or debarment has been initiated or threatened. The consummation of the Merger and other Transactions will not result in any such suspension or debarment of Company or Parent (other than any such suspension or debarment to the extent resulting from the Company becoming a subsidiary of Parent).

2.20 Interested Party Transactions. No event has occurred during the past three years that would be required to be reported by Company as a Certain Relationship or Related Transaction pursuant to Item 404 of Regulation S-K, if Company were required to report such information in periodic reports pursuant to the Exchange Act.

2.21 Disclosure; Company Information. The information relating to Company or its Subsidiaries to be supplied by or on behalf of Company for inclusion or incorporation by reference in the Information Statement and/or the Proxy Statement/Prospectus/ Information Statement will not, on the date the Information Statement or Proxy Statement/Prospectus / Information Statement, as applicable, is first mailed to the Parent stockholders or at the time of the Parent Stockholders' Meeting, contain any untrue statement of any material fact, or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not false or misleading at the time and in light of the circumstances under which such statement is made. Notwithstanding the foregoing, no representation is made by Company with respect to the information that has been or will be supplied by Parent and Merger Sub or any of their Representatives for inclusion in the Proxy Statement/Prospectus/ Information Statement.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

Parent and Merger Sub, jointly and severally, represent and warrant to Company as follows, (it being understood that each representation and warranty contained in this Article 3 is subject to: (a) the exceptions and disclosures set forth in the part or subpart of the Parent Disclosure Schedule corresponding to the particular Section or subsection in this Article 3 in which such representation and warranty appears; (b) any exceptions or disclosures explicitly cross-referenced in such part or subpart of the Parent Disclosure Schedule by reference to another part or subpart of the Parent Disclosure Schedule; and (c) any exception or disclosure set forth in any of the Parent SEC Documents (excluding any "risk factor" sections thereof) or other part or subpart of the Parent Disclosure Schedule to the extent it is reasonably apparent from the wording of such exception or disclosure that such exception or disclosure qualifies such representation and warranty).

3.1 Organization and Qualification.

(a) Part 3.1(a) of the Parent Disclosure Schedule identifies each Subsidiary of Parent and indicates its jurisdiction of organization. Neither Parent nor any of the Entities identified in Part 3.1(a) of the Parent Disclosure Schedule owns any capital stock of, or any equity interest of any nature in, any other Entity, other than the Entities identified in Part 3.1(a) of the Parent Disclosure Schedule. None of the Acquiring Companies has agreed or is obligated to make, or is bound by any Contract under which it may become obligated to make, any future investment in or capital contribution to any other Entity.

(b) Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, Merger Sub is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and Parent and Merger Sub have all necessary corporate power and authority: (i) to conduct their businesses in the manner in which their businesses are currently being conducted; (ii) to own and use their assets in the manner in which their assets are currently owned and used; and (iii) to perform their obligations under all Contracts by which they are bound.

(c) Each of Parent and Merger Sub (in jurisdictions that recognize the following concepts) is qualified to do business as a foreign corporation, and is in good standing, under the laws of all jurisdictions where the nature of its business requires such qualification, except as would not have and would not reasonably be expected to have or result in a Parent Material Adverse Effect.

(d) The copies of the certificate of incorporation and bylaws of Parent which are incorporated by reference as exhibits to the Parent's Annual Report on Form 10-K for the year ended December 31, 2015 are complete and correct copies of such documents and contain all amendments thereto as in effect on the date of this Agreement.

3.2 Capital Structure.

(a) The authorized capital stock of Parent consists of 500,000,000 shares of Parent Common Stock, par value, $0.001, of which 254,746,933 shares are issued and outstanding as of the close of business on the day prior to the date hereof and 1,000,000 shares of Preferred Stock, par value $0.001 per share (***"Parent Preferred Stock"***), of which no shares are issued and outstanding as of the close of business on the day prior to the date hereof. No shares of capital stock are held in Parent's treasury. All outstanding shares of Parent Capital Stock are duly authorized, validly issued, fully paid and non-assessable and were issued in compliance with all applicable federal and state securities laws.

(b) As of the date of this Agreement, Parent had reserved an aggregate of 44,467,069 shares of Parent Common Stock, net of exercises, for issuance to employees, consultants and non-employee directors pursuant to the Parent Stock Option Plans, under which (i) options were outstanding for an aggregate of 21,686,911 shares, and 80,656,302 shares of Parent Common Stock, net of exercises, were reserved for issuance to holders of warrants to purchase Parent Common Stock upon their exercise. All shares of Parent Common Stock subject to issuance as aforesaid, upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, would be duly authorized, validly issued, fully paid and non-assessable. Part 3.2(b) of the Parent Disclosure Schedule lists each outstanding option to purchase shares of Parent Capital Stock (a ***"Parent Option"***), and the name of the holder thereof, the number of shares subject thereto, the exercise price thereof and the vesting schedule and post-termination exercise period thereof.

(c) The shares of Parent Common Stock issuable as Merger Consideration, upon issuance on the terms and conditions contemplated in this Agreement, would be duly authorized, validly issued, fully paid and non-assessable.

(d) Except as set forth in Part 3.2(d) of the Parent Disclosure Schedule: (i) none of the outstanding shares of Parent Capital Stock are entitled or subject to any preemptive right, right of repurchase or forfeiture, right of participation, right of maintenance or any similar right; (ii) none of the outstanding shares of Parent Capital Stock are subject to any right of first refusal in favor of Parent; (iii) there are no outstanding bonds, debentures, notes or other indebtedness of the Acquiring Companies having a right to vote on any matters on which the stockholders of Parent have a right to vote; (iv) there is no Contract to which the Acquiring Companies are a party relating to the voting or registration of, or restricting any Person from purchasing, selling, pledging or otherwise disposing of (or from granting any option or similar right with respect to), any shares of Parent Capital Stock. None of the Acquiring Companies is under any obligation, or is bound by any Contract pursuant to which it may become obligated, to repurchase, redeem or otherwise acquire any outstanding shares of Parent Capital Stock or other securities.

3.3 Authority; Non-Contravention; Approvals.

(a) Parent has the requisite corporate power and authority to enter into this Agreement and, subject to Parent Stockholder Approval, to perform its obligations hereunder and to consummate the Parent Transactions. The execution and delivery by Parent of this Agreement, the performance by Parent of its obligations hereunder and the consummation by Parent of the Parent Transactions have been duly authorized by all necessary corporate action on the part of Parent and Merger Sub, subject only to Parent Stockholder Approval, to adoption of this Agreement by Parent as sole stockholder of Merger Sub immediately following the execution hereof, the filing and recordation of the Parent Amended and Restated Charter and the filing and recordation of the Certificate of Merger pursuant to Delaware Law. The affirmative vote of the holders of a majority in voting power of the outstanding shares of Parent Common Stock outstanding on the applicable record date (***"Parent Stockholder Approval"***) is the only vote of the holders of any class or series of Parent Capital Stock necessary to adopt or approve the Parent Stockholder Approval Matters. This Agreement has been duly executed and delivered by Parent and Merger Sub and, assuming the due authorization, execution and delivery of this Agreement by Company, this Agreement constitutes the valid and binding obligation of Parent and Merger Sub, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy and other similar laws and general principles of equity.

(b) Parent's board of directors, by resolutions duly adopted by a unanimous vote at a meeting of all directors of Parent duly called and held, or by unanimous written consent of the board of directors of Parent, and, as of the date of this Agreement, not subsequently rescinded or modified in any way, has, as of the date of this Agreement (i) approved this Agreement and the Merger, and determined that this Agreement and the Parent Transactions, including the Merger, are fair to, and in the best interests of Parent's stockholders, and (ii) resolved to recommend that Parent's stockholders approve the Parent Stockholder Approval Matters and directed that such matters be submitted for consideration of the stockholders of Parent at the Parent Stockholders' Meeting. The board of directors of Merger Sub has approved and declared advisable this Agreement and the Merger and submitted this Agreement to Parent, as its sole stockholder for adoption thereby. Immediately following the execution of this Agreement, Parent in its capacity as the sole stockholder of Merger Sub, shall execute a written consent adopting this Agreement.

(c) The execution and delivery of this Agreement by Parent and Merger Sub does not, and the performance of this Agreement by Parent or Merger Sub will not, (i) conflict with or violate the certificate of incorporation or bylaws of Parent or Merger Sub, (ii) subject to obtaining Parent Stockholder Approval and compliance with the requirements set forth in Section 3.3(d) below, conflict with or violate any Legal Requirement, order, judgment or decree applicable to Parent or Merger Sub or by which their respective properties are bound or affected, except for any such conflicts or violations that would not have a Parent Material Adverse Effect or would not prevent or materially delay the consummation of the Merger, or (iii) require an Acquiring Company to make any filing with or give any notice to or obtain any Consent from a Person pursuant to any Parent Contract, result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or impair Parent's rights or alter the rights or obligations of any third party under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of a lien or encumbrance on any of the properties or assets of Parent pursuant to, any Parent Contract.

(d) No consent, approval, order or authorization of, or registration, declaration or filing with any Governmental Body is required by or with respect to Parent in connection with the execution and delivery of this Agreement or the consummation of the Parent Transactions , except for (i) the filing with the SEC of any outstanding periodic reports due under the Exchange Act, (ii) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware, (iii) the filing of the Proxy Statement/Prospectus/ Information Statement with the SEC in accordance with the Exchange Act, (iv) the filing of Current Reports on Form 8-K with the SEC within four business days after the execution of this Agreement and the Closing Date, (v) the filing of the Parent Amended and Restated Charter with the Secretary of State of the State of Delaware in accordance

with Section 5.15 and (vii) such approvals as may be required under applicable state securities or "blue sky" laws or the rules and regulations of NYSE MKT or other applicable national securities exchange or over-the-counter market.

3.4 Anti-Takeover Statutes Not Applicable. The board of directors of Parent has taken all actions so that no state takeover statute or similar Legal Requirement applies or purports to apply to the execution, delivery or performance of this Agreement or to the consummation of the Merger or the other Transactions. The board of directors of Parent has taken all action necessary to render inapplicable to this Agreement and the Transactions Section 203 of Delaware Law.

3.5 SEC Filings; Parent Financial Statements; No Undisclosed Liabilities.

(a) Parent has made available to Company accurate and complete copies of all registration statements, proxy statements, Certifications (as defined below) and other statements, reports, schedules, forms and other documents filed by Parent with or furnished by Parent to the SEC since the Lookback Date (the "***Parent SEC Documents***"), other than such documents that can be obtained on the SEC's website at www.sec.gov (the "***SEC Website***"). All Parent SEC Documents have been timely filed and, as of the time a Parent SEC Document was filed with the SEC (or, if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing): (i) each of the Parent SEC Documents complied in all material respects with the applicable requirements of the Securities Act or the Exchange Act (as the case may be) and (ii) none of the Parent SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Each of the certifications and statements relating to the Parent SEC Documents required by: (1) the SEC's Order dated June 27, 2002 pursuant to Section 21(a)(1) of the Exchange Act (File No. 4-460); (2) Rule 13a-14 or 15d-14 under the Exchange Act; or (3) 18 U.S.C. §1350 (Section 906 of the Sarbanes-Oxley Act) is accurate and complete (the "***Certifications***"), and complied as to form and content with all applicable Legal Requirements in effect at the time such Parent Certification was filed with or furnished to the SEC. As used in this Section 3.5, the term "file" and variations thereof will be broadly construed to include any manner in which a document or information is furnished, supplied or otherwise made available to the SEC.

(b) Except for such comment letters or correspondence as can be obtained on the SEC Website or which Parent has made available in a data room for review by Company, from the Lookback Date through the date hereof, Parent has not received any comment letter from the SEC or the staff thereof or any correspondence from the NYSE MKT or the staff thereof relating to the delisting or maintenance of listing of the Parent Common Stock on the NYSE MKT. Except as disclosed in the Parent SEC Documents or documents which Parent has made available in a data room for review by Company, Parent has no unresolved SEC comments. As of the date of this Agreement, Parent is in compliance in all material respects with the applicable listing and governance rules and regulations of the NYSE MKT.

(c) Since the Lookback Date, there have been no formal internal investigations regarding financial reporting or accounting policies and practices discussed with, reviewed by or initiated at the direction of the chief executive officer or chief financial officer of Parent, the board of directors of Parent or any committee thereof, other than ordinary course audits or reviews of accounting policies and practices or internal controls required by the Sarbanes-Oxley Act.

(d) Parent is in compliance in all material respects with the applicable provisions of the Sarbanes-Oxley Act that are effective as of the date of this Agreement.

(e) Parent and its Subsidiaries maintain disclosure controls and procedures required by Rule 13a-15 or 15d-15 under the Exchange Act. Such disclosure controls and procedures are designed to ensure that all material information (both financial and non-financial) required to be disclosed by Parent in the reports that it files, submits or furnishes under the Exchange Act is recorded, processed, summarized and reported within the time

periods specified in the rules and forms of the SEC, and that all such information is accumulated and communicated to Parent's management as appropriate to allow timely decisions regarding required disclosure and to make the Certifications.

(f) The financial statements (including any related notes) contained or incorporated by reference in the Parent SEC Documents (the "***Parent Financials***"): (i) complied as to form in all material respects with the published rules and regulations of the SEC applicable thereto; (ii) were prepared in accordance with GAAP (except as may be indicated in the notes to such financial statements or, in the case of unaudited financial statements, as permitted the SEC, and except that the unaudited financial statements may not contain footnotes and are subject to normal and recurring year-end adjustments that are not reasonably expected to be material in amount) applied on a consistent basis unless otherwise noted therein throughout the periods indicated; (iii) fairly present the consolidated financial position of Parent as of the respective dates thereof and the consolidated results of operations and cash flows of Parent for the periods covered thereby. Parent has not effected any securitization transactions or "off-balance sheet arrangements" (as defined in Item 303(c) of SEC Regulation S-K). Other than as expressly disclosed in the Parent SEC Documents filed prior to the date hereof, there has been no material change in Parent's accounting methods or principles that would be required to be disclosed in Parent's Financials in accordance with GAAP.

(g) Except as disclosed in the Parent Financials, neither Parent nor any of its Subsidiaries has any Liabilities which are, individually or in the aggregate, material to the business, results of operations or financial condition of Parent and its Subsidiaries taken as a whole, except Liabilities (i) identified in the Parent Financials, (ii) incurred in connection with the Parent Transactions , (iii) disclosed in Part 3.5(g) of the Parent Disclosure Schedule, (iv) set forth in any Parent Contract, or (v) incurred since the date of the Parent Unaudited Interim Balance Sheet in the ordinary course of business.

3.6 Absence Of Certain Changes Or Events. Since the date of the most recent periodic report on Form 10-Q filed by Parent with the SEC through the date of this Agreement, each of the Acquiring Companies has conducted its business in the ordinary course of business, and (a) there has not been any event that has had a Parent Material Adverse Effect (b) no Acquiring Company has entered into or amended any material terms of any Contract, in each case providing for new obligations in excess of $100,000 or (c) incurred any Indebtedness other than with respect to the Hercules Debt.

3.7 Taxes.

(a) Each of the income and other material Tax Returns that any Acquiring Company was required to file under applicable Legal Requirements: (i) has been timely filed on or before the applicable due date (including any extensions of such due date) and (ii) is true and complete in all material respects. All material Taxes due and payable by Parent or its Subsidiaries have been timely paid, except to the extent such amounts are being contested in good faith by Parent or are properly reserved for on the books or records of Parent and its Subsidiaries. No extension of time with respect to any date on which a Tax Return was required to be filed by an Acquiring Company is in force (except where such Tax Return was filed), and no waiver or agreement by or with respect to an Acquiring Company is in force for the extension of time for the payment, collection or assessment of any Taxes, and no request has been made by an Acquiring Company in writing for any such extension or waiver (except, in each case, in connection with any request for extension of time for filing Tax Returns). There are no liens for Taxes on any asset of an Acquiring Company other than liens for Taxes not yet due and payable, Taxes contested in good faith or that are otherwise not material and reserved against in accordance with GAAP. No deficiency with respect to Taxes has been proposed, asserted or assessed in writing against Parent or its Subsidiaries which has not been fully paid or adequately reserved or reflected in the SEC Documents.

(b) All material Taxes that an Acquiring Company has been required to collect or withhold have been duly collected or withheld and, to the extent required by applicable Legal Requirements when due, have been duly and timely paid to the proper Governmental Body.

(c) No closing agreements, private letter rulings, technical advice memoranda or similar agreements or rulings have been entered into by any Acquiring Company with any taxing authority or issued by any taxing authority to an Acquiring Company. There are no outstanding rulings of, or request for rulings with, any Governmental Body addressed to an Acquiring Company that are, or if issued would be, binding on any Acquiring Company.

(d) No Acquiring Company is a party to any Contract with any third party relating to allocating or sharing the payment of, or liability for, Taxes or Tax benefits (other than pursuant to customary provisions included in credit agreements, leases, and agreements entered with employees, in each case, not primarily related to Taxes and entered into in the ordinary course of business). No Acquiring Company has any liability for the Taxes of any third party under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign Legal Requirement) as a transferee or successor or otherwise by operation of Legal Requirements.

(e) Other than the Subsidiaries identified in Part 3.1(a) of the Parent Disclosure Schedule, Parent does not have any direct or indirect interest in any trust, partnership, corporation, limited liability company, or other "business entity" for United States federal income tax purposes. Each Acquiring Company is and always has been a corporation taxable under subchapter C of the Code for United States federal income tax purposes, and has had comparable status under the Legal Requirements of any state, local or non-U.S. jurisdiction in which it was required to file any Tax Return at the time it was required to file such Tax Return. None of the Acquiring Companies is a "controlled foreign corporation" within the meaning of Section 957 of the Code or a "passive foreign investment company" within the meaning of Section 1297 of the Code.

(f) No Acquiring Company has participated in, or is currently participating in, a "listed transaction" within the meaning of Treasury Regulation Section 1.6011-4(b)(2). Parent has disclosed on its respective United States federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of United States federal income Tax within the meaning of Section 6662 of the Code.

(g) Each Acquiring Company is not (and has not been for the five-year period ending at the Effective Time) a "United States real property holding corporation" as defined in Section 897(c)(2) of the Code and the applicable Treasury Regulations.

(h) No Acquiring Company has a permanent establishment, as defined in any applicable Tax treaty, in a country other than the country in which it is organized.

(i) No Acquiring Company has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Sections 355 or 361 of the Code.

(j) No Acquiring Company has taken or agreed to take any action that would prevent the Merger from constituting a reorganization qualifying under Section 368 of the Code. No Acquiring Company is aware of any agreement, plan or other circumstance that would prevent the Merger from qualifying as a reorganization under Section 368 of the Code.

3.8 Intellectual Property.

(a) The Acquiring Companies own, co-own or otherwise possess legally enforceable rights in and to all Parent IP Rights, free and clear of all Encumbrances. To the knowledge of Parent, the Parent IP Rights that are owned or co-owned by an Acquiring Company or exclusively licensed to an Acquiring Company (collectively, "***Parent Owned IP Rights***") are valid and enforceable. To the knowledge of Parent, no third party (other than with respect to Governmental Bodies in the normal course of patent prosecution) is overtly challenging in writing the right, title or interest of an Acquiring Company in, to or under the Parent Owned IP Rights, or the validity, enforceability or claim construction of any Patent Rights related to the AIR001 Program owned or co-owned or

exclusively licensed to an Acquiring Company, and there is no opposition, cancellation, proceeding, objection or claim pending with regard to any Parent Owned IP Rights. The Parent Owned IP Rights are not subject to any outstanding order, judgment, decree or agreement materially and adversely affecting the Acquiring Companies' use thereof or their rights thereto.

(b) To the knowledge of Parent, there are no breaches or defaults of, or any disputes or threatened disputes concerning, any Contracts in effect as of the date of this Agreement under which an Acquiring Company has licensed, granted or conveyed to any third party any right, title or interest in or to any Parent IP Rights.

(c)

(i) Each Acquiring Company has taken all reasonable measures to protect and maintain the confidentiality of the Trade Secrets included in the Parent Owned IP Rights.

(ii) All current and former officers and employees of, and consultants and independent contractors to, each Acquiring Company who have contributed to the creation or development of any Parent IP Rights related to the AIR001 Program owned or co-owned by an Acquiring Company have assigned all of their respective ownership rights in such IP Rights to such Acquiring Company, and have executed and delivered to such Acquiring Company an agreement (containing no exceptions or exclusions from the scope of the coverage contained in such Acquiring Company's applicable form agreement) regarding the assignment to such Acquiring Company, of any IP Rights AIR001 Program arising from services performed for such Acquiring Company by such Persons.

(d) To the knowledge of Parent, with respect to third party Patent Rights and Trademark Rights that are valid and enforceable as of the date of this Agreement, none of the Acquiring Companies or any of their respective current activities or products related to the AIR001 Program infringes, or has misappropriated or infringed, any IP Rights of any third party, and, as of the date of this Agreement, no Acquiring Company has received any written notice nor are any of them subject to any actual, or to the knowledge of Parent, threatened proceedings, claiming or alleging any of the foregoing.

(e) To the knowledge of Parent, no Parent Owned IP Rights related to the AIR001 Program are being infringed, misappropriated or unlawfully used by any third party nor has an third party previously infringed, misappropriated or unlawfully used any such Parent Owned IP Rights.

(f) To the knowledge of Parent, except as set forth on Schedule 3.8(f), no funding, facilities, or personnel of any Governmental Body or any public or private university, college or other educational or research institution were used by any Acquiring Company to develop or create, in whole or in part, any Parent Owned IP Rights.

3.9 Compliance with Legal Requirements.

(a) Neither Parent nor any of its Subsidiaries, since the Lookback Date, has been or currently is, in conflict with any Legal Requirement, order, judgment or decree applicable to Parent or any of its Subsidiaries or by which its or any of their respective properties is bound or affected, except for immaterial conflicts or as has been disclosed in the Parent SEC Documents (excluding any "risk factor" sections thereof). No investigation or review by any Governmental Body is pending or threatened against Parent or its Subsidiaries, nor has any governmental or regulatory body or authority indicated to an Acquiring Company in writing an intention to conduct the same.

(b) Parent holds all permits, licenses, authorizations, variances, exemptions, orders and approvals from governmental authorities which are necessary to the operation of the business of Parent and its Subsidiaries taken as a whole (collectively, the "*Parent Permits*"). Parent and its Subsidiaries are in compliance in all material

respects with the terms of the Parent Permits. No action, proceeding, revocation proceeding, amendment procedure, writ, injunction or claim is pending or, to the knowledge of Parent, threatened, which seeks to revoke or limit any Parent Permit. The rights and benefits of each Parent Permit will be available to Parent or its applicable Subsidiary immediately after the Effective Time on terms substantially identical to those enjoyed by Parent or such Subsidiary immediately prior to the Effective Time.

(c) To the knowledge of Parent, the Acquiring Companies and Persons acting in concert with and on behalf of Parent:

(i) have not used in any capacity the services of any individual or entity debarred, excluded, or disqualified under 21 U.S.C. Section 335a, 42 U.S.C. Section 1320a-7, 21 C.F.R. Section 312.70, or any similar laws, rules or regulations; and

(ii) have not been convicted of any crime or engaged in any conduct that has resulted, or would reasonably be expected to result, in debarment, exclusion, or disqualification under 21 U.S.C. Section 335a, 42 U.S.C. Section 1320a-7, 21 C.F.R. Section 312.70, or any similar laws, rules regulations.

(d) None of the Acquiring Companies, and (to the knowledge of Parent) no Representative of any of the Acquiring Companies on their behalf with respect to any matter relating to any of the Acquiring Companies, has: (i) used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity; (ii) made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns or violated any provision of the Foreign Corrupt Practices Act of 1977, as amended; or (iii) made any other unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns.

3.10 Legal Proceedings; Orders.

(a) Except as set forth in Part 3.10(a) of the Parent Disclosure Schedule, there is no pending Legal Proceeding, and (to the knowledge of Parent) no Person has threatened in writing to commence any Legal Proceeding: (i) that involves any of the Acquiring Companies, any business of any of the Acquiring Companies or any of the assets owned, leased or used by any of the Acquiring Companies; or (ii) that challenges, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, the Merger or any of the other Parent Transactions . Except as set forth is Part 3.10(a)(i) of the Parent Disclosure Schedule, none of the Legal Proceedings identified in Part 3.10(a) of the Parent Disclosure Schedule has had or, if adversely determined, would reasonably be expected to have or result in a Parent Material Adverse Effect.

(b) There is no Order to which any of the Acquiring Companies, or any material assets owned or used by any of the Acquiring Companies, is subject. To the knowledge of Parent, no officer or other key employee of any of the Acquiring Companies is subject to any Order that prohibits such officer or other key employee from engaging in or continuing any conduct, activity or practice relating to the business of any of the Acquiring Companies.

3.11 Brokers' And Finders' Fees. Except as set forth in Part 3.11 of the Parent Disclosure Schedule, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Merger or any of the other Transactions based upon arrangements made by or on behalf of any of the Acquiring Companies.

3.12 Employee Benefit Plans.

(a) Part 3.12(a) of the Parent Disclosure Schedule sets forth, as of the date of this Agreement, a complete and accurate list of each plan, program, policy, practice, contract, agreement or other arrangement providing for employment, compensation, retirement, pension, deferred compensation, loans, severance,

separation, relocation, repatriation, expatriation, visas, work permits, termination pay, performance awards, bonus, incentive, stock option, stock purchase, stock bonus, phantom stock, stock appreciation right, supplemental retirement, profit sharing, fringe benefits, cafeteria benefits, medical benefits, life insurance, disability benefits, accident benefits, salary continuation, accrued leave, vacation, sabbatical, sick pay, sick leave, unemployment benefits or other benefits, whether written or unwritten, including each "voluntary employees' beneficiary association" under Section 501(c)(9) of the Code and each "employee benefit plan" within the meaning of Section 3(3) of ERISA, in each case, for active, retired or former employees, directors or consultants, which is currently sponsored, maintained, contributed to, or required to be contributed to or with respect to which any potential liability is borne by Parent or any ERISA Affiliate of Parent (collectively, the "***Parent Employee Plans***"). Neither Parent nor, to the knowledge of Parent, any other person or entity, has made any commitment to modify, change or terminate any Parent Employee Plan, other than with respect to a modification, change or termination required by Legal Requirements. There are no loans by Parent to any of its officers, employees, contractors or directors outstanding on the date hereof, except pursuant to loans under any Parent Employee Plan intended to qualify under Section 401(k) of the Code, and there have never been any loans by Parent subject to Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof establishing margin requirements.

(b) Parent has made available to Company true and complete copies of each of Parent Employee Plans and related plan documents, including trust documents, group annuity contracts, plan amendments, insurance policies or contracts, participant agreements, employee booklets, administrative service agreements, summary plan descriptions, compliance and nondiscrimination tests (including 401(k) and 401(m) tests) for the last three plan years, standard COBRA forms and related notices, registration statements and prospectuses and, to the extent still in its possession, any material employee communications relating thereto. With respect to each Parent Employee Plan that is subject to ERISA reporting requirements, Parent has made available in a data room for review by Company copies of the Form 5500 reports filed for the last three (3) plan years. Parent has made available for review by Company the most recent Determination Letter issued with respect to each such Parent Employee Plan, and to Parent's knowledge, nothing has occurred since the issuance of each such letter that would reasonably be expected to cause the loss of the tax-qualified status of any Parent Employee Plan subject to Code Section 401(a). Parent has made available in a data room for review by Company all filings made by Parent or any ERISA Affiliate of Parent with any Governmental Body with respect to any Parent Employee Plan to the extent relevant to any ongoing obligation or liability of Parent, including any filings under the IRS' Employee Plans Compliance Resolution System Program or any of its predecessors or the Department of Labor Delinquent Filer Program.

(c) Each Parent Employee Plan is being, and has been, administered substantially in accordance with its terms and in material compliance with the requirements prescribed by any and all Legal Requirements (including ERISA and the Code). Parent and each ERISA Affiliate are not in material default under or material violation of, and have no knowledge of any material default or material violation by any other party to, any of Parent Employee Plans. Any Parent Employee Plan intended to be qualified under Section 401(a) of the Code has either obtained from the Internal Revenue Service a favorable Determination Letter as to its qualified status under the Code, including all currently effective amendments to the Code, and the corresponding related exemption of its trust from United States federal income taxation under Section 501(a) of the Code, if applicable, or has applied to the Internal Revenue Service for such favorable Determination Letter within the remedial amendment period under Section 401(b) of the Code. None of Parent Employee Plans promises or provides retiree medical or other retiree welfare benefits to any person. Parent has not engaged in, or participated in, any transaction which would be considered a non-exempt "prohibited transaction," as such term is defined in Section 406 of ERISA or Section 4975 of the Code, and to Parent's knowledge, no other third-party fiduciary and/or party-in-interest has engaged in any such "prohibited transaction" with respect to any Parent Employee Plan. Neither Parent nor any ERISA Affiliate is subject to any liability or penalty under Sections 4976 through 4980 of the Code or Title I of ERISA with respect to any Parent Employee Plan. All contributions required to be made by Parent or any ERISA Affiliate to any Parent Employee Plan have been timely paid or accrued on the most recent Parent Financials on file with the SEC, if required under GAAP. With respect to each Parent Employee Plan, no "reportable event"

within the meaning of Section 4043 of ERISA (excluding any such event for which the thirty (30) day notice requirement has been waived under the regulations to Section 4043 of ERISA) has occurred, nor has any event described in Section 4062, 4063 or 4041 or ERISA occurred. Each Parent Employee Plan subject to ERISA has prepared in good faith and timely filed all requisite governmental reports, which were true and correct in all material respects as of the date filed, and has properly and timely filed and distributed or posted all notices and reports to employees required to be filed, distributed or posted with respect to each such Parent Employee Plan. No suit, administrative proceeding or action has been brought, or to the knowledge of Parent is overtly threatened in communication with Parent, against or with respect to any such Parent Employee Plan, including any audit or inquiry by the Internal Revenue Service or the United States Department of Labor (other than routine claims for benefits arising under such plans). There has been no amendment to, or written interpretation or announcement by Parent or any ERISA Affiliate regarding any Parent Employee Plan that would materially increase the expense of maintaining such Parent Employee Plan above the level of expense incurred with respect to that plan for the fiscal year ended December 31, 2015. None of the assets of Parent or any ERISA Affiliate is, or may reasonably be expected to become, the subject of any lien arising under Section 302 of ERISA or Section 412(n) of the Code. All contributions and payments to Parent Employee Plans are deductible under Section 162 or 404 of the Code. No assets of any Parent Employee Plan are subject to a material amount of Tax as unrelated business taxable income under Section 511 of the Code, and no excise Tax could be imposed upon Parent under Chapter 43 of the Code. With respect to Parent Employee Plans, no event has occurred and, to the knowledge of Parent, there exists no condition or set of circumstances in connection with which Parent would reasonably expect to be subject to any material liability (other than for liabilities with respect to routine benefit claims) under the terms of, or with respect to, such Parent Employee Plans, ERISA, the Code or any other applicable Legal Requirement.

(d) Neither Parent nor any ERISA Affiliate of Parent has maintained, established, sponsored, participated in or contributed to, or is obligated to contribute to, or otherwise incurred any obligation or liability (including any contingent liability) under, any "multiemployer plan" (as defined in Section 3(37) of ERISA) or any "pension plan" (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA or Section 412 of the Code. Neither Parent nor any ERISA Affiliate has, as of the date of this Agreement, any actual or potential withdrawal liability (including any contingent liability) for any complete or partial withdrawal (as defined in Sections 4203 and 4205 of ERISA) from any multiemployer plan.

(e) Neither Parent nor any ERISA Affiliate has ever maintained, established, sponsored, participated in or contributed to any self-insured plan that is governed by ERISA and that provides benefits to employees (including any such plan pursuant to which a stop-loss policy or contract applies).

(f) With respect to each Parent Employee Plan, Parent is in material compliance with (i) the applicable health care continuation and notice provisions of COBRA and the regulations thereunder or any state Legal Requirement governing health care coverage extension or continuation; (ii) the applicable requirements of the Family and Medical Leave Act of 1993 and the regulations thereunder; (iii) the applicable requirements of the HIPAA; and (iv) the applicable requirements of the Cancer Rights Act of 1998. Parent has no material unsatisfied obligations to any employees, former employees or qualified beneficiaries pursuant to COBRA, HIPAA or any state Legal Requirement governing health care coverage extension or continuation.

(g) Each Parent Employee Plan that is a "nonqualified deferred compensation plan" subject to Section 409A of the Code has been operated in good faith compliance with, or is otherwise exempt from, Section 409A of the Code. No outstanding stock right (as defined in Treasury Regulation 1.409A-1(l)) has been granted to any active, retired or former employees, directors or consultants that (i) has an exercise price that has been or may be less than the fair market value of the underlying equity as of the date such option or right was granted, as determined by the board of directors of Parent in good faith, (ii) has any feature for the deferral of compensation other than the deferral of recognition of income until the later of exercise or disposition of such option or rights, or (iii) has been granted after December 31, 2004, with respect to any class of stock that is not "service recipient stock" (within the meaning of applicable regulations under Section 409A of the Code). No compensation payable by any of the Acquired Companies or any of the ERISA Affiliates will be or has been reportable as nonqualified

deferred compensation in the gross income of any individual or entity as a result of the operation of Section 409A of the Code that would be subject to the excise and penalty taxes arising thereunder.

(h) Other than as specifically contemplated by this Agreement or as otherwise required under applicable Legal Requirements, consummation of the Merger will not (i) entitle any current or former employee or other service provider of Parent or any ERISA Affiliate to severance benefits or any other payment (including unemployment compensation, golden parachute, bonus or benefits under any Parent Employee Plan), except as expressly provided in Part 3.12(h) of the Parent Disclosure Schedule; (ii) accelerate the time of payment or vesting of any such benefits or increase the amount of compensation due any such employee or service provider; (iii) result in the forgiveness of any indebtedness; (iv) result in any obligation to fund future benefits under any Parent Employee Plan; or (v) result in the imposition of any restrictions with respect to the amendment or termination of any of Parent Employee Plans. No benefit payable or that may become payable by Parent pursuant to any Parent Employee Plan in connection with the Parent Transactions or as a result of or arising under this Agreement will constitute an "excess parachute payment" (as defined in Section 280G(b)(1) of the Code) subject to the imposition of an excise Tax under Section 4999 of the Code or the deduction for which would be disallowed by reason of Section 280G of the Code. Each Parent Employee Plan can be amended, terminated or otherwise discontinued after the Effective Time in accordance with its terms, without material liability to Parent other than ordinary administration expenses typically incurred in a termination event.

(i) Parent is not a party to any contract, agreement, plan or arrangement, including but not limited to the provisions of this Agreement, covering any employee or former employee of Parent that, individually or in the aggregate, would reasonably be expected to give rise to the payment of any material amount that would be subject to the deductibility limits of Section 404 of the Code.

(j) Parent does not sponsor, contribute to or have any liability with respect to any employee benefit plan, program or arrangement that provides benefits to non — resident aliens with no United States source income outside of the United States.

(k) With respect to each Parent Employee Plan that is an "employee welfare benefit plan" within the meaning of Section 3(2) of ERISA, other than any health care reimbursement plan under Section 125 of the Code, all claims incurred (including claims incurred but not reported) by employees, former employees and their dependents thereunder for which Parent is, or will become, liable are (i) insured pursuant to a contract of insurance whereby the insurance company bears any risk of loss with respect to such claims, (ii) covered under a contract with an HMO pursuant to which the HMO bears the liability for such claims, or (iii) reflected as a liability or accrued for on the most recent Parent Financials on file with the SEC.

3.13 Title to Assets; Real Property.

(a) The Acquiring Companies own, and have good, valid and marketable title to, or, in the case of leased assets, valid leasehold interests in or other rights to use, all tangible assets purported to be owned or leased by them. All of said assets are owned or leased by the Acquiring Companies free and clear of any Encumbrances, except for Permitted Liens.

(b) The Acquiring Companies do not own and have not, since the Lookback Date, owned any real property or any interest in real property, except for the leaseholders created under the real property leases identified in Part 3.13(b) of the Parent Disclosure Schedule.

3.14 Parent Contracts.

(a) Except for Excluded Contracts or as set forth in the most recent exhibit list on Parent's Form 10-K for the year ended December 31, 2015 or subsequently filed with the SEC pursuant to any current or periodic

report and available on the SEC Website or Parts 3.8(b) or 3.14 of the Parent Disclosure Schedule, neither Parent nor any of its Subsidiaries is a party to or is bound by:

(i) any management, employment, severance, retention, transaction bonus, change in control, material consulting, relocation, repatriation or expatriation agreement or other similar Contract between: (i) any of the Acquiring Companies or any of their ERISA Affiliates; and (ii) any active, retired or former employees, directors or material consultants of any Acquiring Company or any of their ERISA Affiliates, other than any such Contract that is terminable "at will" (or following a notice period imposed by applicable Legal Requirements or, in the case of consulting agreements, following the notice period required in the Contract) without any obligation on the part of any Acquiring Company or any of their ERISA Affiliates to make any severance, termination, change in control or similar payment or to provide any benefit, other than severance payments required to be made by any Acquiring Company under applicable foreign Legal Requirements;

(ii) any Contracts identified or required to be identified in Part 3.16 of the Parent Disclosure Schedule;

(iii) any Contract with any distributor, reseller or sales representative with an annual value in excess of $100,000;

(iv) any Contract with any manufacturer, vendor, or other Person for the supply of materials or performance of services by such third party to Parent in relation to the manufacture of the Parent's products or product candidates with an annual value in excess of $100,000;

(v) any agreement or plan, including, without limitation, any stock option plan, stock appreciation right plan or stock purchase plan, any of the benefits of which will be increased, or the vesting of benefits of which will be accelerated, by the occurrence of any of the Parent Transactions or the value of any of the benefits of which will be calculated on the basis of any of the Parent Transactions;

(vi) any Contract incorporating or relating to any guaranty, any warranty, any sharing of liabilities or any indemnity not entered into in the ordinary course of business, including any indemnification agreements between Parent or any of its Subsidiaries and any of its officers or directors;

(vii) any Contract imposing, by its express terms, any material restriction on the right or ability of any Acquiring Company: (A) to compete with any other Person; (B) to acquire any product or other asset or any services from any other Person (other than related to a Vepoloxamer Asset Sale); or (C) to develop, sell, supply, distribute, offer, support or service any product or any technology or other asset to or for any other Person;

(viii) any Contract currently in force relating to the disposition or acquisition of assets not in the ordinary course of business (other related to the Vepoloxamer Asset Sale) or any ownership interest in any corporation, partnership, joint venture or other business enterprise;

(ix) any mortgages, indentures, loans or credit agreements, security agreements or other agreements or instruments relating to the borrowing of money or extension of credit;

(x) any joint marketing or development agreement;

(xi) any commercial Contract that would reasonably be expected to have a material effect on the ability of Parent to perform any of its material obligations under this Agreement, or to consummate any of the transactions contemplated by this Agreement, that is not set forth on Part 3.3 of the Company Disclosure Schedule;

(xii) any Contract that provides for: (A) any right of first refusal, right of first negotiation, right of first notification or similar right with respect to any securities or assets of any Acquiring Company; or (B) any "no shop" provision or similar exclusivity provision with respect to any securities or assets of any Acquiring Company;

(xiii) any Contract that contemplates or involves the payment or delivery of cash or other consideration in an amount or having a value in excess of $100,000 in the aggregate, or contemplates or involves the performance of services having a value in excess of $100,000 in the aggregate, in each case following the date of this Agreement, other than any arrangement or agreement expressly contemplated or provided for under this Agreement; or

(xiv) any Contract that does not allow Parent or Subsidiary to terminate the Contract for convenience with no more than sixty (60) days prior notice to the other party and without the payment of any rebate, chargeback, penalty or other amount to such third party in connection with any such termination in an amount or having a value in excess of $100,000 in the aggregate.

(b) Parent has made available to Company an accurate and complete copy of each Contract listed or required to be listed in Part 3.14 of the Parent Disclosure Schedule (any such Contract, including any Contract that would be listed in Part 3.14 but for its inclusion in the most recent exhibit list of Parent's Form 10-K for the year ended December 31, 2015 or as an exhibit to any current or periodic report subsequently filed with the SEC, but excluding Excluded Contracts, a "***Parent Contract***"). Neither Parent nor any of its Subsidiaries, nor to Parent's knowledge any other party to a Parent Contract, has, since the Lookback Date, breached or violated in any material respect or materially defaulted under, or received written notice that it has breached, violated or defaulted under, any of the terms or conditions of any of the Parent Contracts. To the knowledge of Parent, no event has occurred, and, no circumstance or condition exists, that (with or without notice or lapse of time) would reasonably be expected to: (i) result in a violation or breach in any material respect of any of the provisions of any Parent Contract or (ii) give any Person the right to declare a default in any material respect under any Parent Contract, except for any immaterial violations, breaches or defaults. To Parent's knowledge, each Parent Contract is valid, binding, enforceable and in full force and effect, except as enforceability may be limited by bankruptcy and other similar laws and general principles of equity.

3.15 Insurance.

(a) Part 3.15(a) of the Parent Disclosure Schedule sets forth each insurance policy (the "***Parent Insurance Policies***") to which Parent or its Subsidiaries is a party. Parent or its Subsidiaries maintain all Parent Insurance Policies in such amounts, with such deductibles and against such risks and losses that are reasonably adequate for the operation of Parent's and its Subsidiaries' businesses in all material respects. To Parent's knowledge, such Parent Insurance Policies are in full force and effect, maintained with reputable companies against loss relating to the business, operations and properties and such other risks as companies engaged in similar business as the Acquiring Companies would, in accordance with good business practice, customarily insure. All premiums due and payable under such Parent Insurance Policies have been paid on a timely basis and each Acquiring Company is in compliance in all material respects with all other terms thereof. True, complete and correct copies, of such Parent Insurance Policies, or summaries of all terms material thereof, have been made available to the Company.

(b) There are no material claims pending under any Parent Insurance Policies as to which coverage has been questioned, denied or disputed. Since the Lookback Date, all material claims thereunder have been filed in a due and timely fashion and no Acquiring Company has been refused insurance for which it has applied or had any policy of insurance terminated (other than at its request), nor has any Acquiring Company received notice from any insurance carrier that: (i) such insurance will be canceled or that coverage thereunder will be reduced or eliminated; or (ii) premium costs with respect to such insurance will be increased, other than premium increases in the ordinary course of business applicable on their terms to all holders of similar policies.

3.16 Interested Party Transactions. Except as set forth in the SEC Documents, no event has occurred during the Lookback Period that would be required to be reported by Parent as a Certain Relationship or Related Transaction pursuant to Item 404 of Regulation S-K.

3.17 Disclosure. None of the representations or warranties of Parent contained herein, none of the information contained in the Parent Disclosure Schedule and none of the other information or documents furnished or to be furnished to Company by Parent or pursuant to the terms of this Agreement is false or misleading in any material respect or omits to state a fact herein or therein necessary to make the statements herein or therein, in light of the circumstance in which they were made, not misleading in any material respect.

3.18 Opinion of Financial Advisor. The board of directors of Parent has received an opinion of ROTH Capital Partners, LLC, financial advisor to Parent, dated the date of this Agreement, to the effect that the Exchange Ratio is fair to Parent from a financial point of view. Parent will furnish an accurate and complete copy of said opinion to Company for informational purposes only promptly after the date hereof.

3.19 Shell Company Status. Parent is not an issuer identified in Rule 144(i)(1)(i) of the Securities Act.

3.20 Valid Issuance. The Parent Common Stock to be issued in the Merger will, when issued in accordance with the provisions of this Agreement be validly issued, fully paid and nonassessable.

3.21 Disclosure; Parent Information. The information relating to Parent or its Subsidiaries to be supplied by or on behalf of Parent for inclusion or incorporation by reference in the Information Statement and/or the Proxy Statement/Prospectus/ Information Statement will not, on the date the Information Statement or Proxy Statement/Prospectus/ Information Statement, as applicable, is first mailed to Parent stockholders or at the time of the Parent Stockholders' Meeting, contain any untrue statement of any material fact, or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not false or misleading at the time and in light of the circumstances under which such statement is made. The Proxy Statement/Prospectus/ Information Statement will comply in all material respects as to form with the requirements of the Exchange Act and the rules and regulations thereunder. Notwithstanding the foregoing, no representation is made by Parent or Merger Sub with respect to the information that has been or will be supplied by the Company or any of it Representatives for inclusion in the Proxy Statement/Prospectus/ Information Statement.

ARTICLE 4

CONDUCT OF BUSINESS PENDING THE MERGER

4.1 Conduct of Company Business. During the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement pursuant to its terms or the Effective Time (the "***Pre-Closing Period***"), Company agrees, except to the extent that Parent consents in writing (such consent not to be unreasonably withheld, conditioned or delayed), as set forth on Part 4.1 of the Company Disclosure Schedule, as expressly permitted by this Agreement or by applicable Legal Requirements, to carry on its business in accordance with good commercial practice and to carry on its business in the usual, regular and ordinary course, in substantially the same manner as heretofore conducted, to pay its debts and Taxes when due subject to good faith disputes over such debts or Taxes, to pay or perform other material obligations when due, and use its commercially reasonable efforts consistent with past practices and policies to preserve intact its present business organization, keep available the services of its present officers and key employees and preserve its relationships with key customers, suppliers, distributors, licensors, licensees, and others with which it has business dealings. In addition, without limiting the foregoing, other than as expressly contemplated by this Agreement, without obtaining the written consent of Parent, which shall not be unreasonably withheld, conditioned or delayed (and in which event, if Parent has not objected in writing to any request for consent within 3 calendar days of its receipt thereof, such consent shall be deemed irrevocably granted), Company will not, and will not permit its Subsidiaries to, do any of the following:

(a) amend or otherwise change its certificate of incorporation or bylaws, or otherwise alter its corporate structure through merger, liquidation, reorganization or otherwise;

(b) issue, sell, pledge, dispose of or encumber, or authorize the issuance, sale, pledge, disposition or encumbrance of, any shares of capital stock of any class, or any options, warrants, convertible securities or other rights of any kind to acquire any shares of capital stock, or any other ownership interest (including, without limitation, any phantom interest), except for (i) equity awards to Company employees, officers or directors pursuant to the Company Option Plan; (ii) the issuance of shares of Company Capital Stock issuable pursuant to employee stock options under currently existing employee stock option plans or pursuant to currently outstanding warrants or other rights to convert into or exercise for shares of Company Capital Stock, as the case may be, which options, warrants or rights, as the case may be, are outstanding on the date hereof and (iii) in connection with a Permitted Bridge Financing;

(c) redeem, repurchase or otherwise acquire, directly or indirectly, any shares of Company Capital Stock (other than pursuant a repurchase right in favor of the Company with respect to unvested shares at no more than cost);

(d) incur any Indebtedness or sell any debt securities or guarantee any debt securities or other obligations of others or sell, pledge, dispose of or create an Encumbrance over any assets (except (i) for sales of assets in the ordinary course of business and in a manner consistent with past practice; (ii) for dispositions of obsolete or worthless assets or (iii) in connection with a Post-Closing Financing or Permitted Bridge Financing;

(e) (i) declare, set aside, make or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of any of its capital stock, except that a wholly owned Subsidiary may declare and pay a dividend to its parent, (ii) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or (iii) amend the terms of, repurchase, redeem or otherwise acquire, or permit any Subsidiary to repurchase, redeem or otherwise acquire, any of its securities or any securities of its Subsidiaries (except pursuant to any Contract to which an Acquired Company is a party as of the date of this Agreement), or propose to do any of the foregoing;

(f) sell, assign, transfer, license, sublicense or otherwise dispose of any Company IP Rights (other than in the ordinary course of business consistent with past practice);

(g) (i) acquire (by merger, consolidation, or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof or any other material property or assets, in each case with an individual value in excess of $100,000; (ii) enter into or amend any material terms of any Company Contract or grant any release or relinquishment of any material rights under any Company Contract, with new obligations or losses of rights in excess of $750,000 (with written notice provided by the Company to Parent prior to amending or entering into any such Company Contract with new obligations or losses of rights in excess of $500,000); (iii) authorize any capital expenditures or purchase of fixed assets which are, in the aggregate, in excess of $100,000, taken as a whole; or (iv) enter into or amend any contract, agreement, commitment or arrangement to effect any of the matters prohibited by this Section 4.1(g);

(h) forgive any loans to any Person, including its employees, officers, directors or Affiliates (*provided*, for the avoidance of doubt, the conversion or settlement of any Indebtedness of an Acquired Company into or for equity securities of an Acquired Company shall not be deemed a forgiveness of such Indebtedness);

(i) take any action, other than as required by applicable Legal Requirements or GAAP, to change accounting policies or procedures;

(j) make or change any material Tax election inconsistent with past practices, adopt or change any Tax accounting method, or settle or compromise any material federal, state, local or foreign Tax liability or agree to an extension of a statute of limitations for any assessment of any Tax;

(k) pay, discharge or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction in the ordinary course of business and consistent with past practice;

(l) enter into any material partnership arrangements, joint development agreements or strategic alliances, other than in connection with a Post-Closing Financing or Refinancing;

(m) initiate any litigation, action, suit, proceeding, claim or arbitration or settle or agree to settle any litigation, action, suit, proceeding, claim or arbitration, in each case where the Company and its Subsidiaries are claiming, or would be reasonably likely to receive or become obligated for a liability, of more than $100,000 individually.

(n) take, or agree in writing or otherwise to take, any of the actions described in Sections 4.1(a) through (m) above.

4.2 Conduct of Parent Business. During the Pre-Closing Period, Parent agrees, except to the extent that Company consents in writing (such consent not to be unreasonably withheld, conditioned or delayed), as set forth on Part 4.2 of the Company Disclosure Schedule, as expressly permitted by this Agreement or by applicable Legal Requirements, to carry on its business in accordance with good commercial practice and to carry on its business in the usual, regular and ordinary course, in substantially the same manner as heretofore conducted, to pay its debts and Taxes when due subject to good faith disputes over such debts or Taxes, to pay or perform other material obligations when due, and use its commercially reasonable efforts consistent with past practices and policies to preserve intact its present business organization, preserve its relationships with key customers, suppliers, distributors, licensors, licensees and others with which it has business dealings, in each case with respect to the AIR001 Program. In addition, without limiting the foregoing, other than as set forth on Part 4.2 of the Company Disclosure Schedule or as expressly contemplated by this Agreement, without obtaining the written consent of Company, which shall not be unreasonably withheld, conditioned or delayed (and in which event, if Company has not objected in writing to any request for consent within 3 calendar days of its receipt thereof, such consent shall be deemed irrevocably granted), Parent will not, and will not permit its Subsidiaries to, do any of the following:

(a) except for the Parent Amended and Restated Charter, amend or otherwise change its certificate of incorporation or bylaws, or otherwise alter its corporate structure through merger, liquidation, reorganization or otherwise, or form any subsidiary;

(b) issue, sell, pledge, dispose of or encumber, or authorize the issuance, sale, pledge, disposition or encumbrance of, any shares of capital stock of any class, or any options, warrants, convertible securities or other rights of any kind to acquire any shares of capital stock, or any other ownership interest (including, without limitation, any phantom interest), other than (i) the issuance of shares of common stock issuable pursuant to employee stock options under currently existing employee stock option plans or pursuant to currently outstanding warrants, as the case may be, which options, warrants or rights, as the case may be, are outstanding on the date hereof) and (ii) pursuant to the ATM Program, in each case to the extent such issuances comply with all applicable Legal Requirements;

(c) redeem, repurchase or otherwise acquire, directly or indirectly, any shares of Parent Capital Stock, other than as may be required by the Reverse Split;

(d) incur any Indebtedness or sell, pledge, dispose of or create an Encumbrance over any assets (except for (i) sales of assets in the ordinary course of business and in a manner consistent with past practice, (ii) dispositions of obsolete or worthless assets and (iii) any Vepoloxamer Asset Sale));

(e) accelerate, amend or change the period (or permit any acceleration, amendment or change) of exercisability of options or warrants or authorize cash payments in exchange for any options, except as may be

required under any Parent Stock Option Plan, Contract or this Agreement or as may be required by applicable Legal Requirements;

(f) (i) declare, set aside, make or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of any of its capital stock, except that a wholly owned Subsidiary may declare and pay a dividend to its parent, (ii) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or (iii) amend the terms of, repurchase, redeem or otherwise acquire, or permit any Subsidiary to repurchase, redeem or otherwise acquire, any of its securities or any securities of its Subsidiaries (except pursuant to any Contract to which an Acquiring Company is a party as of the date of this Agreement), or propose to do any of the foregoing;

(g) sell, assign, transfer, license, sublicense or otherwise dispose of any Parent IP Rights (other than non-exclusive licenses in the ordinary course of business consistent with past practice);

(h) (i) acquire (by merger, consolidation, or acquisition of stock or assets) any corporation, partnership or other business organization or division thereof or any other material property or assets, or allow any material property or assets to become subject to any Encumbrance; (ii) enter into or amend any material terms of any Parent Contract (other than solely to decrease any payment obligation of the Acquiring Company) or grant any release or relinquishment of any material rights under any Parent Contract, with new obligations or losses of rights in excess of $50,000 in the aggregate; (iii) authorize any capital expenditures or purchase of fixed assets which are, in the aggregate, in excess of $50,000, taken as a whole; or (iv) enter into or amend any contract, agreement, commitment or arrangement to effect any of the matters prohibited by this Section 4.2(h);

(i) forgive any loans to any Person, including its employees, officers, directors or Affiliates (*provided*, for the avoidance of doubt, the conversion or settlement of any Indebtedness of an Acquiring Company into or for equity securities of an Acquiring Company shall not be deemed a forgiveness of such Indebtedness);

(j) (i) increase the wages, salary, commissions, fringe benefits or other compensation or remuneration payable or to become payable to its directors, officers, employees or consultants; (ii) grant any severance or termination pay to, or enter into or amend any employment or severance agreement with, any director, officer, employee or consultant; (iii) establish, adopt, enter into, or amend any collective bargaining, bonus, profit sharing, thrift, compensation, stock option, restricted stock, pension, retirement, deferred compensation, employment, termination, severance, change of control or other plan, agreement, trust, fund, policy, payment, benefit or arrangement of or to any director, officer, consultant or employee, except, in each of the subsections (i) – (iii) for bonus awards in the ordinary course of business consistent with past practice or bonus awards contingent upon the completion of the Transactions or payments, including any severance, termination or change of control payments, in compliance with any such agreements or plans existing as of the date of this Agreement and the plans, agreements or terms of which were made available to the Company prior to the date hereof);

(k) hire any directors, officers, employees or consultants or terminate any directors or officers;

(l) take any action, other than as required by applicable Legal Requirements or GAAP, to change accounting policies or procedures;

(m) make or change any material Tax election inconsistent with past practices, adopt or change any Tax accounting method, or settle or compromise any material federal, state, local or foreign Tax liability or agree to an extension of a statute of limitations for any assessment of any Tax;

(n) pay, discharge, satisfy, modify or renegotiate any claims or Liabilities, other than the payment, discharge or satisfaction of liabilities reflected or reserved against in the financial statements of Company, or payments, discharges or satisfactions made in the ordinary course of business and consistent with past practice;

(o) enter into any material partnership arrangements, joint development agreements or strategic alliances;

(p) accelerate the collection of, or otherwise modify Parent's customary accounting or treatment of, any receivables outside the ordinary course of business consistent with past practice,

(q) sell, assign, convey or fail to maintain or renew any Parent Permit;

(r) initiate any litigation, action, suit, proceeding, claim or arbitration or settle or agree to settle any litigation, action, suit, proceeding, claim or arbitration, in each case where Parent is claiming, or would be reasonably likely to receive or become obligated for a liability, of more than $100,000 individually;

(s) after the Net Cash Calculation is finalized pursuant to Section 1.10, dispose of any assets or otherwise take any actions other than in the ordinary course of business consistent with past practice so as to cause the final Net Cash Calculation to differ materially from actual Net Cash as of the Closing;

(t) take any action that would cause the representation in Section 3.19 to become in accurate; or

(u) take, or agree in writing or otherwise to take, any of the actions described in Sections 4.2(a) through 4.2(t) above.

ARTICLE 5

ADDITIONAL AGREEMENTS

5.1 Registration Statement; Proxy Statement/Prospectus/Information Statement.

(a) As promptly as practicable after the date of this Agreement the Parties shall prepare and cause to be filed with the SEC the Proxy Statement/Prospectus/Information Statement and Parent shall prepare and cause to be filed with the SEC the Form S-4 Registration Statement, in which the Proxy Statement/Prospectus/Information Statement will be included as a prospectus.

(b) Parent covenants and agrees that the Proxy Statement/Prospectus/ Information Statement, including any pro forma financial statements included therein (and the letter to stockholders, notice of meeting and form of proxy included therewith), will not, at the time that the Proxy Statement/Prospectus/Information Statement or any amendment or supplement thereto is filed with the SEC or is first mailed to the stockholders of Parent, at the time of the Parent Stockholders' Meeting and at the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, Parent makes no covenant, representation or warranty with respect to statements made in the Proxy Statement/Prospectus/Information Statement (and the letter to stockholders, notice of meeting and form of proxy included therewith), if any, based on information furnished in writing by Company specifically for inclusion therein. Each of the Parties shall use commercially reasonable efforts to cause the Form S-4 Registration Statement and the Proxy Statement/Prospectus /Information Statement to comply with the applicable rules and regulations promulgated by the SEC, to respond promptly to any comments of the SEC or its staff and to have the Form S-4 Registration Statement declared effective under the Securities Act as promptly as practicable after it is filed with the SEC. Each of the Parties shall use commercially reasonable efforts to cause the Proxy Statement/Prospectus/Information Statement to be mailed to Parent's stockholders as promptly as practicable after the Form S-4 Registration Statement is declared effective under the Securities Act. Each Party shall promptly furnish to the other Party all information concerning such Party and such Party's subsidiaries and such Party's stockholders that may be required or reasonably requested in connection with any action contemplated by this Section 5.1. If

any event relating to Parent or the Company occurs, or if Parent or the Company becomes aware of any information, that should be disclosed in an amendment or supplement to the Form S-4 Registration Statement or the Proxy Statement/Prospectus/ Information Statement, then Parent or the Company, as applicable, shall promptly inform the other party thereof and shall cooperate with one another in filing such amendment or supplement with the SEC and, if appropriate, in mailing such amendment or supplement to Parent's stockholders. No filing of, or amendment or supplement to, the Form S-4 Registration Statement will be made by Parent, and no filing of, or amendment or supplement to, the Prospectus / Proxy Statement will be made by Parent, in each case, without the prior written consent of the Company, which shall not be unreasonably withheld, conditioned or delayed. The Proxy Statement / Prospectus / Information Statement shall constitute a disclosure document for the offer and issuance of the shares of Parent Common Stock pursuant to this Agreement. Company and Parent shall each use commercially reasonable efforts to cause the Proxy Statement/Prospectus/Information Statement to comply with applicable federal and state securities laws requirements.

(c) Company shall reasonably cooperate with Parent and provide, and require its Representatives, advisors, accountants and attorneys to provide, Parent and its Representatives, advisors, accountants and attorneys, with all true, correct and complete information regarding Company that is required by law to be included in the Form S-4 Registration Statement or reasonably requested from Company to be included in the Form S-4 Registration Statement. Without limiting the foregoing, Company will use commercially reasonable efforts to cause to be delivered to Parent a letter of Company's independent accounting firm, dated no more than two (2) Business Days before the date on which the Form S-4 Registration Statement becomes effective (and reasonably satisfactory in form and substance to Parent), that is customary in scope and substance for letters delivered by independent public accountants in connection with registration statements similar to the S-4 Registration Statement.

(d) Following the final determination of Net Cash of the Anticipated Closing Date in accordance with Section 1.10 (either as a result of the mutual agreement of the parties or the determination of the Accounting Firm), Parent and the Company shall mutually agree on the form and substance of a press release setting forth the anticipated Exchange Ratio as of the Anticipated Closing Date (the "***Exchange Ratio Announcement***"), which the parties shall cause to be publicly disclosed (and which Parent shall file on Form 8-K) no later than two (2) Business Days prior to the Parent Stockholders' Meeting.

5.2 Company Stockholder Written Consent.

(a) Promptly after the S-4 Registration Statement shall have been declared effective under the Securities Act, but, in any event, no later than 11:59 PM on the date that is one (1) Business Day prior to the Parent Stockholders' Meeting (as such Parent Stockholders' Meeting may be adjourned or postponed as permitted by Section 5.3(a)) or if such date is required to be later by applicable Legal Requirements or requested to be later by the SEC, 11:59 PM on such date (such time, the "***Company Vote Deadline***"), the Company shall obtain the approval by written consent from certain of those Company stockholders sufficient for the Required Company Stockholder Vote in lieu of a meeting pursuant to Section 228 of the DGCL ("***Company Stockholder Written Consent***") for purposes of (i) adopting this Agreement and approving the Merger, and all other Transactions (ii) acknowledging that the approval given thereby is irrevocable and that such Company Stockholder is aware of its rights to demand appraisal for its shares pursuant to Section 262 of Delaware Law, a copy of which was attached thereto, and that such Company Stockholder has received and read a copy of Section 262 of Delaware Law, (iii) acknowledging that by its approval of the Merger it is not entitled to appraisal rights with respect to its shares in connection with the Merger and thereby waives any rights to receive payment of the fair value of its Company Capital Stock under Delaware Law and (iv) provide for the conversion of all Company Preferred Stock into Company Common Stock immediately prior to, and contingent upon the occurrence of, the Effective Time (collectively, the "***Company Stockholder Matters***"). Without the prior written approval of Parent (not to be unreasonably withheld, conditioned or delayed), the Company Stockholder Written Consent shall not include any other approval or consent other than with respect to the Company Stockholder Matters and other any ancillary or related approvals customary or required in connection therewith. Subject to the

terms of a Voting Agreement applicable to any Company Stockholder signatory thereto, the Company Stockholder Written Consent shall provide that such consent may be revoked by any signatory thereto until the Company Vote Deadline. In connection with the solicitation of the Company Stockholder Written Consent, the Company shall mail to Company Stockholders as of the record date established for the approval of the Company Stockholder Matters, the Proxy Statement / Prospectus / Information Statement, such mailing to occur substantially contemporaneous with Parent's mailing of the Proxy Statement / Prospectus / Information Statement to the Parent Stockholders in accordance with Section 5.3(a).

(b) Company agrees that, subject to Section 5.2(c) : (i) Company's Board of Directors shall recommend that Company's stockholders vote to adopt and approve this Agreement and the Merger and shall use commercially reasonable efforts to solicit such approval within the time set forth in Section 5.2(a) (the recommendation of Company's Board of Directors that Company's stockholders vote to adopt and approve this Agreement being referred to as the "***Company Board Recommendation***"); (ii) the Proxy Statement/Prospectus/Information Statement will include the Company Board Recommendation; and (iii) the Company Board Recommendation shall not be withdrawn or modified in a manner adverse to Parent, and no resolution by the Board of Directors of Company or any committee thereof to withdraw or modify the Company Board Recommendation in a manner adverse to Parent shall be adopted or proposed and (iv) the Company shall use its reasonable best efforts cause each of its stockholders to execute a Company Stockholder Written Consent as soon as practicable after the time the S-4 Registration Statement shall have been declared effective under the Securities Act, but, in any event, no later than the Company Vote Deadline.

(c) Notwithstanding anything to the contrary contained in Section 5.2(b), at any time prior to the approval of the Company Stockholders Matters by the Required Company Stockholder Vote, the Company Board Recommendation may be withdrawn or modified (a "***Company Change in Recommendation***") if the board of directors of Company concludes in good faith, after having consulted with the Company's outside legal counsel and financial advisors, that (x) as a result of Company's receipt of an Acquisition Proposal that does not result from a violation of Section 5.12 that constitutes a Superior Offer, or (y) as a result of a material development or change in circumstances (other than an Acquisition Proposal) that affects the business, assets or operations of Company that occurs or arises after the date of this Agreement and that was neither known to Company or its board of directors nor reasonably foreseeable as of the date of this Agreement (a "***Company Intervening Event***"), and in each case the withdrawal or modification of the Company Board Recommendation is required in order for the board of directors of Company to comply with its fiduciary obligations to Company's stockholders under applicable Legal Requirements; *provided*, *however*, that prior to Company taking any action permitted under this Section 5.2(c), Company shall provide Parent with four (4) Business Days' prior written notice advising Parent that it intends to effect such withdrawal or modification to the Company Board Recommendation and specifying, in reasonable detail, the reasons therefor (including, in the case of a Company Acquisition Proposal, the information required by Section 5.12(b) and, in the case of a Company Intervening Event, the material facts and circumstances related to the applicable Company Intervening Event), and during such four (4) business day period, (i) Company shall negotiate, and cause its Representatives to negotiate, with Parent in good faith (to the extent Parent wishes to negotiate) to enable Parent to determine whether to propose revisions to the terms of this Agreement such that it would obviate the need for Company's board of directors to effect such withdrawal or modification, and (ii) Company shall consider in good faith any proposal by Parent to amend the terms and conditions of this Agreement in a manner that would obviate the need to effect such withdrawal or change of the Company Board Recommendation.

(d) Notwithstanding the occurrence any Company Change in Recommendation, the Company shall nonetheless submit this Agreement to the Company Stockholders for approval in the Information Statement unless this Agreement is terminated in accordance with Article 7 prior to the mailing of the Information Statement.

5.3 Parent Stockholders' Meeting.

(a) Parent shall (i) take all action necessary under applicable Legal Requirements to call, give notice of and hold a meeting of the holders of Parent Common Stock (such meeting, the "***Parent Stockholders' Meeting***")

to vote on the Merger, the issuance of Parent Common Stock in the Merger, the Parent Amended and Restated Charter, including for purposes of effectuating Reverse Split (collectively, the "***Parent Stockholder Approval Matters***") and (ii) mail to Parent Stockholders as of the record date established for the Parent Stockholders' Meeting, Proxy Statement / Prospectus / Information Statement. The Parent Stockholders' Meeting shall be held as promptly as practicable, and in any event within 45 days, after the Form S-4 Registration Statement is declared effective under the Securities Act. Parent shall take reasonable measures to ensure that all proxies solicited in connection with the Parent Stockholders' Meeting are solicited in compliance with all applicable Legal Requirements. Notwithstanding anything to the contrary contained herein, if on a date preceding the date on which or the date on which the Parent Stockholders' Meeting is scheduled, Parent reasonably believes that (A) it will not receive proxies sufficient to obtain the Parent Stockholder Approval, whether or not a quorum would be present or (B) it will not have sufficient shares of Parent Common Stock represented (either in person or by proxy) to constitute a quorum necessary to conduct the business of the Parent Stockholders' Meeting, Parent may (or will, at the Company's direction) postpone or adjourn, or make one or more successive postponements or adjournments of, the Parent Stockholders' Meeting as long as the date of the Parent Stockholders' Meeting is not postponed or adjourned more than an aggregate of 15 calendar days in connection with any postponements or adjournments in reliance on the preceding sentence. In the event that during the five (5) Business Days prior to the date that the Parent Stockholders' Meeting is then scheduled to be held, Parent delivers a notice of an intent to make an Parent Change in Recommendation, the Company may direct Parent to recess or adjourn the Parent Stockholders' Meeting for up to five (5) Business Days and Parent shall promptly, and in any event no later than the next Business Day, recess or adjourn the Parent Stockholders' Meeting in accordance with the Company's direction. In addition, in the event the Parent Stockholders' Meeting is scheduled to occur less than two (2) Business Days after the publication of the Exchange Ratio Announcement, Parent may, or the Company may direct Parent to, recess or adjourn the Parent Stockholders' Meeting until the date such that the meeting would be held on the date that is two (2) Business Days following the publication of the Exchange Ratio Announcement (in each case to the extent the Company or Parent believes in good faith that such recess or adjournment is required by applicable Legal Requirements or the rules of the NYSE MKT). Parent will ensure that all proxies solicited in connection with the Parent Stockholders' Meeting are solicited in compliance with all applicable Legal Requirements.

(b) Parent agrees that, subject to Section 5.3(c) : (i) Parent's Board of Directors shall recommend that the holders of Parent Common Stock vote to approve the Parent Stockholder Approval Matters and shall use commercially reasonable efforts to solicit such approval within the timeframe set forth in Section 5.3(a) above, (ii) the Proxy Statement/Prospectus/Information Statement shall include a statement to the effect that the Board of Directors of Parent recommends that Parent's stockholders vote to approve the Parent Stockholder Approval Matters (the recommendation of Parent's Board of Directors that Parent's stockholders vote to approve the Parent Stockholder Approval Matters being referred to as the "***Parent Board Recommendation***"); and (iii) the Parent Board Recommendation shall not be withdrawn or modified in a manner adverse to Company, and no resolution by the Board of Directors of Parent or any committee thereof to withdraw or modify the Parent Board Recommendation in a manner adverse to Company shall be adopted or proposed; and (iv) Parent shall use its reasonable best efforts to obtain from its stockholders the Parent Stockholder Approval, including by soliciting proxies in favor thereof.

(c) Notwithstanding anything to the contrary contained in Section 5.3(b), at any time prior to the approval of the Parent Stockholder Approval Matters by the Parent Stockholder Approval, the Parent Board Recommendation may be withdrawn or modified (a "***Parent Change in Recommendation***") if the board of directors of Parent concludes in good faith, after having consulted with Parent's outside legal counsel and financial advisors, that (x) as a result of Parent's receipt of an Acquisition Proposal that did not result from a violation of Section 5.13 that constitutes a Superior Offer, or (y) as a result of a material development or change in circumstances (other than an Acquisition Proposal) that affects the business, assets or operations of Parent that occurs or arises after the date of this Agreement and that was neither known to Parent or its board of directors nor reasonably foreseeable as of the date of this Agreement (a "***Parent Intervening Event***"), and in each case the withdrawal or modification of the Parent Board Recommendation is required in order for the board of directors

of Parent to comply with its fiduciary obligations to Parent's stockholders under applicable Legal Requirements; *provided*, *however*, that prior to Parent taking any action permitted under this Section 5.3(c), Parent shall provide Company with four (4) Business Days' prior written notice advising the Company that it intends to effect such withdrawal or modification to the Parent Board Recommendation and specifying, in reasonable detail, the reasons therefor (including, in the case of a Parent Acquisition Proposal, the information required by Section 5.13(b) and, in the case of a Parent Intervening Event, the material facts and circumstances related to the applicable Parent Intervening Event), and during such four (4) business day period, (i) Parent shall negotiate, and cause its Representatives to negotiate, with Company in good faith (to the extent the Company wishes to negotiate) to enable Company to determine whether to propose revisions to the terms of this Agreement such that it would obviate the need for Parent's board of directors to effect such withdrawal or modification, and (ii) Parent shall consider in good faith any proposal by Company to amend the terms and conditions of this Agreement in a manner that would obviate the need to effect such withdrawal or change of the Parent Board Recommendation.

(d) Notwithstanding the occurrence of any Parent Change in Recommendation, Parent shall nonetheless submit this Agreement to the Parent Stockholders for adoption at the Parent Stockholders Meeting unless this Agreement is terminated in accordance with Article 7 prior to the Parent Stockholders Meeting.

(e) Nothing contained in this Agreement shall prohibit Parent or its Board of Directors from (i) taking and disclosing to the stockholders of Parent a position as contemplated by Rule 14e-2(a) under the Exchange Act or complying with the provisions of Rule 14d-9 under the Exchange Act (other than Rule 14d-9(f) under the Exchange Act) or (ii) making a "stop, look and listen" communication to the stockholders of Parent pursuant to Rule 14d-9(f) under the Exchange Act, in each case provided Parent has otherwise complied with the terms of this Section 5.3, *provided*, *however*, that any disclosure made by Parent or its board of directors pursuant to Rules 14d-9 or 14e-2(a) will be limited to a statement that Parent is unable to take a position with respect to the bidder's tender offer unless the board of directors of Parent determines in good faith, after consultation with its outside legal counsel, that such statement would result in a breach of its fiduciary duties under applicable Legal Requirements; *provided*, *further*, that (A) in the case of each of the foregoing clauses "(i)" and "(ii)," any such disclosure or public statement shall be deemed to be a Parent Change in Recommendation subject to the terms and conditions of this Agreement unless Parent's Board of Directors reaffirms the Parent Board Recommendation in such disclosure or public statement; and (B) Parent shall not affect a Parent Change in Recommendation unless specifically permitted pursuant to the terms of Section 5.3(c).

5.4 Access to Information; Confidentiality. From the date of this Agreement until the earlier of the Effective Time or the termination of this Agreement in accordance with Article 7, and upon reasonable notice and subject to restrictions contained in confidentiality agreements to which such party is subject, Company and Parent will each afford to the officers, employees, accountants, counsel and other Representatives of the other party, reasonable access, during the Pre-Closing Period, to all its properties, books, contracts, commitments and records (including, without limitation, Tax records) and, during such period, Company and Parent each will furnish promptly to the other all information concerning its business, properties and personnel as such other party may reasonably request, and each will make available to the other the appropriate individuals (including attorneys, accountants and other professionals) for discussion of the other's business, properties and personnel as either party may reasonably request; *provided*, that each of Company and Parent reserves the right to withhold any information if access to such information would be reasonably likely to result in any such party forfeiting attorney-client privilege between it and its counsel with respect to such information, in which event such party shall cause such information to be delivered in a form or summary, including any redactions that may be necessary, so as to provide as much requested information as reasonably practicable while retaining such privilege. Without limiting the generality of the foregoing, during the Pre-Closing Period, the Company and Parent will promptly provide the other party with copies of: (a) all material operating and financial reports prepared by Company or Parent (or their respective Representatives), as applicable, for such party's senior management, including copies of any sales forecasts, marketing plans, development plans, discount reports, write-off reports, hiring reports and capital expenditure reports; (b) any written materials or communications sent by or on behalf of such party to its stockholders; (c) any material notice, document or other communication sent

by or on behalf of any of such party to any third party to any Company Contract or Parent Contract, as applicable, or sent to Company or Parent by any third party to any Company Contract or Parent Contract, as applicable, (other than any communication that relates solely to routine commercial transactions and that is of the type sent in the ordinary course of business and consistent with past practices); (d) any notice, report or other document filed with or sent to any Governmental Body in connection with the Merger or any of the other Transactions; and (e) any material notice, report or other document received from any Governmental Body. Each party will keep such information confidential in accordance with the terms of the currently effective confidentiality agreement (the "***Confidentiality Agreement***") between Parent and Company; *provided* that the Company may make disclosure of such information to its stockholders or other third parties as may be reasonably necessary to enable the Company to comply with its obligations under this Agreement, including without limitation under Section 5.2 hereof, or otherwise in connection with a Post-Closing Financing or Refinancing (provided that any third party receiving such information shall be required to execute a non-disclosure agreement on customary terms with respect to any information disclosed in connection therewith).

5.5 Regulatory Approvals and Related Matters. Each Party shall use commercially reasonable efforts to file or otherwise submit, as soon as practicable after the date of this Agreement, all applications, notices, reports and other documents reasonably required to be filed by such Party with or otherwise submitted by such Party to any Governmental Body with respect to the Merger, and to submit promptly any additional information requested by any such Governmental Body. Without limiting the generality of the foregoing, the Parties shall, promptly after the date of this Agreement, prepare and file, if any, (a) the notification and report forms required to be filed under the HSR Act and (b) any notification or other document required to be filed in connection with the Merger under any applicable foreign Legal Requirement relating to antitrust or competition matters. Parent and Company shall respond as promptly as is practicable to respond in compliance with: (i) any inquiries or requests received from the Federal Trade Commission or the Department of Justice for additional information or documentation; and (ii) any inquiries or requests received from any state attorney general, foreign antitrust or competition authority or other Governmental Body in connection with antitrust or competition matters.

5.6 Director Indemnification and Insurance.

(a) From and after the Effective Time, Parent and the Surviving Corporation will fulfill and honor in all respects the obligations of Company and Parent which exist prior to the date hereof to indemnify Company's and Parent's present and former directors and officers and their heirs, executors and assigns (each, a "***D&O Indemnified Party***"). The Company directors and officers who become directors and officers of the Surviving Corporation and Parent will enter into Parent's standard indemnification agreement, which will be in addition to any other contractual rights to indemnification. The certificate of incorporation and bylaws of the Surviving Corporation will contain provisions at least as favorable as the provisions relating to the indemnification and elimination of liability for monetary damages set forth in the certificate of incorporation and bylaws of Company, and the provisions relating to the indemnification and elimination of liability for monetary damages set forth in the certificate of incorporation and bylaws of Company and Parent will not be amended, repealed or otherwise modified for a period of six (6) years from the Effective Time in any manner that would adversely affect the rights thereunder of individuals who, at the Effective Time, were directors, officers, employees or agents of Company or Parent, unless such modification is required by Legal Requirements.

(b) Effective as of the Effective Time, the Company may secure a "tail" policy on Company's existing directors and officer's liability insurance policy for a period of six (6) years.

(c) Effective as of the Effective Time, Parent will secure a directors and officers liability "tail" policy on Parent's existing directors and officers for a period of six (6) years.

(d) This Section 5.6 will survive any termination of this Agreement and the consummation of the Merger at the Effective Time, is intended to benefit Company, the Surviving Corporation, Parent and the D&O Indemnified Parties, and will be binding on all successors and assigns of Parent and the Surviving Corporation.

5.7 Notification of Certain Matters.

(a) Company will give prompt notice to Parent, and Parent will give prompt notice to Company, of (i) the occurrence, or non-occurrence, of any event the occurrence, or non-occurrence, of which would be reasonably likely to cause any representation or warranty contained in this Agreement to be untrue or inaccurate such that the conditions set forth in Section 6.2(a) or Section 6.3(a), as applicable, would fail to be satisfied as of the Closing, (ii) any failure of Company or Parent, as the case may be, materially to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder such that the conditions set forth in Section 6.2(b) or Section 6.3(b), as applicable, would fail to be satisfied as of the Closing, (iii) with respect to Parent, any issuances or sales under the ATM Program to the extent Parent has a good faith belief that such issuance or sale will, or will be reasonably likely to, constitute, either in whole or in part, a Non-Dilutive ATM Issuance; and (iv) whether any holder of shares of Parent Capital Stock or any security or other right convertible into or exercisable for shares of Parent Capital Stock has made any demand or request for the repurchase of any such share, security or right; *provided*, *however*, that the delivery of any notice pursuant to this Section 5.7 will not limit or otherwise affect the remedies available hereunder to the party receiving such notice; and provided, further, that failure to give such notice will not be treated as a breach of covenant for the purposes of Sections 6.2(a) and 6.3(a) unless the failure to give such notice results in material prejudice to the other party.

(b) Each of Company and Parent will give prompt notice to the other of: (i) any notice or other communication from any person alleging that the consent of such person is or may be required in connection with the Merger or other Transactions; (ii) any notice or other communication from any Governmental Body in connection with the Merger or other Transactions; (iii) any litigation relating to or involving or otherwise affecting Company or Parent that relates to the Merger or other Transactions; (iv) the occurrence of a default or event that, with notice or lapse of time or both, will become a default under a Company Contract; and (v) any change that would be considered reasonably likely to result in a Company Material Adverse Effect or Parent Material Adverse Effect.

5.8 Stockholder Litigation. From and after the date of this Agreement until the earlier of the Effective Time or the date, if any, on which this Agreement is terminated pursuant to Article 7, Parent shall promptly notify Company of any litigation brought, or threatened, against Parent and/or members of the board of directors of Parent or any of its officers relating to the Transactions or otherwise and shall keep Company informed on a reasonably current basis with respect to the status thereof. From and after the date of this Agreement until the earlier of the Effective Time or the date, if any, on which this Agreement is terminated pursuant to Article 7, Company shall promptly notify Parent of any litigation brought, or threatened, against Company and/or members of the board of directors of Company or any of its officers relating to the Transactions or otherwise and shall keep Parent informed on a reasonably current basis with respect to the status thereof. Each Party shall give the other Party the right to review and comment on all material filings or responses to be made by such Party in connection with the foregoing and, no settlement shall be agreed to in connection with the foregoing without the other Party's prior written consent (such consent not to be unreasonably withheld, conditioned or delayed).

5.9 Public Announcements. Parent and Company will consult with each other before issuing any press release or otherwise making any public statements with respect to the Merger or this Agreement and will not issue any such press release or make any such public statement without the prior consent of the other party, which will not be unreasonably withheld or delayed; *provided*, *however*, that, on the advice of legal counsel, Parent may comply with any SEC requirements under the Securities Act or Exchange Act which requires any public disclosure, without the consent or review of Company.

5.10 Conveyance Taxes. Parent and Company will cooperate in the preparation, execution and filing of all returns, questionnaires, applications or other documents regarding any real property transfer or gains, sales, use, transfer, value added, stock transfer and stamp taxes, any transfer, recording, registration and other fees, and any similar taxes which become payable in connection with the Transactions that are required or permitted to be filed on or before the Effective Time.

5.11 Board of Directors and Officers of Parent. Parent will take all actions necessary, in consultation with Company, to cause the board of directors of Parent, immediately after the Effective Time, to consist of five members as designated by the Company (the "***Company Appointees***") and two independent directors, as designated by the Parent, subject to the consent of Company (not to be unreasonably withheld), in each case prior to the mailing of the Proxy Statement/Prospectus/Information Statement. Prior to the mailing of the Proxy Statement/Prospectus/Information Statement, Parent shall provide executed resignation letters (effective as of the Effective Time) for all members of the board of directors who will no longer be members of the board of directors of Parent effective immediately after the Effective Time; *provided*, *however*, the parties acknowledge that so long as Parent remains a public reporting company, the board of directors of Parent will continue to satisfy applicable securities laws, including, without limitation, maintaining an independent audit committee, and the nominations by Company and Parent hereunder will allow Parent to comply with such applicable Legal Requirements. Each new member of the board of directors of Parent that was not a member of the board of directors of Parent immediately before the Effective Time shall enter into an indemnification agreement with Parent, on a form to be mutually agreed between Parent and the Company (and absent such agreement, on Parent's form indemnification agreement), within fifteen (15) days of their appointment. The executive officers of Parent immediately after the Effective Time will be designated by the Company (and such individuals will, to the extent reasonably practicable, be identified prior to the Company sending the Information Statement)

5.12 Non-Solicitation by Company.

(a) Beginning on the date hereof and continuing until the earlier of the Effective Time or the date, if any, on which this Agreement is terminated pursuant to Article 7, but subject to Section 5.12(d), the Company will not and will not authorize or permit any of its Subsidiaries or any Representative of Company or its Subsidiaries, directly or indirectly, to, (i) solicit, initiate, knowingly encourage, induce or facilitate the making, submission or announcement of any Acquisition Proposal or take any action that would reasonably be expected to lead to an Acquisition Proposal, (ii) furnish any nonpublic information regarding Company or its Subsidiaries to any Person in connection with or in response to an Acquisition Proposal or an inquiry or indication of interest that could lead to an Acquisition Proposal, (iii) engage in discussions or negotiations with any Person with respect to any Acquisition Proposal, (iv) approve, endorse or recommend any Acquisition Proposal or (v) enter into any letter of intent or similar document or any agreement contemplating or otherwise relating to any Acquisition Transaction (other than an Acceptable Company Confidentiality Agreement); *provided*, *however*, that prior to the adoption of this Agreement by the Required Company Stockholder Vote, this Section 5.12(a) will not prohibit Company from furnishing nonpublic information regarding Company and its Subsidiaries to, entering into discussions with or facilitating or cooperating with the submission of, an Acquisition Proposal made by any Person in response to any such Acquisition Proposal that, after consultation with a financial advisor and outside legal counsel, Company's board of directors determines in good faith is, or would reasonably be expected to result in, a Superior Offer (and is not withdrawn) if (1) such Acquisition Proposal did not result from a breach of this Section 5.12(a), (2) the board of directors of Company concludes in good faith, after having taken into account the advice of its outside legal counsel, that such action is required in order for the board of directors of Company to comply with its fiduciary obligations to the Company's stockholders under applicable Legal Requirements, (3) at least two (2) Business Days prior to furnishing any such information to, or entering into discussions with, such Person, Company gives Parent written notice of the identity of such Person, the terms and conditions of any proposals or offers (including, if applicable, copies of any written requests, proposals or offers, including proposed agreements) made thereby and of Company's intention to furnish information to, or enter into discussions with, such Person, and Company receives from such Person an executed confidentiality agreement on terms no less favorable to Company than the confidentiality agreement between Parent and Company and containing customary limitations on the use and disclosure of all nonpublic written and oral information furnished to such Person by or on behalf of Company (an "***Acceptable Company Confidentiality Agreement***"), and (4) substantially contemporaneous with furnishing any such information to such Person, Company furnishes such nonpublic information to Parent (to the extent such nonpublic information has not been previously furnished by Company to Parent). Without limiting the generality of the foregoing, Company acknowledges and agrees that in the event any Representative of Company (or its Subsidiaries), whether or not such Representative is

purporting to act on behalf of Company (or its Subsidiaries), takes any action that, if taken by Company (or its Subsidiaries), would constitute a breach of this Section 5.12, the taking of such action by such Representative will be deemed to constitute a breach of this Section 5.12 by Company for purposes of this Agreement.

(b) Company will promptly (and in no event later than twenty-four (24) hours after receipt of any Acquisition Proposal, any inquiry or indication of interest that could lead to an Acquisition Proposal or any request for nonpublic information) advise Parent orally and in writing of any Acquisition Proposal, any inquiry or indication of interest that could lead to an Acquisition Proposal or any request for nonpublic information relating to Company or its Subsidiaries (including the identity of the Person making or submitting such Acquisition Proposal, inquiry, indication of interest or request, the material terms thereof and copies of any written material submitted therewith) that is made or submitted by any Person during the Pre-Closing Period. Company will keep Parent informed on a prompt basis in all material respects with respect to the status of any such Acquisition Proposal, inquiry, indication of interest or request and any modification or proposed modification thereto and shall deliver copies of any written material submitted therewith.

(c) Company will immediately cease and cause to be terminated any existing discussions with any Person that relate to any Acquisition Proposal and will promptly request from each person that has executed a confidentiality agreement in connection with its consideration of making an Acquisition Proposal prior to the date hereof to return or destroy (as provided in the terms of such confidentiality agreement) all confidential information concerning the Company or any of its Subsidiaries and promptly terminate all physical and electronic data access previously granted to such person.

(d) Notwithstanding the terms of Sections 5.12(a)-(c), the Company shall be permitted to take, or refrain from taking, any action described therein to the extent any such action is taking in connection with or with a view towards consummating a Post-Closing Financing or Refinancing, and no such action or omission will be deemed a violation of the terms of this Section 5.12.

5.13 Non-Solicitation by Parent.

(a) Beginning on the date hereof and continuing until the earlier of the Effective Time or the date, if any, on which this Agreement is terminated pursuant to Article 7, Parent will not and will not authorize or permit any of its Subsidiaries or any Representative of Parent or its Subsidiaries, directly or indirectly, to, (i) solicit, initiate, knowingly encourage, induce or facilitate the making, submission or announcement of any Acquisition Proposal or take any action that would reasonably be expected to lead to an Acquisition Proposal, (ii) furnish any nonpublic information regarding Parent or its Subsidiaries to any Person in connection with or in response to an Acquisition Proposal or an inquiry or indication of interest that could lead to an Acquisition Proposal, (iii) engage in discussions or negotiations with any Person with respect to any Acquisition Proposal, (iv) approve, endorse or recommend any Acquisition Proposal or (v) enter into any letter of intent or similar document or any agreement contemplating or otherwise relating to any Acquisition Transaction (other than an Acceptable Parent Confidentiality Agreement); *provided*, *however*, that prior to the adoption of this Agreement by the Parent Stockholder Approval, this Section 5.13(a) will not prohibit Parent from furnishing nonpublic information regarding Parent and its Subsidiaries to, entering into discussions with, or facilitating or cooperating with the submission of, an Acquisition Proposal made by any Person in response to any such Acquisition Proposal that, after consultation with a financial advisor and outside legal counsel, Parent's board of directors determines in good faith is, or would reasonably be expected to result in, a Superior Offer (and is not withdrawn) if (1) such Acquisition Proposal did not result from a breach of this Section 5.13(a), (2) the board of directors of Parent concludes in good faith, after having taken into account the advice of its outside legal counsel, that such action is required in order for the board of directors of Parent to comply with its fiduciary obligations to the Parent's stockholders under applicable Legal Requirements, (3) at least two (2) Business Days prior to furnishing any such information to, or entering into discussions with, such Person, Parent gives Company written notice of the identity of such Person, the terms and conditions of any proposals or offers (including, if applicable, copies of any written requests, proposals or offers, including proposed agreements) made thereby and of Parent's intention

to furnish information to, or enter into discussions with, such Person, and Parent receives from such Person an executed confidentiality agreement on terms no less favorable to Parent than the confidentiality agreement between Parent and Company and containing customary limitations on the use and disclosure of all nonpublic written and oral information furnished to such Person by or on behalf of Parent as well as customary "standstill" provisions (an, "***Acceptable Parent Confidentiality Agreement***") (4) substantially contemporaneous with furnishing any such information to such Person, Parent furnishes such nonpublic information to Company (to the extent such nonpublic information has not been previously furnished by Parent to Company). Without limiting the generality of the foregoing, Parent acknowledges and agrees that in the event any Representative of Parent (or its Subsidiaries), whether or not such Representative is purporting to act on behalf of Parent (or its Subsidiaries), takes any action that, if taken by Parent (or its Subsidiaries), would constitute a breach of this Section 5.13, the taking of such action by such Representative will be deemed to constitute a breach of this Section 5.13 by Parent for purposes of this Agreement.

(b) Parent will promptly (and in no event later than 24 hours after receipt of any Acquisition Proposal, any inquiry or indication of interest that could lead to an Acquisition Proposal or any request for nonpublic information) advise Company orally and in writing of any Acquisition Proposal, any inquiry or indication of interest that could lead to an Acquisition Proposal or any request for nonpublic information relating to Parent or its Subsidiaries (including the identity of the Person making or submitting such Acquisition Proposal, inquiry, indication of interest or request, the material terms thereof and copies of any written material submitted therewith) that is made or submitted by any Person during the Pre-Closing Period. Parent will keep Company informed on a prompt basis in all material respects with respect to the status of any such Acquisition Proposal, inquiry, indication of interest or request and any modification or proposed modification thereto and shall deliver copies of any written material submitted therewith.

(c) Parent will immediately cease and cause to be terminated any existing discussions with any Person that relate to any Acquisition Proposal and will promptly request from each person that has executed a confidentiality agreement in connection with its consideration of making an Acquisition Proposal prior to the date hereof to return or destroy (as provided in the terms of such confidentiality agreement) all confidential information concerning the Company or any of its Subsidiaries and promptly terminate all physical and electronic data access previously granted to such person.

5.14 Section 16 Matters. Subject to the following sentence, prior to the Effective Time, Parent and Company will take all such steps as may be required (to the extent permitted under applicable Legal Requirements and no-action letters issued by the SEC) to cause any acquisition of Parent Common Stock (including derivative securities with respect to Parent Common Stock) by each individual who is or will be subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to Parent, to be exempt under Rule 16b-3 under the Exchange Act. At least thirty (30) days prior to the Closing Date, Company will furnish the following information to Parent for each individual who, immediately after the Effective Time, will become subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to Parent: (a) the number of shares of Company Capital Stock held by such individual and expected to be exchanged for shares of Parent Common Stock pursuant to the Merger; and (b) the number of other derivative securities (if any) with respect to Company Capital Stock held by such individual and expected to be converted into shares of Parent Common Stock or derivative securities with respect to Parent Common Stock in connection with the Merger.

5.15 Parent Amended and Restated Charter. Immediately prior to the Effective Time, Parent will file the Parent Amended and Restated Charter with the Secretary of State of the State of Delaware to become effective immediately prior to the Effective Time.

5.16 Termination of Company Stockholder and Other Related Agreements. Prior to the Closing Date, Company will obtain the necessary written consent of its stockholders to, effective upon the Closing Date, terminate the following agreements, or any successor agreement to such agreements, to which the Company and certain of its stockholders are a party: (i) the Fourth Amended and Restated Investor Rights Agreement, dated

December 3, 2015, (ii) the Third Amended and Restated Voting Agreement, dated July 15, 2016 and (iii) the Fifth Amended and Restated Right of First Refusal Agreement, dated July 15, 2016.

5.17 Company Options; Restricted Shares.

(a) At the Effective Time, each Company Option that is outstanding and unexercised immediately prior to the Effective Time under the Company Option Plan, whether or not vested, will be converted into and become an option to purchase Parent Common Stock, and Parent shall assume the Company Option Plan. All rights with respect to Company Common Stock under Company Options assumed by Parent will thereupon be converted into rights with respect to Parent Common Stock. Accordingly, from and after the Effective Time: (i) each Company Option assumed by Parent may be exercised solely for shares of Parent Common Stock; (ii) the number of shares of Parent Common Stock subject to each Company Option assumed by Parent will be determined by multiplying (x) the number of shares of Company Common Stock that were subject to such Company Option, as in effect immediately prior to the Effective Time by (y) the Exchange Ratio (as adjusted in accordance with Section 1.10) and rounding the resulting number down to the nearest whole number of shares of Parent Common Stock; (iii) the per share exercise price for the Parent Common Stock issuable upon exercise of each Company Option assumed by Parent will be determined by dividing (x) the per share exercise price of Company Common Stock subject to such Company Option, as in effect immediately prior to the Effective Time, by (y) the Exchange Ratio (as adjusted in accordance with Section 1.10) and rounding the resulting exercise price up to the nearest whole cent; and (iv) any restriction on the exercise of any Company Option assumed by Parent will continue in full force and effect and the term, exercisability, vesting schedule, status as an "incentive stock option" under Section 422 of the Code, if applicable, and other provisions of such Company Option will otherwise remain unchanged; *provided*, *however*, that: (1) to the extent provided under the terms of a Company Option, such Company Option assumed by Parent in accordance with this Section 5.17(a) will, in accordance with its terms, be subject to further adjustment as appropriate to reflect any stock split, division or subdivision of shares, stock dividend, reverse stock split, consolidation of shares, reclassification, recapitalization or other similar transaction with respect to Parent Common Stock subsequent to the Effective Time (for the avoidance of doubt, no such adjustment shall be made in respect of any Post-Closing Financing); and (2) Parent' board of directors or a committee thereof will succeed to the authority and responsibility of Company's board of directors or any committee thereof with respect to each Company Option assumed by Parent. Notwithstanding anything to the contrary in this Section 5.17(a), the conversion of each Company Option (regardless of whether such option qualifies as an "incentive stock option" within the meaning of Section 422 of the Code) into an option to purchase shares of Parent Common Stock will be made in a manner consistent with Treasury Regulation Section 1.424-1, such that the conversion of a Company Option will not constitute a "modification" of such Company Option for purposes of Section 409A or Section 424 of the Code. It is the intention of the parties that each Company Option so assumed by Parent shall qualify following the Effective Time as an incentive stock option as defined in Section 422 of the Code to the extent permitted under Section 422 of the Code and to the extent such Company Option qualified as an incentive stock option prior to the Effective Time.

(b) At the Effective Time, each unvested Company Restricted Share that is outstanding immediately prior to the Effective Time under the Company Option Plan will be exchanged for restricted shares of Parent Common Stock that shall have, and be subject to, the same terms and conditions (including vesting terms) set forth in the applicable Company Option Plan and the applicable Company Restricted Share agreements relating thereto, as in effect immediately prior to the Effective Time, in an amount equal to the number of Company Restricted Shares outstanding with respect to such Company Restricted Share award immediately prior to the Effective Time multiplied by the Exchange Ratio, with the result rounded down to the nearest whole number of shares of Parent Common Stock.

(c) Parent will file with the SEC, as soon as practicable after the Effective Time, a registration statement on Form S-8 relating to the shares of Parent Common Stock issuable with respect to Company Options and Company Restricted Shares assumed by Parent in accordance with Section 5.17(a), to the extent permitted by federal securities laws, and Parent shall use its commercially reasonable efforts to maintain the effectiveness of

such registration statement or registration statements (and maintain the current status of the prospectus or prospectuses delivered with respect to such shares) for so long as such options remain outstanding.

(d) Within twenty (20) business days after the Effective Time, Parent will issue to each person who, immediately prior to the Effective Time, was a holder of a Company Option or Company Restricted Share a document evidencing the foregoing assumption of such option or restricted shares by Parent.

5.18 Company Warrants.

(a) At the Effective Time, each Company Warrant that is outstanding and unexercised immediately prior to the Effective Time, will be converted into and become a warrant to purchase Parent Common Stock. All rights with respect to Company Common Stock under Company Warrants assumed by Parent will thereupon be converted into rights with respect to Parent Common Stock. Accordingly, from and after the Effective Time: (i) each Company Warrant assumed by Parent may be exercised solely for shares of Parent Common Stock; (ii) the number of shares of Parent Common Stock subject to each Company Warrant assumed by Parent will be determined by multiplying (x) the number of shares of Company Common Stock that were subject to such Company Warrant, as in effect immediately prior to the Effective Time by (y) the Exchange Ratio (as adjusted in accordance with Section 1.10) and rounding the resulting number down to the nearest whole number of shares of Parent Common Stock; (iii) the per share exercise price for the Parent Common Stock issuable upon exercise of each Company Warrant assumed by Parent will be determined by dividing (x) the per share exercise price of Company Common Stock subject to such Company Warrant, as in effect immediately prior to the Effective Time, by (y) the Exchange Ratio (as adjusted in accordance with Section 1.10) and rounding the resulting exercise price up to the nearest whole cent; and (iv) any restriction on the exercise of any Company Warrant assumed by Parent will continue in full force and effect and the term, exercisability and other provisions of such Company Warrant will otherwise remain unchanged; *provided*, *however*, that to the extent provided under the terms of a Company Warrant, such Company Warrant assumed by Parent in accordance with this Section 5.18(a) will, in accordance with its terms, be subject to further adjustment as appropriate to reflect any stock split, division or subdivision of shares, stock dividend, reverse stock split, consolidation of shares, reclassification, recapitalization or other similar transaction with respect to Parent Common Stock subsequent to the Effective Time. For the avoidance of doubt, no such adjustment shall be made in respect of any Post-Closing Financing.

(b) Within twenty (20) business days after the Effective Time, Parent will issue to each person who, immediately prior to the Effective Time, was a holder of a Company Warrant a document evidencing the foregoing assumption of such warrant by Parent.

5.19 Parent Warrants. If required by any applicable Parent Warrant, promptly after the date of this Agreement, and in any event within twenty (20) Business Days before the Effective Time, Parent shall deliver notice to the holders of such Parent Warrants with respect to the Transactions and the rights of the holders thereof in connection therewith, subject to the review and approval of Company (not to be unreasonably withheld).

5.20 Allocation Certificate. Company will prepare and deliver to Parent at least two (2) Business Days prior to the Closing Date a certificate signed by the Chief Financial Officer and Secretary of Company in a form reasonably acceptable to Parent which sets forth (a) a true and complete list of the Company Stockholders immediately prior to the Effective Time and the number and type of shares of Company Capital Stock owned by each such Company Stockholder, and (b) the allocation of the Merger Consideration among the Company Stockholders pursuant to the Merger (the "***Allocation Certificate***").

5.21 Employee Benefit Matters. At the Company's request prior to the Closing, Parent will terminate any or all Parent Employee Plans intended to include a Code Section 401(k) arrangement (each, a "***Parent 401(k) Plan***") or any other Parent Employee Plan related to medical, dental, life insurance or similar benefits, with such terminations to be effective as of the day immediately preceding the Closing Date or as soon as reasonably

practicable at the Closing, as applicable, with such termination shall be reflected in resolutions of Parent's board of directors. The form and substance of such resolutions will be subject to the prior review and approval of the Company. All reasonable out of pocket expenses incurred by Parent in connection with the termination of the Parent 401(k) Plan and such other Parent Employee Plans terminated pursuant to this Section 5.21 shall be the responsibility of Company and shall specifically be excluded from any Parent Transaction Costs or shall not otherwise reduce the Net Cash of Parent.

5.22 Company and Parent Disclosure Schedules. Each of Company and Parent may in its discretion, for informational purposes only, supplement the information set forth on the Company Disclosure Schedule or Parent Disclosure Schedule, as applicable, with respect to any matter now existing or hereafter arising that, if existing or occurring at or prior to the date of this Agreement, would have been required to be set forth or described in the Company Disclosure Schedule or Parent Disclosure Schedule, as applicable, on the date of this Agreement or that is necessary to correct any information in the Company Disclosure Schedule or Parent Disclosure Schedule, as applicable, which has been rendered inaccurate thereby promptly following discovery thereof. Any such amended or supplemented disclosure shall not be deemed to modify the representations and warranties of Company, Parent or Merger Sub for purposes of Section 6.2(a) and 6.3(a) of this Agreement.

5.23 Post-Closing Financing; Refinancing.

(a) Prior to the Effective Time, Parent will use its commercially reasonable efforts, and will cause each of its Subsidiaries and Representatives to use their respective commercially reasonable efforts, to provide the Company with cooperation reasonably requested in writing by the Company to assist the Company in (i) negotiating, executing definitive agreements with respect to and consummating a Post-Closing Financing and (ii) renegotiating and refinancing the terms of all or any portion of Parent's outstanding Hercules Debt, which may or not include obtaining a new lender in order to replace any Hercules Debt outstanding and currently owed to Hercules, in each case effective on or after the Effective Time (any such action, a "***Refinancing***"). In no event shall Parent, and Parent shall use its commercially reasonable efforts to cause the other Acquiring Companies and its and their Representatives not to, intentionally or knowingly take any action to with respect to any third party in connection with a Refinancing, Post-Closing Financing or Permitted Bridge Financing other than to the extent such action was reasonably requested to be taken by the Company consistent with the terms of this Section 5.23(a).

(b) Notwithstanding the provisions of Section 5.23(a) or any other provision of this Agreement, nothing in this Agreement will require Parent or any of its Subsidiaries to (A) waive or amend any terms of this Agreement or agree to pay any fees or reimburse any expenses prior to the Effective Time for which it has not received prior reimbursement or is not otherwise indemnified by or on behalf of Parent, (B) enter into any definitive agreement that is effective prior to the Closing, (C) give any indemnities that are effective prior to the Effective Time, (D) take any action that, in the good faith determination of Parent, would unreasonably interfere with the conduct of the business of Parent and its Subsidiaries or create an unreasonable risk of damage or destruction to any property or assets of Parent or any of its Subsidiaries, (E) provide any information the disclosure of which is prohibited or restricted under applicable Legal Requirements or is legally privileged, or (F) take any action that will conflict with or violate its organizational documents or any applicable Legal Requirements or would result in a violation or breach of, or default under, any agreement to which Parent or any of its Subsidiaries is a party. All reasonable out of pocket costs and expenses incurred by Parent, its Subsidiaries and Representatives as a result of the cooperation contemplated by Section 5.23(a) shall be the responsibility of the Company and shall specifically be excluded from any Parent Transaction Costs or shall not otherwise reduce the Net Cash of Parent.

5.24 Tax Matters.

(a) Parent, Merger Sub and Company shall use their respective reasonable best efforts to cause the Merger to qualify as a "reorganization" within the meaning of Section 368(a) of the Code, including by executing

and delivering customary tax representation letters to the Company's and/or Parent's counsel, as applicable, in form and substance reasonably satisfactory to such counsel, in connection with any tax opinion or description of the U.S. federal income tax consequences of the Merger contained or set forth in the Form S-4. None of Parent, Merger Sub or the Company shall (and each of the foregoing shall not permit or cause any affiliate or subsidiary to) take any actions, fail to take any actions, or cause any action to be taken which would reasonably be expected to prevent the Merger from qualifying as a "reorganization" under Section 368(a) of the Code.

(b) Parent, Merger Sub and Company shall treat, and shall not take any Tax reporting position inconsistent with the treatment of, the Merger as a reorganization within the meaning of Section 368(a) of the Code for U.S. federal, state and other relevant Tax purposes, unless otherwise required pursuant to a "determination" within the meaning of Section 1313(a) of the Code.

5.25 Hercules Debt. During the Pre-Closing Period, Company and Parent shall use commercially reasonable efforts to engage in discussions with Hercules regarding a renegotiated, refinancing or new written agreement or arrangement with Hercules related to the existing Hercules Debt ("***Hercules Refinancing***").

5.26 Obligations of Merger Sub. Parent shall take all action necessary to cause Merger Sub to perform its obligations under this Agreement and to consummate the Merger and other Transactions upon the terms and subject to the conditions set forth in this Agreement. Parent and Merger Sub will be jointly and severally liable for the failure by either of them to perform and discharge any of their respective covenants, agreements and obligations pursuant to and in accordance with this Agreement.

5.27 Reverse Split. Parent shall submit to the holders of Parent Common Stock at the Parent Stockholders' Meeting a proposal to approve and adopt Parent Amended and Restated Charter authorizing the Board of Directors of Parent to effect a reverse stock split of all outstanding shares of Parent Common Stock at a reverse stock split ratio as mutually agreed to by Parent and Company (the "***Reverse Split***") and within the range approved by the holders of Parent Common Stock. Parent shall cause the Reverse Split to be implemented and take effect immediately prior to the Effective Time.

5.28 Lock-up Agreements. During the Pre-Closing Period, Company shall deliver a Company Lock-up Agreement to each of the Company Stockholders and shall use its commercially reasonable efforts to cause its Company Stockholders to enter into such Company Lock-up Agreement.

5.29 Listing. Parent will promptly (i) to the extent required by the rules and regulations of NYSE MKT, (A) prepare and submit to NYSE MKT an application for the listing of the shares of Parent Common Stock to be issued in the Merger and use its reasonable commercial efforts to cause such shares to be approved for listing (subject to notice of issuance), (B) approve the Reverse Split, and (C) approve the new NYSE MKT ticker symbol, and (ii) to the extent required by NYSE MKT Company Guide, file an initial listing for the Parent Common Stock on NYSE MKT (the "***NYSE MKT Listing Application***") and use its reasonable commercial efforts to cause such NYSE MKT Listing Application to be approved prior to the Effective Time; *provided* no such submission or filing shall be made without the Company's consent to the form and substance thereof, such consent not to be unreasonably withheld, conditioned or delayed. Company will cooperate with Parent as reasonably requested by Parent to cause the NYSE MKT Listing Application to be approved and the shares of Parent Common Stock to be issued in the Merger to be approved for listing on NYSE MKT and will promptly furnish to Parent all information concerning the Acquired Companies and their stockholders that may be required or reasonably requested in connection with any action contemplated by this Section 5.28.

5.30 Parent Vote. Immediately following the execution and delivery of this Agreement, Parent, in its capacity as the sole stockholder of Merger Sub, will execute and deliver to Merger Sub and the Company a written consent approving the Merger in accordance with the DGCL.

5.31 Duke University. During the Pre-Closing Period, Company and Parent shall use commercially reasonable efforts to engage in discussions with Duke University regarding a renegotiated, restructured or new written agreement or arrangement with Duke University related to the AIR001 Program Agreement.

ARTICLE 6

CONDITIONS TO THE MERGER

6.1 Conditions To Obligation Of Each Party To Effect The Merger. The respective obligations of each party to effect the Merger will be subject to the satisfaction at or prior to the Effective Time of the following conditions:

(a) No Injunctions or Restraints; Illegality. No temporary restraining order, preliminary or permanent injunction or other order (whether temporary, preliminary or permanent) issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Merger will be in effect, nor will any proceeding brought by any administrative agency or commission or other Governmental Body or instrumentality, domestic or foreign, seeking any of the foregoing be pending; and there will not be any action taken, or any statute, rule, regulation or order enacted, entered, enforced or deemed applicable to the Merger, which makes the consummation of the Merger illegal.

(b) Governmental Approvals. Any waiting period applicable to the consummation of the Merger under the HSR Act will have expired or been terminated.

(c) Stockholder Approvals. This Agreement will have been duly adopted and the Merger will have been duly approved by the Required Company Stockholder Vote and the Parent Stockholder Approval Matters will have been duly adopted and approved by the Parent Stockholder Approval.

(d) Form S-4. The Form S-4 Registration Statement shall have become effective under the Securities Act and shall not be the subject of any stop order or proceedings seeking a stop order.

(e) Stock Exchange Listing. The shares of Parent Common Stock to be issued in the Merger shall have been approved for listing on the NYSE MKT, subject to official notice of issuance.

6.2 Additional Conditions to Obligations of Parent. The obligations of Parent to effect the Merger are also subject to the following conditions:

(a) Representations and Warranties. The representations and warranties of Company (i) set forth in Section 2.2 (Capital Structure) and 2.3 (Authority; Non-Contravention; Approvals) will be true and correct in all material respects on and as of the Closing Date, with the same force and effect as if made on and as of the Closing Date, except for those representations and warranties which address matters only as of a particular date (which will remain true and correct in all material respects as of such date) and (ii) contained in this Agreement (other than those set forth in Section 2.2 (Capital Structure) and 2.3 (Authority; Non-Contravention; Approvals)) will be true and correct in all respects on and as of the Closing Date, with the same force and effect as if made on and as of the Closing Date, except for those representations and warranties which address matters only as of a particular date (which will remain true and correct in all material respects as of such date) or those inaccuracies that, individually or in the aggregate, do not constitute and would not reasonably be expected to constitute a Company Material Adverse Effect; provided that, for purposes of this clause (ii), all “Company Material Adverse Effect” qualifications and other materiality qualifications limiting the scope of the representations and warranties of Company contained in this Agreement will be disregarded. Parent will have received a certificate to such effect signed by an officer of Company. For purposes of clarity, the transactions contemplated by Article 1 of this Agreement shall not constitute a breach of the representations and warranties of Company set forth in Section 2.2 (Capital Structure).

(b) Agreements and Covenants. Company will have performed or complied with in all material respects its agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Effective Time. Parent will have received a certificate to such effect signed by and officer of Company.

(c) Company Material Adverse Effect. Since the date of this Agreement, there will have been no change, occurrence or circumstance in the business, results of operations or financial condition of Company or any Subsidiary of Company having, individually or in the aggregate, a Company Material Adverse Effect that is continuing.

(d) FIRPTA Certificate. Parent will have received from Company applicable FIRPTA documentation, consisting of (i) a notice to the IRS, in accordance with the requirements of Section 1.897-2(h)(2) of the Treasury Regulations, in substantially the form of **Exhibit E** attached hereto, dated as of the Closing Date and executed by Company, together with written authorization for Parent to deliver such notice form to the IRS on behalf of Company after the Closing, and (ii) a FIRPTA Notification Letter, in substantially the form of **Exhibit F** attached hereto, dated as of the Closing Date and executed by Company.

(e) Dissenting Shares. The holders of no more than five percent (5%) of the shares of Company Capital Stock on an as-converted to Company Common Stock basis will have demanded and not lost or withdrawn appraisal rights.

(f) Allocation Certificate. The Chief Financial Officer of Company will have executed and delivered to Parent the Allocation Certificate.

(g) Company Board of Directors Resignation Letters. Parent will have received a duly executed copy of a resignation letter from each of the resigning members of the board of directors of Company and each of its Subsidiaries contemplated by Section 5.11, pursuant to which each such person will resign as a member of the board of directors of Company immediately following the Effective Time.

(h) Preferred Stock Conversion. Company shall have effected a conversion of all shares of Company Preferred Stock into shares of Company Common Stock immediately prior to the Effective Time (the "***Preferred Stock Conversion***").

6.3 Additional Conditions to Obligations Of Company. The obligation of Company to effect the Merger is also subject to the following conditions:

(a) Representations and Warranties. The representations and warranties of Parent and Merger Sub (i) set forth in Section 3.2 (Capital Structure) and 3.3 (Authority; Non-Contravention; Approvals) will be true and correct in all material respects on and as of the Closing Date, with the same force and effect as if made on and as of the Closing Date, except for those representations and warranties which address matters only as of a particular date (which will remain true and correct in all material respects as of such date) and (ii) contained in this Agreement (other than those set forth in Section 3.2 (Capital Structure) and 3.3 (Authority; Non-Contravention; Approvals)) will be true and correct in all respects on and as of the Closing Date, with the same force and effect as if made on and as of the Closing Date, except for those representations and warranties which address matters only as of a particular date (which will remain true and correct in all material respects as of such date) or those inaccuracies that, individually or in the aggregate, do not constitute and would not reasonably be expected to constitute a Parent Material Adverse Effect; provided that, for purposes of this clause (ii), all "Parent Material Adverse Effect" qualifications and other materiality qualifications limiting the scope of the representations and warranties of Parent and Merger Sub contained in this Agreement will be disregarded. Company will have received a certificate to such effect signed by an officer of each of Parent and Merger Sub.

(b) Agreements and Covenants. Parent and Merger Sub will have performed or complied with in all material respects its agreements and covenants required by this Agreement to be performed or complied with by them on or prior to the Effective Time. Company will have received a certificate to such effect signed by an officer of Parent.

(c) Parent Material Adverse Effect. Since the date of this Agreement, there will have been no change, occurrence or circumstance in the business, results of operations or financial condition of Parent or any

Subsidiary of Parent having, individually or in the aggregate, a Parent Material Adverse Effect, that is continuing.

(d) Parent Board of Directors Resignation Letters. Company will have received a duly executed copy of a resignation letter from each of the resigning members of the board of directors of Parent contemplated by Section 5.11 and each of the Parent Subsidiaries, as applicable, pursuant to which each such person will resign as a member of the board of directors of Parent immediately following the Effective Time.

(e) Company Appointees. Each of the Company Appointees shall have been duly elected to the board of directors of Parent.

(f) Hercules Debt. Unless otherwise agreed to between Parent and the Company, Parent shall have entered into an amendment to the Hercules Agreement in accordance with the terms set forth on Schedule 6.3(f) and such amendment shall not contain any other material terms not reflected on Schedule 6.3(f) without the consent of the Company which consent, if required, shall not be unreasonably withheld (the "***Hercules Extension***").

(g) Reverse Split. The Reverse Split shall have become effective.

ARTICLE 7

TERMINATION

7.1 Termination. This Agreement may be terminated and the Merger may be abandoned, at any time prior to the Effective Time, notwithstanding approval thereof by the stockholders of Company and Parent:

(a) by mutual written consent of Company and Parent duly authorized by each of their respective boards of directors;

(b) by either Parent or Company if the Merger has not been consummated by the End Date (provided that the right to terminate this Agreement under this Section 7.1(b) will not be available to any party whose failure to fulfill any obligation under this Agreement has been a primary cause of the failure of the Merger to occur on or before such date); *provided*, in the event that the SEC has not declared effective under the Securities Act the Form S-4 Registration Statement by the date which is sixty (60) days prior to the End Date, then either Parent or Company shall be entitled to extend the End Date for an additional sixty (60) days;

(c) by either Parent or Company if a court of competent jurisdiction or governmental, regulatory or administrative agency or commission will have issued a non-appealable final order, decree or ruling or taken any other action, in each case having the effect of permanently restraining, enjoining or otherwise prohibiting the Merger;

(d) by Parent if the Required Company Stockholder Vote shall not have been obtained by the Company Vote Deadline; *provided*, *however*, that once the Required Company Stockholder Vote has been obtained, Parent may not terminate this Agreement pursuant to this Section 7.1(d); *provided*, *further*, that the right to terminate this Agreement under this Section 7.1(d) will not be available if Parent's failure to fulfill any obligation under this Agreement has been a primary cause of the failure of the Required Company Stockholder Vote to be obtained at or before such time);

(e) by either Parent or Company, if the Parent Stockholder's Meeting shall have been held (subject to any adjournment or postponement permitted by Section 5.3(a)) and the Parent Stockholder Approval contemplated by this Agreement will not have been obtained thereat (provided that the right to terminate this Agreement under this Section 7.1(e) will not be available to any party whose failure to fulfill any obligation under this Agreement has been a primary cause of the failure of the Parent Stockholder Approval to be obtained thereat);

(f) by Company (at any time prior to the approval of the Merger and the issuance of Parent Common Stock in the Merger by the Parent Stockholder Approval) if a Parent Triggering Event shall have occurred;

(g) by Parent (at any time prior to the approval of the Merger by the Required Company Stockholder Vote) if an Company Triggering Event shall have occurred;

(h) by Parent upon breach of any of the representations, warranties, covenants or agreements on the part of Company set forth in this Agreement, or if any representation or warranty of Company will have become inaccurate, in either case such that the conditions set forth in Section 6.2(a) or Section 6.2(b) would not be satisfied as of the time of such breach or as of the time such representation or warranty will have become inaccurate; *provided* if such breach or inaccuracy is curable by Company, then this Agreement will not terminate pursuant to this Section 7.1(h) as a result of such particular breach or inaccuracy unless the breach or inaccuracy remains uncured as of the tenth (10th) Business Day following the date of written notice given by Parent to Company of such breach or inaccuracy and its intention to terminate the agreement pursuant to this Section 7.1(h); *provided*, *further* that no termination may be made pursuant to this Section 7.1(h) solely as a result of the failure of Company to obtain the Required Company Stockholder Vote (in which case such termination must be made pursuant to Section 7.1(d)); and

(i) by Company upon breach of any of the representations, warranties, covenants or agreements on the part of Parent or Merger Sub set forth in this Agreement, or if any representation or warranty of Parent or Merger Sub will have become inaccurate, in either case such that the conditions set forth in Section 6.3(a) or Section 6.3(b) would not be satisfied as of the time of such breach or as of the time such representation or warranty will have become inaccurate; provided if such breach or inaccuracy is curable by Parent or Merger Sub, then this Agreement will not terminate pursuant to this Section 7.1(i) as a result of such particular breach or inaccuracy unless the breach or inaccuracy remains uncured as of the tenth (10th) Business Day following the date of written notice given by Company to Parent of such breach or inaccuracy and its intention to terminate the agreement pursuant to this Section 7.1(i); provided, further that no termination may be made pursuant to this Section 7.1(i) solely as a result of the failure of Parent to obtain the Parent Stockholder Approval (in which case such termination must be made pursuant to Section 7.1(e)).

7.2 Effect Of Termination. In the event of the termination of this Agreement pursuant to Section 7.1, this Agreement will forthwith become void and there will be no liability on the part of any party hereto or any of its Affiliates, directors, officers or stockholders except (i) as set forth in Sections 7.2, 7.3 and Article 8 hereof and (ii) for any liability for any willful breach of any representation, warranty, covenant or obligation contained in this Agreement (for purposes of this Section 7.2, a "willful breach" is an act or omission with the actual knowledge that such act or omission would cause a breach of this Agreement). No termination of this Agreement will affect the obligations of the parties contained in the Confidentiality Agreement, all of which obligations will, in addition to this Article 7 and Article 8, survive termination of this Agreement in accordance with its terms.

7.3 Expenses; Termination Fees.

(a) Except as set forth in this Section 7.3, all Transaction Costs incurred in connection with this Agreement and the Transactions will be paid by the party incurring such Transaction Costs, whether or not the Merger is consummated; *provided*, *however*, that if the Merger is consummated, such Transactions Costs of Parent will be paid by Parent.

(b) In the event that either:

(i) (A) this Agreement is terminated pursuant to Section 7.1(b), 7.1(e) or 7.1(i), (B) at any time before such termination and before the Parent Stockholders' Meeting an Acquisition Proposal with respect to Parent shall have been publicly announced, disclosed or otherwise communicated to Parent's Board of Directors or to Parent Stockholders generally and (C) within nine (9) months after the date of such termination, Parent enters into a definitive agreement with respect to a Subsequent Transaction or consummates a Subsequent Transaction; or

(ii) this Agreement is terminated by the Company pursuant to Section 7.1(f);

then Parent shall, subject to the terms of Section 7.3(d), pay to Company or its designee(s) a nonrefundable fee in an amount equal to $1,800,000 (the "***Parent Termination Fee***") by wire transfer of same-day funds (1) in the case of a payment required by clause (i) above, on the earlier of the date of entry into a definitive agreement or the date of consummation referred to in clause (i)(C) and (2) in the case of a payment required by clause (ii) above, within two (2) Business Days of the date of termination of this Agreement.

(c) In the event that either:

(i) (A) this Agreement is terminated pursuant to Section 7.1(b), 7.1(d) or 7.1(h), (B) at any time before such termination and before the earlier of the Parent Stockholders' Meeting or the delivery of the Required Company Stockholder Vote an Acquisition Proposal with respect to the Company shall have been publicly announced, disclosed or otherwise communicated to the Company's Board of Directors or to Company Stockholders generally and (C) within nine (9) months after the date of such termination, the Company enters into a definitive agreement with respect to a Subsequent Transaction or consummates a Subsequent Transaction; or

(ii) this Agreement is terminated by the Parent pursuant to Section 7.1(g);

then the Company shall, subject to the terms of Section 7.3(f), pay to Company or its designee(s) a nonrefundable fee in an amount equal to $2,500,000 (the "***Company Termination Fee***") by wire transfer of same-day funds (1) in the case of a payment required by clause (i) above, on the earlier of the date of entry into a definitive agreement or the date of consummation referred to in clause (i)(C) and (2) in the case of a payment required by clause (ii) above, within two (2) Business Days of the date of termination of this Agreement.

(d) If this Agreement is terminated by Company pursuant to Sections 7.1(e) or 7.1(i), or if this Agreement is terminated by Parent pursuant to Section 7.1(e) or 7.1(b) (but only if at such time the Company would have been permitted to terminate this Agreement pursuant to Section 7.1(e) or 7.1(i)), then Parent shall reimburse Company for all reasonable fees and expenses incurred by Company in connection with this Agreement and the Transactions, including without limitation (x) all fees and expenses incurred in connection with the preparation, printing and filing, as applicable, of the Form S-4 Registration Statement (including any preliminary materials related thereto and all amendments and supplements thereto, as well as any financial statements and schedules thereto) and (y) all fees and expenses incurred in connection with the preparation and filing under any filing requirement of any Governmental Authority applicable to this Agreement and the Transactions (such expenses, including (x) and (y) above, collectively, the ***"Third Party Expenses"***), up to a maximum of $250,000, by wire transfer of same-day funds within ten (10) Business Days following the date on which Company submits to Parent true and correct copies of reasonable documentation supporting such Third Party Expenses. Notwithstanding the foregoing, if Company is entitled to reimbursement for Third Party Expenses and the Company Termination Fee, Parent's liability shall be capped at an amount equal to the Company Termination Fee and in no event shall Parent be required to pay Company any amount in excess of the Company Termination Fee in the event of termination of this Agreement.

(e) If this Agreement is terminated by Parent pursuant to Sections 7.1(d) or 7.1(h), or if this Agreement is terminated by the Company pursuant to Section 7.1(d) or 7.1(b) (but only if at such time Parent would have been permitted to terminate this Agreement pursuant to Section 7.1(d) or 7.1(h)), then Company shall reimburse Parent for all Third Party Expenses incurred by Parent up to a maximum of $250,000 (the "***Parent Expense Reimbursement*** "), by wire transfer of same-day funds within ten (10) Business Days following the date on which Parent submits to Company true and correct copies of reasonable documentation supporting such Third Party Expenses; Notwithstanding the foregoing, if Parent is entitled to the Parent Expense Reimbursement and the Parent Termination Fee, Company's liability shall be capped at an amount equal to the Parent Termination Fee and in no event shall Company be required to pay Parent any amount in excess of the Parent Termination Fee in the event of termination of this Agreement.

(f) If either Party fails to pay when due any amount payable by such Party under Section 7.3(b) , (c) or (d) , then (i) such Party shall reimburse the other Party for reasonable costs and expenses (including reasonable fees and disbursements of counsel) incurred in connection with the collection of such overdue amount and the enforcement by the other Party of its rights under this Section 7.3, and (ii) such Party shall pay to the other Party interest on such overdue amount (for the period commencing as of the date such overdue amount was originally required to be paid and ending on the date such overdue amount is actually paid to the other Party in full) at a rate per annum equal to the "prime rate" (as announced by Bank of America or any successor thereto) in effect on the date such overdue amount was originally required to be paid.

(g) The Parties agree that the payment of the fees and expenses set forth in this Section 7.3, subject to Section 7.2, shall be the sole and exclusive remedy of each Party following a termination of this Agreement under the circumstances described in this Section 7.3, it being understood that in no event shall either Parent or Company be required to pay fees or damages payable pursuant to this Section 7.3 on more than one occasion. Subject to Section 7.2, the payment of the fees and expenses set forth in this Section 7.3, and the provisions of Section 8.9, each of the Parties and their respective Affiliates shall have no liability, shall not be entitled to bring or maintain any other claim, action or proceeding against the other, shall be precluded from any other remedy against the other, at law or in equity or otherwise, and shall not seek to obtain any recovery, judgment or damages of any kind against the other (or any partner, member, stockholder, director, officer, employee, Subsidiary, affiliate, agent or other representative of such Party) in connection with or arising out of the termination of this Agreement, any breach by any Party giving rise to such termination or the failure of the Merger and the other Transactions to be consummated. Each of the Parties acknowledges that (i) the agreements contained in this Section 7.3 are an integral part of the Merger, (ii) without these agreements, the Parties would not enter into this Agreement and (iii) any amount payable pursuant to this Section 7.3 is not a penalty, but rather is liquidated damages in a reasonable amount that will compensate the Parties in the circumstances in which such amount is payable.

ARTICLE 8

GENERAL PROVISIONS

8.1 Notices. Any notice or other communication required or permitted to be delivered to any party under this Agreement will be in writing and will be deemed properly delivered, given and received: (a) if delivered by hand, when delivered; (b) if sent on a Business Day by email before 11:59 p.m. (recipient's time), when transmitted; (c) if sent by email on a day other than a Business Day, or if sent by email after 11:59 p.m. (recipient's time), on the Business Day following the date when transmitted; (d) if sent by registered, certified or first class mail, the third Business Day after being sent; and (e) if sent by overnight delivery via a national courier service, one Business Day after being sent, in each case to the address set forth beneath the name of such party below (or to such other address as such party shall have specified in a written notice given to the other parties hereto):

(a) If to Parent or Merger Sub:

Mast Therapeutics, Inc.
3611 Valley Centre Drive, #500
San Diego, CA 92130
Attn: Brian Culley
E-Mail: BCulley@mastthera.com

With a copy to:

Mast Therapeutics, Inc.
3611 Valley Centre Drive, #500
San Diego, CA 92130
Attn: Shana Hood
E-Mail: SHood@mastthera.com

DLA Piper LLP (US)
4365 Executive Drive
11th Floor
San Diego,
CA 92130
Attn.: Michael Kagnoff
E-Mail: michael.kagnoff@dlapiper.com
and:

DLA Piper LLP (US)
4365 Executive Drive
11th Floor
San Diego, CA 92130
Attn.: Larry W. Nishnick
E-Mail: larry.nishnick@dlapiper.com

(b) If to Company:

Savara Inc.
900 South Capital of Texas Highway
Number 150
Austin, TX 78746
Attention: Rob Neville
Email: rob.neville@savarapharma.com

With a copy to:

Wilson Sonsini Goodrich & Rosati P.C.
900 South Capital of Texas Highway
Las Cimas IV, Fifth Floor
Austin, TX 78746
Attention: J. Robert Suffoletta, Jr.
Email: rsuffoletta@wsgr.com

and:

Wilson Sonsini Goodrich & Rosati P.C.
One Market Plaza
Spear Tower, Suite 3300
San Francisco, CA 94105-1126
Attention: Robert T. Ishii
Email: rishii@wsgr.com

8.2 Amendment. This Agreement may be amended by the parties hereto by action taken by or on behalf of their respective boards of directors at any time prior to the Effective Time; *provided*, *however*, that, after approval of the Merger by the Required Company Stockholder Vote or the Parent Stockholder Approval, as applicable, no amendment may be made which by Legal Requirements requires further approval by such stockholders without such further approval. This Agreement may not be amended except by an instrument in writing signed by the parties hereto.

8.3 Headings. The headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

8.4 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement will

nevertheless remain in full force and effect so long as the economic or legal substance of the Transactions is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that Transactions are fulfilled to the extent possible.

8.5 Entire Agreement. This Agreement constitutes the entire agreement and supersedes all prior agreements and undertakings (other than the Confidentiality Agreement), both written and oral, among the parties, or any of them, with respect to the subject matter hereof and, except as otherwise expressly provided herein, are not intended to confer upon any other person any rights or remedies hereunder.

8.6 Successors and Assigns. This Agreement will be binding upon: (a) Company and its successors and assigns (if any); (b) Parent and its successors and assigns (if any); (c) Merger Sub and its successors and assigns (if any); and (d) the Company Stockholders. This Agreement will inure to the benefit of: (i) Company; (ii) Parent; (iii) Merger Sub; (iv) the other Parent Indemnified Persons; and (v) the respective successors and assigns (if any) of the foregoing. No party may assign this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other parties hereto.

8.7 Parties In Interest. This Agreement will be binding upon and inure solely to the benefit of each party hereto, and nothing in this Agreement, expressed or implied, is intended to or will confer upon any other person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, other than Section 5.6 (which is intended to be for the benefit of the parties indemnified thereby and may be enforced by such parties).

8.8 Waiver. No failure or delay on the part of any party hereto in the exercise of any right hereunder will impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor will any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. At any time prior to the Effective Time, any party hereto may, with respect to any other party hereto, (a) extend the time for the performance of any of the obligations or other acts, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions contained herein. Any such extension or waiver will be valid if set forth in an instrument in writing signed by the party or parties to be bound.

8.9 Remedies Cumulative; Specific Performance. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available. Each party to this Agreement agree that, in the event of any breach or threatened breach by the other party of any covenant, obligation or other provision set forth in this Agreement: (a) such party will be entitled, without any proof of actual damages (and in addition to any other remedy that may be available to it) to: (i) a decree or order of specific performance or mandamus to enforce the observance and performance of such covenant, obligation or other provision; and (ii) an injunction restraining such breach or threatened breach; and (b) such party will not be required to provide any bond or other security in connection with any such decree, order or injunction or in connection with any related action or Legal Proceeding.

8.10 Governing Law; Venue; Waiver of Jury Trial.

(a) This Agreement will be governed by, and construed in accordance with, the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

(b) Any action, suit or other Legal Proceeding relating to this Agreement or the enforcement of any provision of this Agreement will be brought or otherwise commenced exclusively in the Court of Chancery of the

State of Delaware or, if jurisdiction over the matter is vested exclusively in the federal courts, the United States District Court for the District of Delaware. Each party to this Agreement: (i) expressly and irrevocably consents and submits to the exclusive jurisdiction of such court (and each appellate court therefrom) in connection with any such action, suit or Legal Proceeding; (ii) agrees that such court will be deemed to be a convenient forum; and (iii) agrees not to assert (by way of motion, as a defense or otherwise), in any such action, suit or Legal Proceeding commenced in any such court, any claim that such party is not subject personally to the jurisdiction of such court, that such action, suit or Legal Proceeding has been brought in an inconvenient forum, that the venue of such action, suit or other Legal Proceeding is improper or that this Agreement or the subject matter of this Agreement may not be enforced in or by such court.

(c) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LEGAL REQUIREMENTS, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR OTHER LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS.

8.11 Counterparts and Exchanges by Electronic Transmission or Facsimile. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts and by facsimile or electronic (i.e., PDF) transmission, each of which when executed will be deemed to be an original but all of which taken together will constitute one and the same agreement.

8.12 Attorney Fees. In any action at law or suit in equity to enforce this Agreement or the rights of any of the parties hereunder, the prevailing party in such action or suit will be entitled to receive a reasonable sum for its attorneys' fees and all other reasonable costs and expenses incurred in such action or suit.

8.13 Cooperation. In further of, and not in limitation of, any other provision of this Agreement, each party hereto agrees to cooperate fully with the other parties hereto and to execute and deliver such further documents, certificates, agreements and instruments and to take such other actions as may be reasonably requested by the other parties hereto to evidence or reflect the Transactions and to carry out the intent and purposes of this Agreement.

8.14 Non-Survival of Representations, Warranties. The representations and warranties of the Company, Parent and Merger Sub contained in this Agreement shall terminate at the Effective Time.

8.15 Construction.

(a) For purposes of this Agreement, whenever the context requires: the singular number will include the plural, and vice versa; the masculine gender will include the feminine and neuter genders; the feminine gender will include the masculine and neuter genders; and the neuter gender will include masculine and feminine genders.

(b) The parties hereto agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party will not be applied in the construction or interpretation of this Agreement.

(c) As used in this Agreement, the words "include" and "including," and variations thereof, will not be deemed to be terms of limitation, but rather will be deemed to be followed by the words "without limitation."

(d) Except as otherwise indicated, all references in this Agreement to "Sections," "Exhibits" and "Schedules" are intended to refer to Sections of this Agreement and Exhibits or Schedules to this Agreement.

(e) The term ***"knowledge of Company"***, and all variations thereof, will mean the actual knowledge of Rob Neville, Chris Marich, Taneli Jouhikainen and David Lowrance, and the knowledge such persons would reasonably be expected to have after making reasonable inquiry of their direct reports who are responsible for the

subject matter of the particular representation or warranty. The term ***"knowledge of Parent"***, and all variations thereof, will mean the actual knowledge of Brian Culley, Brandi Roberts and Shana Hood, and the knowledge such persons would reasonably be expected to have after making reasonable inquiry of their direct reports who are responsible for the subject matter of the particular representation or warranty.

[Signature Page Follows]

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

MAST THERAPEUTICS, INC.

By: /s/ Brian M. Culley

Name: Brian M. Culley

Title: CEO

VICTORIA MERGER CORP.

By: /s/ Brian M. Culley

Name: Brian M. Culley

Title: CEO

SAVARA INC

By: /s/ Rob Neville

Name: Rob Neville

Title: CEO

[Signature Page to Agreement and Plan of Merger and Reorganization]

EXHIBIT A

CERTAIN DEFINITIONS

For purposes of the Agreement (including this **Exhibit A**):

"***Acquired Companies***" mean Company and its direct and indirect Subsidiaries.

"***Acquiring Companies***" mean Parent and its direct and indirect Subsidiaries.

"***Acquisition Proposal***" means any offer, proposal or indication of interest contemplating or which would reasonably be interpreted to be lead to the contemplation of an Acquisition Transaction.

"***Acquisition Transaction***" means any transaction or series of transactions involving:

(a) any merger, consolidation, amalgamation, share exchange, business combination, issuance of securities, acquisition of securities, tender offer, exchange offer or other similar transaction (i) in which Company (or its Subsidiaries) or Parent (or its Subsidiaries) is a constituent corporation, (ii) in which a Person or "group" (as defined in the Exchange Act and the rules promulgated thereunder) of Persons directly or indirectly acquires beneficial or record ownership of securities representing more than 15% of the outstanding securities of any class of voting securities of Company (or its Subsidiaries) or Parent (or its Subsidiaries), or (iii) in which Company (or its Subsidiaries) or Parent (or its Subsidiaries) issues securities representing more than 15% of the outstanding securities of any class of voting securities of any such Entity (other than as contemplated under this Agreement);

(b) any sale, lease, exchange, transfer, license, acquisition or disposition of any business or businesses or assets that constitute or account for 15% or more of the consolidated net revenues, net income or assets of Company (or its Subsidiaries) or Parent (or its Subsidiaries); or

(c) any liquidation or dissolution of any of Company (or its Subsidiaries) or Parent (or its Subsidiaries).

"***Affiliates***" mean, with respect to any Person, any other Person which directly or indirectly controls, is controlled by or is under common control with such Person.

"***AIR001 Program***" means the Acquiring Companies' program of development of sodium nitrite solution for intermittent inhalation for the treatment of heart failure with preserved ejection fraction.

"***AIR001 Program Agreement***" means that certain Investigator-Sponsored Clinical Study and Research Agreement between Aires and Duke University, dated March 3, 2016.

"***ATM Program***" means the "at the market," or ATM, equity offering program, pursuant to which Parent may sell up to an aggregate gross sales proceeds of up to $17 million, from time to time, pursuant to the sales agreement by and between Parent and Cowen and Company, LLC, as sales agent.

"***Board Recommendation***" mean the Company Board Recommendation or the Parent Board Recommendation, as applicable.

"***Business Day***" means a day other than a Saturday, Sunday or other day on which banks located in San Diego, California or Austin, Texas are authorized or required by applicable Legal Requirements to close.

"***Company Capital Stock***" means the Company Common Stock and the Company Preferred Stock.

"***Company Common Stock***" means the Common Stock of the Company, par value $0.001.

"***Company Disclosure Schedule***" means the disclosure schedule that has been delivered by Company to Parent on the date of this Agreement.

"***Company IP Rights***" mean all IP Rights owned solely or co-owned by an Acquired Company or in which an Acquired Company has any right, title or interest and which are used by an Acquired Company in the ordinary course of its business.

"***Company Material Adverse Effect***" means any effect, change, event or circumstance (an "***Effect***") that (a) has a material adverse effect on the business, financial condition, operations or results of operations of the Acquired Companies taken as a whole; *provided*, *however*, that, in no event will any of the following, alone or in combination, be deemed to constitute, nor shall any of the following be taken into account in determining whether there has occurred, a Company Material Adverse Effect: Effects resulting from (i) conditions generally affecting the industries in which the Acquired Companies participate or the United States or global economy or capital markets as a whole; (ii) any failure by the Company or any of its Subsidiaries to meet internal projections or forecasts or third party revenue or earnings predictions for any period ending (or for which revenues or earnings are released) on or after the date of the Agreement (it being understood, however, that any Effect causing or contributing to such failures to meet projections or predictions may, if not otherwise to be disregarded pursuant to a different subclause of this definition, constitute a Company Material Adverse Effect and may be taken into account in determining whether a Company Material Adverse Effect has occurred), (iii) any natural disaster or any acts of terrorism, sabotage, military action or war or any escalation or worsening thereof; or (iv) any changes (after the date of this Agreement) in GAAP or applicable Legal Requirements, and with respect to items (i), (iii) and (iv), only to the extent that, individually or in the aggregate, such Effects do not have a disproportionate impact on the Acquired Companies taken as a whole; or (b) prevents the Company from consummating the Merger.

"***Company Option***" means an option to purchase shares of Company Capital Stock.

"***Company Option Plan***" means the Company's Stock Option Plan with an effective date of February 15, 2008.

"***Company Preferred Stock***" means the Company's Series A, Series B and Series C Preferred Stock, collectively.

"***Company Restricted Share***" means a share of Company Capital Stock that is subject to repurchase by the Company pursuant to restricted stock or similar agreements with the Company.

"***Company Stockholders***" mean the holders of Company Capital Stock issued and outstanding immediately prior to the Effective Time.

"Company Triggering Event" shall be deemed to have occurred if: (i) a Company Change of Recommendation shall have occurred, (ii) the Board of Directors of Company shall have failed to recommend that Company's stockholders vote to approve the Company Stockholder Matters or shall for any reason have withdrawn or shall have modified in a manner adverse to Parent the Company Board Recommendation; (iii) Company shall have failed to include in the Proxy Statement/Prospectus/Information Statement the Company Board Recommendation; (iv) the Board of Directors of Company shall have approved, endorsed or recommended any Acquisition Proposal; (v) Company shall have entered into any binding letter of intent or similar document or any Contract relating to any Acquisition Proposal (other than a Post-Closing Financing, Refinancing or confidentiality agreement permitted pursuant to Section 5.12); (vi) a tender offer or exchange offer or similar transaction constituting an Acquisition Proposal with respect to the Company (other than a Post-Closing Financing) shall have been commenced, or the intention to commence such a transaction shall have been publicly announced, by a third party, and within 10 days thereof the Board of Directors of the Company shall have failed to recommend that Company's stockholders reject such transaction and reaffirmed the Company Board Recommendation or (vii) the Company or any director, officer or agent of Company shall have willfully and intentionally breached the provisions set forth in Section 5.12 of the Agreement prior to the effective and irrevocable adoption of the Company Stockholder Written Consent.

"***Company Warrant***" means a warrant to purchase shares of Company Capital Stock.

"***Consent***" means any approval, consent, ratification, permission, waiver or authorization.

"***Contract***" means any written agreement, contract, subcontract, lease, understanding, arrangement, instrument, note, option, warranty, purchase Order, license, sublicense, insurance policy, benefit plan or legally binding commitment or undertaking of any nature.

"***Copyrights***" mean all copyrights and copyrightable works (including without limitation databases and other compilations of information, mask works and semiconductor chip rights), including all rights of authorship, use, publication, reproduction, distribution, performance, transformation, moral rights and rights of ownership of copyrightable works and all registrations and rights to register and obtain renewals and extensions of registrations, together with all other interests accruing by reason of international copyright.

"***Dilutive ATM Issuance***" shall mean any issuance of shares of Parent Common Stock under the ATM Program to the extent the proceeds of such issuance are required to be included in the calculation of Net Cash in order for Net Cash as of the Effective Time, as determined in accordance with Section 1.10, to not be less than the Net Cash Threshold.

"***Encumbrance***" means any lien, pledge, hypothecation, charge, mortgage, easement, encroachment, imperfection of title, title exception, title defect, right of possession, lease, tenancy license, security interest, encumbrance, community property interest or restriction of any nature (including any restriction on the voting of any security, any restriction on the transfer of any security or other asset, any restriction on the receipt of any income derived from any asset, any restriction on the use of any asset and any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset). For the avoidance of doubt, Encumbrance does not include Out-Licenses.

"***End Date***" means the date that is six (6) months after the date of this Agreement.

"***Entity***" means any corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any company limited by shares, limited liability company or joint stock company), firm, society or other enterprise, association, organization or entity.

"***Exchange Ratio***" means the ratio set forth below, with such ratio being calculated to the nearest 1/10,000 of a share:

The quotient obtained by dividing (A) Company Merger Shares by (B) Company Outstanding Shares, where

"***Aggregate Value***" means $151,500,000.

"***Company Allocation Percentage***" means 100% *minus* the Parent Allocation Percentage.

"***Company Merger Shares***" means the product determined by multiplying the Post-Closing Parent Shares by the Company Allocation Percentage.

"***Company Outstanding Shares***" means the total number of shares of Company Capital Stock outstanding immediately prior to the Effective Time (on an as converted to Company Common Stock basis, assuming, without duplication, (i) the exercise of all Company Options and Company Warrants outstanding as of immediately prior to the Effective Time, (ii) the conversion of all shares of Company Preferred Stock into shares of Company Common Stock at the applicable conversation ratio as of the Closing Date, (iii) the conversion of all shares of Company Restricted Shares into restricted shares of Company Common Stock (iv) the conversion or exercise of all other securities convertible into or exercisable for shares of Company Common Stock or Company Preferred Stock, including all outstanding convertible promissory notes or other Debt instruments convertible into Company Common Stock (for the avoidance of doubt, to the extent the number of shares of Company Capital Stock into such which such securities, notes or other instruments are convertible is not specified or otherwise known as of the Effective Time pursuant to the terms of such

securities, notes or other instruments, such number shall be mutually determined in good faith by Parent and Company), and (v) the issuance of any shares of Company Common Stock or Company Preferred Stock (or any rights or other Contracts convertible into or exercisable for such shares) under any Contract or arrangement pursuant to which the Company may be or become obligated to issue such shares, whether or not such obligation are contingent or absolute; *provided* that no shares of Company Capital Stock issued, or issuable upon the conversion or exercise of any right or Contract issued or entered into, in connection with a Permitted Bridge Financing shall be included in the calculation of Company Outstanding Shares.

"***Company Stipulated Value***" means the quotient determined by dividing (i) the sum of $115,000,000, by (ii) the Company Outstanding Shares.

"***Parent Allocation Percentage***" means the quotient determined by dividing (i) the difference of $36,500,000 *minus* any Net Cash Adjustment Amount, as determined in accordance with Section 1.10, by (ii) the Aggregate Value.

"***Parent Outstanding Shares***" means, subject to Section 1.6(f), the total number of shares of Parent Common Stock outstanding immediately prior to the Effective Time, including any such shares issued in a Dilutive ATM Issuance, and after taking into account the effects of the Reverse Split (on an as converted to Parent Common Stock basis), assuming, without duplication, (i) the exercise of Parent Warrants issued and outstanding as of the date hereof representing the right to purchase an aggregate amount of 15,273,818 shares of Parent Common Stock, subject to a proportionate reduction in any amount included in such 15,273,818 shares as may occur pursuant to subjection (j) of the "Net Cash" definition, (ii) the exercise of Parent Options that will remain outstanding as of immediately following the Effective Time and that may continue to be exercisable on or after January 1, 2018, (iii) the exercise of all Parent Options or Parent Warrants or other securities convertible into or exercisable for shares of Parent Common Stock or Parent Preferred Stock issued or granted after the date hereof and outstanding as of immediately prior to the Effective Time, (iv) the conversion or exercise of all other securities convertible into or exercisable for shares of Parent Common Stock or Parent Preferred Stock (other than any Parent Options or Parent Warrants) and (v) the issuance of any shares of Parent Common Stock or Parent Preferred Stock or other equity securities (or any rights or other Contracts convertible into or exercisable for such shares or equity securities) under any Contract or arrangement pursuant to which Parent may be or become obligated to issue such shares or grant such rights, whether or not such obligations are contingent or absolute (other than any Parent Options or Parent Warrants); *provided* that the calculation of Parent Outstanding Shares shall not include any shares of Parent Capital Stock or other equity interests, or any rights to obtain any such shares or other equity interests, (x) issued in a Non-Dilutive Issuance or (y) issuable pursuant the terms of the SynthRX Agreement as of the date hereof. To the extent any portion of an issuance or series of issuances of shares of Parent Common Stock under the ATM Program could be characterized as either Dilutive ATM Issuances or Non-Dilutive ATM Issuances as a result of the fungibility of the proceeds therefrom, shares shall be allocated to the portion considered Dilutive ATM Issuances in the order of lesser proceeds-per-share to greater proceeds-per-share until, by including the proceeds received in respect of the shares so allocated in the calculation of Net Cash, the Net Cash as determined in accordance with Section 1.10 would equal the Net Cash Threshold, after which point all other such shares shall be considered Non-Dilutive ATM Issuances.

"***Parent Stipulated Value***" means the quotient determined by dividing (i) $36,500,000 *minus* any Net Cash Adjustment Amount as determined in accordance with Section 1.10 by (ii) the Parent Outstanding Shares.

"***Post-Closing Parent Shares***" mean the quotient determined by dividing the Parent Outstanding Shares by the Parent Allocation Percentage.

"***Excluded Contracts***" means (i) any non-exclusive Contract concerning "off-the-shelf" or similar computer software that is available on commercially reasonable terms, (ii) standard non-disclosure, confidentiality and material transfer Contracts granting non-exclusive rights to IP Rights and entered into in the Ordinary Course of Business, (iii) Contracts that have expired on their own terms or were terminated and for which there are no

material outstanding obligations, and (v) purchase orders and associated terms and conditions for which the underlying goods or services have been delivered or received.

"***FDA***" means the United States Food and Drug Administration.

"Form S-4 Registration Statement" shall mean the registration statement on Form S-4 to be filed with the SEC by Parent registering the public offering and sale of Parent Common Stock to all holders of Company Common Stock in the Merger, including all shares of Parent Common Stock to be issued in exchange for all other shares of Company Common Stock in the Merger, as said registration statement may be amended prior to the time it is declared effective by the SEC.

"***Governmental Body***" means any: (a) nation, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (b) federal, state, local, municipal, foreign or other government; or (c) governmental or quasi-governmental authority of any nature (including any governmental division, regulatory agency, department, agency, commission, instrumentality, official, ministry, fund, foundation, center, organization, unit, body or Entity and any court or other tribunal).

"***Hercules***" means Hercules Technology III and L.P., Hercules Capital, Inc.

"***Hercules Agreement***" means that certain Loan and Security Agreement, dated August 11, 2015, as amended by the First Amendment thereto dated September 28, 2015, the Second Amendment thereto dated December 31, 2015, the Third Amendment thereto dated February 25, 2016, and the Fourth Amendment thereto dated July 22, 2016, by and between Hercules and Parent.

"***Hercules Debt***" means the aggregate amount of all Indebtedness and other obligations of Parent under the Hercules Agreement, including all principal, prepayment premiums, penalties and any other fees and expenses required to satisfy such indebtedness and obligations, and all accrued interest or penalties on any of the foregoing, in each case, as of immediately prior to the Closing.

"***HSR Act***" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Indebtedness" means (i) all obligations for borrowed money and advancement of funds; (ii) all obligations evidenced by notes, bonds, debentures or similar instruments, contracts or arrangements (whether or not convertible), (iii) all obligations for the deferred purchase price of property or services (including any potential future earn-out, purchase price adjustment, releases of "holdbacks" or similar payments, but excluding any such obligations to the extent there is cash being held by a third party in escrow exclusively for purposes of satisfying such obligations) ("***Deferred Purchase Price***"); (iv) all obligations arising out of any financial hedging, swap or similar arrangements; (v) all obligations as lessee that would be required to be capitalized in accordance with GAAP, whether or not recorded; (vi) all obligations in connection with any letter of credit, banker's acceptance, guarantee, surety, performance or appeal bond, or similar credit transaction; (vii) interest payable with respect to Indebtedness referred to in clause (i) through (vi), and (viii) the aggregate amount of all prepayment premiums, penalties, breakage costs, "make whole amounts," costs, expenses and other payment obligations of such Person that would arise (whether or not then due and payable) if all such items under clauses (i) through (vii) were prepaid, extinguished, unwound and settled in full as of such specified date. For purposes of determining the Deferred Purchase Price obligations as of a specified date, such obligations shall be deemed to be the maximum amount of Deferred Purchase Price owing as of such specified date (whether or not then due and payable) or potentially owing at a future date

"***IP Rights***" mean any and all of the following in any country or region: (a) Copyrights, Patent Rights, Trademark Rights, domain name registrations, Trade Secrets, and other intellectual property rights; and (b) the right (whether at law, in equity, by Contract or otherwise) to enjoy or otherwise exploit any of the foregoing, including the rights to sue for and remedies against past, present and future infringements of any or all of the foregoing, and rights of priority and protection of interests therein under the Legal Requirements of any jurisdiction worldwide.

"***Legal Proceeding***" means any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Body or any arbitrator or arbitration panel.

"***Legal Requirements***" mean any federal, state, local, municipal, foreign or other law, statute, constitution, controlling principle of common law, resolution, ordinance, code, edict, decree, rule, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Body.

"***Lock-up Agreement Signatories***" means those Persons set forth on **Schedule A**.

"***Merger Sub Common Stock***" means the Common Stock, $0.001 par value per share, of the Merger Sub.

"***Net Cash***" means, without duplication, Parent's and its Subsidiaries' (a) unrestricted cash, cash equivalents and short term marketable securities (including any Vepoloxamer Asset Sale Net Cash), *minus* (b) any Indebtedness (excluding all Hercules Debt) *minus* (c) $1,771,000 of Hercules Debt *minus* (d) any bonus, severance, change-in-control payments or similar payment obligations that become due or payable, or are planned with respect to, to any director, officer, employee or consultant of the Acquiring Companies in connection with the Transactions relating to terminations of service prior to the Effective Time (unless paid prior to the Effective Time), *minus* (e) all payroll, employment or other withholding Taxes incurred by Parent and its Affiliates in connection with this Agreement and the Transactions or otherwise, *minus* (f) all accrued Taxes and other liabilities (including any Taxes attributable to the Vepoloxamer Asset Sale) and accounts payable determined in a manner consistent with the manner in which such items have been historically determined and reflected in Parent's financial statements (without duplication of any items otherwise accounted for in the definition of Net Cash), *minus* (g) if Parent has not secured a subtenant for its office space (3611 Valley Centre Drive, Suite 500, San Diego 92130) providing for payment by such subtenant at subtenant market rental rates prior to the Effective Time, $250,000, *minus* (h) Parent Transaction Costs (unless paid prior to the Effective Time or otherwise accounted for in the definition of Net Cash), *minus* (i) fees and expenses payable by Parent pursuant to Section **1.10(e)** in the event the parties have engaged an accounting firm to resolve a disagreement as to the Net Cash calculation *minus* (j) the cash cost of repurchasing any shares, or any rights with respect to shares, of Parent Capital Stock, solely to the extent that Parent is obligated to purchase such shares or rights and the purchase price for such shares or rights has not been fully paid by Parent as of the Determination Date. Notwithstanding the foregoing, any of the items set forth in the preceding subsections (b), (c), (d) and (f) shall not be included in the calculation of Net Cash to the extent neither Parent nor any of its Subsidiaries is or may become obligated to make payments in respect thereof prior to the one year anniversary of the Closing Date. For the avoidance of doubt, the preceding sentence shall not be deemed to limit or modify the terms of or restrictions contained in Section 4.2.

"***Net Cash Adjustment Amount***" means the sum of the amount, if any, by which the Net Cash Threshold is greater than the Net Cash, as determined in accordance with Section 1.10.

"***Net Cash Threshold***" means zero dollars ($0.00).

"***Non-Dilutive ATM Issuance***" shall mean any issuance of shares of Parent Common Stock under the ATM Program to the extent the proceeds of such sale are not required to be included in the calculation of Net Cash in order for Net Cash as of the Effective Time, as determined in accordance with Section 1.10, to not be less than the Net Cash Threshold.

"***NYSE MKT***" means The NYSE MKT, LLC.

"***Order***" means any order, writ, injunction, judgment or decree.

"***Parent Capital Stock***" means Parent Common Stock and Parent Preferred Stock.

"***Parent Disclosure Schedule***" means the disclosure schedule that has been delivered by Parent to Company on the date of this Agreement.

"***Parent IP Rights***" mean all IP Rights related to the AIR001 Program owned solely or co-owned by Parent or in which Parent has any right, title or interest.

"***Parent Material Adverse Effect***" means any Effect that, considered together with all other Effects, (a) has a material adverse effect on the business, financial condition, operations or results of operations of Parent and its Subsidiaries taken as a whole; *provided*, *however*, that, in no event will any of the following, alone or in combination, be deemed to constitute, nor will any of the following be taken into account in determining whether there has occurred, a Parent Material Adverse Effect: Effects resulting (i) from conditions generally affecting the industries in which Parent participates or the United States or global economy or capital markets as a whole; (ii) changes in the trading price or trading volume of Parent Common Stock (it being understood, however, that any Effect causing or contributing to such changes in the trading price or trading volume of Parent Common Stock may if not otherwise to be disregarded pursuant to a different subclause of this definition, constitute a Parent Material Adverse Effect and may be taken into account in determining whether a Parent Material Adverse Effect has occurred); (iii) any failure by Parent or any of its Subsidiaries to meet internal projections or forecasts or third party revenue or earnings predictions for any period ending (or for which revenues or earnings are released) on or after the date of the Agreement (it being understood, however, that any effect causing or contributing to such failures to meet projections or predictions may constitute a Parent Material Adverse Effect and may, if not otherwise to be disregarded pursuant to a different subclause of this definition, be taken into account in determining whether a Parent Material Adverse Effect has occurred); (iv) any natural disaster or any acts of terrorism, sabotage, military action or war or any escalation or worsening thereof; and (v) any changes (after the date of this Agreement) in GAAP or applicable Legal Requirements, and with respect to items (i), (iv) and (v), only to the extent that, individually or in the aggregate, such Effects do not have a disproportionate impact on the Acquired Companies taken as a whole; or (b) prevents Parent or Merger Sub from consummating the Merger.

"***Parent Stock Option Plans***" mean the Parent 2005 Equity Incentive Plan and 2008 Omnibus Incentive Plan, Amended and Restated 2008 Omnibus Incentive Plan, 2013 Omnibus Incentive Plan, 2014 Omnibus Incentive Plan and 2015 Omnibus Incentive Plan.

"***Parent Transactions***" means the Transactions, other than any Permitted Bridge Financing, Post-Closing Financing or Refinancing.

"Parent Triggering Event" shall be deemed to have occurred if: (i) a Parent Change of Recommendation shall have occurred (ii) the Board of Directors of Parent shall have failed to recommend that Parent's stockholders vote to approve the Parent Stockholder Approval Matters or shall for any reason have withdrawn or shall have modified in a manner adverse to Company the Parent Board Recommendation; (iii) Parent shall have failed to include in the Proxy Statement/Prospectus/Information Statement the Parent Board Recommendation; (iv) Parent shall have failed to hold the Parent Stockholders' Meeting within sixty (60) days after the Form S-4 Registration Statement is declared effective under the Securities Act (other than to the extent that the Form S-4 Registration Statement is subject to any stop order or proceeding (or threatened proceeding by the SEC) seeking a stop order with respect to the Form S-4 Registration Statement, in which case such sixty (60) day period shall be tolled for the earlier of sixty (60) days or so long as such stop order remains in effect or proceeding or threatened proceeding remains pending); (v) the Board of Directors of Parent shall have approved, endorsed or recommended any Acquisition Proposal; (vi) Parent shall have entered into any letter of intent or similar document or any Contract relating to any Acquisition Proposal (other than a confidentiality agreement permitted pursuant to Section 5.13); (vii) a tender offer or exchange offer or similar transaction constituting an Acquisition Proposal with respect of Parent (other than a Post-Closing Financing) shall have been commenced, or the

intention to commence such a transaction shall have been publicly announced, by a third party, and within 10 days thereof the Board of Directors of Parent shall have failed to recommend that Parent's stockholders reject such transaction and reaffirmed the Parent Board Recommendation or (viii) Parent or any director, officer or agent of Parent shall have willfully and intentionally breached the provisions set forth in Section 5.13 prior to the acquisition of the Parent Stockholder Approval.

"Parent Unaudited Interim Balance Sheet" means the balance sheet included in Parent's Form 10-Q for the period ended September 30, 2016.

"***Parent Warrant***" means any warrant to purchase shares of Parent Capital Stock.

"***Patent Rights***" mean all issued patents, pending patent applications and abandoned patents and patent applications provided that they can be revived (which for purposes of this Agreement will include utility models, design patents, industrial designs, certificates of invention and applications for certificates of invention and priority rights) in any country or region, including all provisional applications, substitutions, continuations, continuations-in-part, divisions, renewals, reissues, re-examinations and extensions thereof.

"Permitted Bridge Financing" shall mean the sale and issuance of debt or equity securities by the Company to former or existing stockholders or other investors or their respective Affiliates in the Company or its Subsidiaries in an amount not to exceed $10,000,000 without the prior written consent of Parent.

"***Permitted Liens***" means (i) Liens for Taxes, assessments or other governmental charges or levies not yet delinquent or that are being contested in good faith by appropriate Legal Proceedings or that may thereafter be paid without penalty; (ii) statutory Liens of landlords or lessors under rental agreements for amounts not delinquent, (iii) mechanics', carriers', warehousemen's, workers', repairers' and similar Liens imposed by applicable Law or arising or incurred in the ordinary course of business consistent with past practice with respect to amounts not yet due and payable or being contested in good faith by appropriate Legal Proceedings; (iv) Liens incurred or deposits made in the ordinary course of business consistent with past practice in connection with workers' compensation, unemployment insurance or other types of social security; and (v) licenses and other similar rights granted and obligations incurred in the ordinary course of business consistent with past practice that are not material to the operation of the applicable business, (vi) Liens or encumbrances of record affecting any owned or leased real property, any matters that would be disclosed by a survey of any owned or leased real property and any zoning, land use, covenants, conditions and restrictions or similar matters affecting any owned or leased real property, in each case that would not be reasonably likely to materially interfere with the present use or occupancy of such real property.

"***Person***" means any person, Entity, Governmental Body, or group (as defined in Section 13(d)(3) of the Exchange Act).

"***Personal Data***" means a natural person's name, street address, telephone number, e-mail address, photograph, social security number, driver's license number, passport number, or any other piece of information that allows the identification of a natural person.

"***Post-Closing Financing***" means any investment or financing by any third party which contemplates the sale or issuance of debt or equity securities of Parent or any of its Subsidiaries (including securities convertible, exercisable or exchangeable into such debt or equity securities) contemporaneous with or following the consummation of the Merger.

A party's "***Representatives***" include each Person that is or becomes (a) a Subsidiary or other controlled Affiliate of such party or (b) an officer, director, employee, partner, attorney, advisor, accountant, agent or representative of such party or of any such party's Subsidiaries or other controlled Affiliates.

"Proxy Statement/Prospectus/ Information Statement" shall mean the proxy statement/prospectus/information statement to be sent to Company's stockholders in connection with the approval of this Agreement and the Merger (by signing the Company Stockholder Written Consent) and to Parent's stockholders in connection with the Parent's Stockholders' Meeting.

"***SEC Documents***" mean each report, registration statement, proxy statement and other statements, reports, schedules, forms and other documents filed by Parent with the SEC since the Lookback Date, including all amendments thereto.

An Entity will be deemed to be a "***Subsidiary***" of another Person if such Person directly or indirectly owns, beneficially or of record, (a) an amount of voting securities of or other interests in such Entity that is sufficient to enable such Person to elect at least a majority of the members of such Entity's board of directors or other governing body, or (b) at least 50% of the outstanding equity or financial interests of such Entity.

"Subsequent Transaction" shall mean any Acquisition Transaction, with all references to 15% in the definition of Acquisition Proposal being treated as references to 50%.

"***Superior Offer***" means an unsolicited, bona fide written Acquisition Proposal (with all references to 15% in the definition of Acquisition Proposal being treated as references to 50% for these purposes) made by a third party that (a) was not obtained or made as a direct or indirect result of a breach of (or in violation of) this Agreement and (b) the terms of which the board of directors of either Parent or Company, as applicable, determines, in its reasonable judgment after consulting in good faith with an independent financial advisor and its outside legal counsel, to be more favorable to its stockholders from a financial point of view than the terms of the Merger, as well as the likelihood of the consummation thereof, which consideration shall include whether any financing is or may be required to consummate the transaction contemplated by such proposal, and whether such financing is committed and is reasonably capable of being obtained by the applicable offeror.

"***SynthRX Agreement***" means the Agreement and Plan of Merger, dated February 12, 2011, by and among Parent, SRX Acquisition Corporation, SynthRx, Inc. and the stockholders' agent.

"***Tax***" and "***Taxes***" mean any federal, state, local, or non-U.S. income, gross receipts, license, payroll, employment, excise, escheat, severance, stamp, occupation, premium, windfall profits, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not and including any obligations to indemnify or otherwise assume or succeed to the Tax liability of any other Person.

"***Tax Return***" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"***Trade Secrets***" mean trade secrets, know-how, proprietary information, inventions, discoveries, improvements, technology, technical data and research and development, whether patentable or not.

"***Trademark Rights***" mean all material common law trademarks, registered trademarks, applications for registration of trademarks, material common law service marks, registered service marks, applications for registration of service marks, trade names, registered trade names and applications for registration of trade names, and Internet domain name registrations; and including all filings with the applicable Governmental Body indicating an intent to use any of the foregoing if not registered or subject to a pending application.

"***Transaction Costs***" means the aggregate amount of costs and expenses of a Person or any of its Subsidiaries incurred in connection with the negotiation, preparation and execution of this Agreement and the consummation of the Transactions, including (a) any brokerage fees and commissions, finders' fees or financial advisory fees, any fees and expenses of counsel or accountants payable by such Person or any of its Subsidiaries and any

transaction bonuses or similar items in connection with the Transactions, including any Vepoloxamer Asset Sale, (b) any bonus, severance, change-in-control payments or similar payment obligations (including payments with "single-trigger" provisions triggered at and as of the consummation of the Transactions) that become due or payable to any director, officer, employee or consultant of such Person in connection with the consummation of the Transactions, (c) any payments to third parties under any Contract to which such Person or its Subsidiaries are a party triggered by the consummation of the Transactions, or any payment or consideration arising under or in relation to obtaining any consents, waivers or approvals of any third party under any Contract to which such Person or its Subsidiaries are a party required to be obtained in connection with the consummation of the Transactions in order for any such Contract to remain in full force and effect following the Closing or resulting from agreed-upon modification or early termination of any such Contract, in each case with respect to the foregoing matters (a)-(c), to the extent unpaid; *provided*, (i) with respect to Parent, Transaction Costs will (A) include the out of pocket costs of (x) any insurance tail policies that may be purchased by Parent relating to insurance policies held by it prior to the Closing (including all premiums payable in connection therewith) and, for clarity, shall not include the cost of any insurance tail policies of Company or the costs of Parent after the Effective Time for coverage of Parent's then-serving directors or other insurance policies of Parent on or after the Effective Time and (y) incurred in connection with Parent obtaining the Hercules Extension; and (B) exclude any reasonably incurred out of pocket costs and expenses incurred in connection with (x) any Permitted Bridge Financing or Post-Closing Financing, (y) any fees to the extent paid in connection with a Refinancing (which, for the avoidance of doubt, shall not include any fees or portion thereof to the extent paid in order to obtain the Hercules Extension) and (z) any items otherwise accounted for in the definition of Net Cash; and (ii) Parent and Company shall share equally all out of pocket costs and expenses, other than attorneys', accountants' and other similar service provider's fees and expenses, incurred in relation to (A) the filings by the Parties under any filing requirement under the HSR Act and any foreign antitrust Legal Requirement applicable to this Agreement and the Transactions; (B) the filing with the SEC of the Form S-4 Registration Statement (including any financial statements and exhibits) and any amendments or supplements thereto and any related registration fees and the printing and delivery of such documents to the Parties' stockholders; and (C) any fees incurred in connection with obtaining NYSE MKT approval for the merger, the name and ticker symbol changes, and the listing of the shares of Parent Common Stock to be issued, to the extent contemplated by this Agreement.

"***Vepoloxamer Asset Sale***" means any sale, lease, exchange, transfer, license, acquisition or disposition of any vepoloxamer assets of Parent, or any related IP Rights, to any unaffiliated third party outside the normal course of business with the prior written consent of the Company (not to be unreasonably withheld, conditioned or delayed), the terms of which are negotiated and consummated on a commercially reasonable, arms-length basis and which does not impose any post-closing indemnification or other material post-closing obligations upon Parent or any of its Subsidiaries (including, following the Closing, the Company).

"***Vepoloxamer Asset Sale Net Cash***" means all cash and cash equivalents actually received by Parent in connection with any Vepoloxamer Asset Sale prior to the Effective Time.

"***Voting Agreement Signatories***" mean: (a) means those Persons set forth on **Schedule B**; and (b) each of the directors and officers of Company and Parent.

Additionally, the following terms have the meanings assigned to such terms in the Sections of this Agreement set forth below opposite such term:

Defined Word	Section of Agreement
"***Acceptable Company Confidentiality Agreement***"	Section 5.12(a)
"***Acceptable Parent Confidentiality Agreement***"	Section 5.13(a)
"***Accounting Firm***"	Section 1.10(e)
"***Agreement***"	Preamble
"***Allocation Certificate***"	Section 5.19
"***Anticipated Closing Date***"	Section 1.10(a)
"***Certificate of Merger***"	Section 1.2
"***Certifications***"	Section 3.5(a)
"***Closing Date***"	Section 1.2
"***Closing***"	Section 1.2
"***COBRA***"	Section 2.12(f)
"***Code***"	Recitals
"***Company 401(k) Plan***"	Section 5.21
"***Company Appointees***"	Section 5.11
"***Company Balance Sheet***"	Section 2.5(a)
"***Company Board Recommendation***"	Section 5.2(b)
"***Company Change in Recommendation***"	Section 5.2(c)
"***Company Contract***"	Section 2.16(b)
"***Company Disclosure Schedule***"	Article 2
"***Company Employee Plans***"	Section 2.12(a)
"***Company Environmental Permits***"	Section 2.14(c)
"***Company Financials***"	Section 2.5(a)
"***Company Intervening Event***"	Section 5.2(c)
"***Company Owned IP Rights***"	Section 2.8(d)
"***Company Permits***"	Section 2.9(b)
"***Company Stock Certificate***"	Section 1.9
"***Company Stockholder Matters***"	Section 5.2(a)
"***Company Stockholder Written Consent***"	Section 5.2(a)
"***Company Termination Fee***"	Section 7.3(c)
"***Company Voting Agreements***"	Recitals
"***Company***"	Preamble
"***Confidentiality Agreement***"	Section 5.4
"***D&O Indemnified Party***"	Section 5.6(a)
"***Delaware Law***"	Section 1.1
"***Determination Date***"	Section 1.10(a)
"***Determination Letter***"	Section 2.12(b)
"***Dispute Notice***"	Section 1.10(b)
"***Dissenting Shares***"	Section 1.7
"***Effective Time***"	Section 1.2
"***ERISA Affiliate***"	Section 2.12(a)
"***ERISA***"	Section 2.12(a)
"***Exchange Act***"	Section 2.3(d)
"***Exchange Agent***"	Section 1.8(a)
"***Exchange Fund***"	Section 1.8(a)
"Exchange Ratio Announcement"	Section 5.1(d)
"***GAAP***"	Section 2.5(a)
"***Hazardous Material Activities***"	Section 2.14(b)
"***Hazardous Material***"	Section 2.14(a)

Defined Word	Section of Agreement
"***Hercules Extension***"	Section 6.3(f)
"Hercules Refinancing"	Section 5.24
"***HIPAA***"	Section 2.12(f)
"***HMO***"	Section 2.12(k)
"***Insurance Policies***"	Section 2.17(a)
"***knowledge of Company***"	Section 8.15(e)
"***knowledge of Parent***"	Section 8.15(e)
"***Liability***"	Section 2.5(d)
"***Lock-up Agreements***"	Recitals
"***Lookback Date***"	Section 2.5(c)
"***Merger Consideration***"	Section 1.6(a)
"***Merger Sub***"	Preamble
"***Merger***"	Recitals
"***Net Cash Calculation***"	Section 1.10(a)
"***Net Cash Schedule***"	Section 1.10(a)
"***NYSE MKT Listing Application***"	Section 5.28
"***Out Licenses***"	Section 2.8(c)
"***Parent Amended and Restated Charter***"	Section 1.4(c)
"***Parent Board Recommendation***"	Section 5.3(b)
"***Parent Change in Recommendation***"	Section 5.3(c)
"***Parent Common Stock***"	Section 1.6(a)
"***Parent Contract***"	Section 3.14(b)
"***Parent Employee Plans***"	Section 3.12(a)
"***Parent Expense Reimbursement ***"	Section 7.3(e)
"***Parent Financials***"	Section 3.5(f)
"***Parent Intervening Event***"	Section 5.3(c)
"***Parent Owned IP Rights***"	Section 3.8(a)
"***Parent Permits***"	Section 3.9(b)
"***Parent Preferred Stock***"	Section 3.2(a)
"***Parent SEC Documents***"	Section 3.5(a)
"***Parent Stockholder Approval Matters***"	Section 5.3(a)
"***Parent Stockholder Approval***"	Section 3.3(a)
"***Parent Stockholders' Meeting***"	Section 5.3(a)
"***Parent Termination Fee***"	Section 7.3(b)
"***Parent Voting Agreements***"	Recitals
"***Parent***"	Preamble
"***Party***" or "***Parties***"	Preamble
"***Pre-Closing Period***"	Section 4.1
"Preferred Stock Conversion"	Section 6.2(h)
"***Refinancing***"	Section 5.22(a)
"***Required Company Stockholder Vote***"	Section 2.3(a)
"***Response Date***"	Section 1.10(b)
"***Reverse Split ***"	Section 5.26
"***SEC***"	Section 2.3(d)
"***SEC Website***"	Section 3.5(a)
"***Surviving Corporation***"	Section 1.1
"***Third Party Expenses***"	Section 7.3(d)
"***Transactions***"	Recitals
"***Voting Agreements***"	Recitals

Exhibit A – Lock-Up Agreement Signatories

Parent Signatories

Brian Culley
Shana Hood
Brandi Roberts
Howard Dittrich
Peter Greenleaf
Matthew Pauls
David Ramsay

Company Signatories

Rob Neville
Nevan Elam
Rick Hawkins
Joe McCracken
Yuri Pikover
Taneli Jouhikainen
Chris Marich
Dave Lowrance
Serendex A/S

Exhibit B – Voting Agreement Signatories

Parent Signatories

Brian Culley
Shana Hood
Brandi Roberts
Howard Dittrich
Peter Greenleaf
Matthew Pauls
David Ramsay

Company Signatories

Rob Neville
Nevan Elam
Rick Hawkins
Joe McCracken
Yuri Pikover
Taneli Jouhikainen
Chris Marich
Dave Lowrance
Serendex A/S

Annex B

January 6, 2017

Board of Directors
Mast Therapeutics, Inc.
3611 Valley Centre Drive, Suite 500
San Diego, California 92130

Dear Sirs:

You have requested our opinion as to the fairness, from a financial point of view, to Mast Therapeutics, Inc. ("Mast" or the "Parent") of the Consideration (as defined below) to be paid by Mast pursuant to the terms of the proposed Agreement and Plan of Merger and Reorganization (the "Merger Agreement") to be entered into by and among Mast, Victoria Merger Corp. ("Merger Sub") and Savara Inc. (the "Company"). Capitalized terms used herein have the respective meanings ascribed thereto in the January 5, 2017 draft of the Merger Agreement provided to us by Mast (the "Draft Merger Agreement").

As more specifically set forth in the Merger Agreement, and subject to the terms, conditions and adjustments set forth therein, the Merger Agreement provides for the acquisition of the Company through the merger of Merger Sub with and into the Company with the Company as the surviving entity thereof (the "Merger"). By virtue of the Merger, each share of common stock, par value $0.001 per share, of the Company ("Company Common Stock") issued and outstanding immediately prior to the effective time of the Merger (other than (i) shares held in the Company's treasury, (ii) shares held by any direct or indirect wholly owned subsidiary of the Company or Parent immediately prior to the effective time of the Merger and (iii) any Dissenting Shares) will be converted into the right to receive a number of shares of common stock, par value $0.001 per share, of Mast ("Mast Common Stock") equal to the Exchange Ratio. The Exchange Ratio is subject to adjustment in certain circumstances, including in the event that the Parent's "Net Cash" is less than the Net Cash Threshold specified in the Merger Agreement. For purposes of our opinion, management of Mast has advised us and, with your consent, we have assumed without independent verification that (i) the "Net Cash Adjustment Amount" specified in the Merger Agreement will be $2,000,000, (ii) the final Exchange Ratio determined in accordance with the Merger Agreement will be 46.92 shares of Mast Common Stock for each share of Company Common Stock, and (iii) 1,018,747,837 shares of Mast Common Stock will be issued in the Merger. We expressly disclaim any opinion as to (i) the reasonableness of these assumptions, (ii) the amount of the actual Net Cash Adjustment, (iii) the final Exchange Ratio determined pursuant to the Merger Agreement, or (iv) the actual number of shares of Mast Common Stock to be issued in the Merger. The total number of shares of Mast Common Stock to be issued by Mast in the Merger is referred to herein as (the "Consideration").

In connection with our review of the proposed Merger, and in arriving at our opinion, we have: (i) reviewed the Draft Merger Agreement; (ii) reviewed certain information, including financial forecasts, relating to the business, earnings, cash flow, assets, liabilities and prospects of Mast and the Company that were furnished to us by Mast and the Company; (iii) conducted discussions with members of senior management and representatives of Mast and the Company concerning the matters described in clause (ii); (iv) reviewed the pro forma ownership of the combined entity resulting from the Merger; (iv) discussed the past and current operations and financial condition and the prospects of Mast and the Company with members of senior management of Mast and of the Company, respectively; (v) reviewed the financial terms, to the extent publicly available, of certain acquisition and financing transactions that we deemed relevant; and (vi) performed such other analyses and considered such other factors as we deemed appropriate for the purpose of rendering our opinion.

We have relied upon and assumed, without assuming liability or responsibility for independent verification, the accuracy and completeness of all information that was publicly available or was furnished, or otherwise made available, to us or discussed with or reviewed by or for us. We have further assumed that the financial

information provided has been prepared on a reasonable basis in accordance with industry practice, and that management of Mast is not aware of any information or facts that would make any information provided to us incomplete or misleading. Without limiting the generality of the foregoing, for the purpose of this opinion, we have assumed that with respect to financial forecasts, estimates and other forward-looking information reviewed by us, that such information has been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments of the management of Mast as to the expected future combined results of operations and financial condition of the Mast and the Company after giving effect to the Merger. We express no opinion as to any such financial forecasts, estimates or forward-looking information or the assumptions on which they were based.

In connection with our opinion, we have assumed and relied upon, without independent verification, the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by us. Our opinion does not address any legal, regulatory, tax or accounting issues.

In arriving at our opinion, we have assumed that the executed Merger Agreement will be in all material respects identical to the Draft Merger Agreement reviewed by us. We have relied upon and assumed, without independent verification, that (i) the representations and warranties of all parties set forth in the Merger Agreement and all related documents and instruments that are referred to therein are true and correct, (ii) each party to the Merger Agreement will fully and timely perform all of the covenants and agreements required to be performed by such party, (iii) the Merger will be consummated pursuant to the terms of the Merger Agreement without amendments thereto, and (iv) all conditions to the consummation of the Merger will be satisfied without waiver by any party of any conditions or obligations thereunder. Additionally, we have assumed that all the necessary regulatory approvals and consents required for the Merger, including the approval of the stockholders of Mast and the Company, will be obtained in a manner that will not adversely affect Mast or the Company or the contemplated benefits of the Merger.

In arriving at our opinion, we have not performed any appraisals or valuations of any specific assets or liabilities (fixed, contingent or other) of Mast or the Company, and have not been furnished or provided with any such appraisals or valuations. Without limiting the generality of the foregoing, we have undertaken no independent analysis of any pending or threatened litigation, regulatory action, possible unasserted claims or other contingent liabilities, to which Mast, the Company or any of their respective affiliates is a party or may be subject, and at the direction of Mast and with its consent, our opinion makes no assumption concerning, and therefore does not consider, the possible assertion of claims, outcomes or damages arising out of any such matters.

This opinion is necessarily based upon the information available to us and facts and circumstances as they exist and are subject to evaluation on the date hereof; events occurring after the date hereof could materially affect the assumptions used in preparing this opinion. We are not expressing any opinion herein as to the price at which shares of Mast Common Stock may trade following announcement of the Merger or at any future time. We have not undertaken to reaffirm or revise this opinion or otherwise comment upon any events occurring after the date hereof and do not have any obligation to update, revise or reaffirm this opinion.

We have been engaged by Mast to act as its financial advisor and we will receive a fee from Mast for providing such services, including the provision of this opinion. Our fee is not contingent upon the consummation of the Merger. Mast has also agreed to indemnify us against certain liabilities and reimburse us for certain expenses in connection with our services. In February 2016, we acted as the sole bookrunning manager of a public offering by Mast of shares of its common stock and warrants and received substantial fees in connection therewith. In the future, we may also provide other financial advisory and investment banking services to Mast and its affiliates for which we would expect to receive compensation. In addition, in the ordinary course of our business, we and our affiliates may actively trade securities of Mast for our own account or the account of our customers and, accordingly, may at any time hold a long or short position in such securities.

Consistent with applicable legal and regulatory requirements, Roth Capital Partners, LLC has adopted policies and procedures to establish and maintain the independence of our research departments and personnel. As a

result, our research analysts may hold views, make statements or investment recommendations and/or publish research reports with respect to Mast, the Company and/or the Merger that differ from the views of our investment banking personnel.

This opinion has been prepared solely for the information of the Board of Directors of Mast for its use in connection with its consideration of the Merger and is not intended to be and does not constitute a recommendation to any stockholder of Mast as to how such stockholder should vote on any matter relating to the Merger or any other matter. Except with respect to the inclusion of this opinion in Mast's proxy statement relating to the Merger in accordance with our engagement letter with Mast, this opinion shall not be disclosed, referred to, published or otherwise used (in whole or in part), nor shall any public references to us be made, without our prior written approval. This opinion has been approved for issuance by the Roth Capital Partners, LLC Fairness Opinion Committee.

This opinion addresses only the fairness, from a financial point of view, to Mast of the proposed Consideration to be paid by Mast in the Merger and does not address the relative merits of the Merger or any alternatives to the Merger, Mast's underlying decision to proceed with or effect the Merger, or any other aspect of the Merger. This opinion does not address the fairness of the Merger to the holders of any class of securities, creditors or other constituencies of Mast. This opinion is not a valuation of Mast or the Company or their respective assets or any class of their securities. We are not experts in, nor do we express an opinion on, legal, tax, accounting or regulatory issues. We do not express an opinion about the fairness of the amount or nature of any compensation payable or to be paid to any of the officers, directors or employees, of Mast or the Company, whether or not relative to the Merger.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Consideration to be paid by Mast in the Merger is fair, from a financial point of view, to Mast.

Sincerely,

/s/ Roth Capital Partners, LLC

Roth Capital Partners, LLC

Annex C

SECTION 262 OF THE DELAWARE GENERAL CORPORATION LAW

§262 Appraisal rights.

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to § 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder's shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word "stockholder" means a holder of record of stock in a corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words; and the words "depository receipt" mean a receipt or other instrument issued by a depository representing an interest in 1 or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to § 251 (other than a merger effected pursuant to § 251(g) of this title and, subject to paragraph (b)(3) of this section, § 251(h) of this title), § 252, § 254, § 255, § 256, § 257, § 258, § 263 or § 264 of this title:

(1) Provided, however, that, except as expressly provided in § 363(b) of this title, no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of the meeting of stockholders to act upon the agreement of merger or consolidation, were either: (i) listed on a national securities exchange or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in § 251(f) of this title.

(2) Notwithstanding paragraph (b)(1) of this section, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to §§ 251, 252, 254, 255, 256, 257, 258, 263 and 264 of this title to accept for such stock anything except:

a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;

b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or held of record by more than 2,000 holders;

c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing paragraphs (b)(2)a. and b. of this section; or

d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing paragraphs (b)(2)a., b. and c. of this section.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under § 251(h), § 253 or § 267 of this title is not owned by the parent immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(4) In the event of an amendment to a corporation's certificate of incorporation contemplated by § 363(a) of this title, appraisal rights shall be available as contemplated by § 363(b) of this title, and the procedures of

this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as practicable, with the word "amendment" substituted for the words "merger or consolidation," and the word "corporation" substituted for the words "constituent corporation" and/or "surviving or resulting corporation."

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for notice of such meeting (or such members who received notice in accordance with § 255(c) of this title) with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) of this section that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section and, if 1 of the constituent corporations is a nonstock corporation, a copy of § 114 of this title. Each stockholder electing to demand the appraisal of such stockholder's shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of such stockholder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder's shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to § 228, § 251(h), § 253, or § 267 of this title, then either a constituent corporation before the effective date of the merger or consolidation or the surviving or resulting corporation within 10 days thereafter shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section and, if 1 of the constituent corporations is a nonstock corporation, a copy of § 114 of this title. Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of such notice or, in the case of a merger approved pursuant to § 251(h) of this title, within the later of the consummation of the tender or exchange offer contemplated by § 251(h) of this title and 20 days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder's shares. If such notice did not notify stockholders of the effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice or, in the case of a merger approved pursuant to

§ 251(h) of this title, later than the later of the consummation of the tender or exchange offer contemplated by § 251(h) of this title and 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder's shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be not more than 10 days prior to the date the notice is given, provided, that if the notice is given on or after the effective date of the merger or consolidation, the record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) of this section hereof and who is otherwise entitled to appraisal rights, may commence an appraisal proceeding by filing a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party shall have the right to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) of this section hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after such stockholder's written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) of this section hereof, whichever is later. Notwithstanding subsection (a) of this section, a person who is the beneficial owner of shares of such stock held either in a voting trust or by a nominee on behalf of such person may, in such person's own name, file a petition or request from the corporation the statement described in this subsection.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After the Court determines the stockholders entitled to an appraisal, the appraisal proceeding shall be conducted in accordance with the rules of the Court of Chancery, including any rules specifically governing

appraisal proceedings. Through such proceeding the Court shall determine the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. Unless the Court in its discretion determines otherwise for good cause shown, interest from the effective date of the merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, proceed to trial upon the appraisal prior to the final determination of the stockholders entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted such stockholder's certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of such stockholder's demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just; provided, however that this provision shall not affect the right of any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation within 60 days after the effective date of the merger or consolidation, as set forth in subsection (e) of this section.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

Annex D

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF SAVARA INC.

ARTICLE I

The name of this corporation is Savara Inc. (the "Corporation").

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, County of New Castle, Delaware 19808. The name of its registered agent at such address is Corporation Service Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law (the "DGCL").

ARTICLE IV

(A) **Classes of Stock**. The Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the Corporation is authorized to issue is Five Hundred One Million shares (501,000,000), each with a par value of $0.001 per share. Five Hundred Million (500,000,000) shares shall be Common Stock, and One Million (1,000,000) shares shall be Preferred Stock.

Upon the close of trading on the NYSE MKT on [●] (the "Effective Time"), each [●] ([●]) shares of the Common Stock, par value $0.001 per share, of the Corporation issued and outstanding or held in treasury at the Effective Time shall be reclassified as and changed into one (1) share of Common Stock, par value $0.001 per share, of the Corporation, without any action by the holders thereof. In lieu of any fractional shares to which a holder of shares of Common Stock of the Corporation would be otherwise entitled, the Corporation shall pay in cash, without interest, an amount equal to such fractional interest (after taking into account and aggregating all shares of Common Stock then held by such holder) multiplied by the closing price of the Common Stock as last reported on the NYSE MKT on the day of the Effective Time (determined on a post-split basis).

(B) **Preferred Stock.** Except as otherwise provided in any certificate(s) of designations duly filed with the Secretary of State of the State of Delaware, the Board of Directors of the Corporation (the "Board") is hereby expressly authorized to provide for the issuance, in one or more series, of all or any of the shares of Preferred Stock and to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon such series of Preferred Stock, and the number of shares constituting any such series and the designations thereof, or of any of them, such designations, preferences, and relative, participating, optional or other rights and such qualifications, limitations, or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board providing for the issuance of such shares and as may be permitted by the DGCL. The rights, privileges, preferences and restrictions of any such series of Preferred Stock may be subordinated to, pari passu with (including, without limitation, inclusion in provisions with respect to liquidation and acquisition preferences, redemption or approval of matters by vote or written consent), or senior to any of those of any

present or future class or series of Preferred Stock or Common Stock. The Board is also expressly authorized to increase or decrease the number of shares of any series prior or subsequent to the issue of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

ARTICLE V

In furtherance and not in limitation of the powers conferred by statutes, the Board is expressly authorized to make, alter, amend or repeal the Bylaws of the Corporation.

ARTICLE VI

The business and affairs of the Corporation shall be managed by or under the direction of the Board. In addition to the powers and authority expressly conferred upon them by statute or by this Certificate of Incorporation or the Bylaws of the Corporation, the Board is hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation. Elections of members of the Board need not be by written ballot unless otherwise provided in the Bylaws of the Corporation.

ARTICLE VII

(A) To the fullest extent permitted by the DGCL, as the same exists or as may hereafter be amended, a director shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

(B) The Corporation shall indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person, such person’s testator or intestate is or was a director or officer of the Corporation or any predecessor of the Corporation, or serves or served at any other enterprise as a director or officer of the Corporation at the request of the Corporation or any predecessor to the Corporation.

(C) Neither any amendment nor repeal of this Article VII, nor the adoption of any provision of the Corporation’s Certificate of Incorporation inconsistent with this Article VII, shall eliminate or reduce the effect of this Article VII in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for this Article VII, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE VIII

The Corporation reserves the right at any time, and from time to time, to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the rights reserved in this Article VIII.

PART II

INFORMATION NOT REQUIRED IN PROXY STATEMENT/PROSPECTUS/INFORMATION STATEMENT

Item 20. ***Indemnification of Directors and Officers.***

Subsection (a) of Section 145 of the General Corporation Law of the State of Delaware, or the DGCL, empowers a corporation to indemnify any person who was or is a party or who is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful.

Subsection (b) of Section 145 empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person acted in any of the capacities set forth above, against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 145 further provides that to the extent a director or officer of a corporation has been successful on the merits or otherwise in the defense of any action, suit or proceeding referred to in subsections (a) and (b) of Section 145, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith; that indemnification provided for by Section 145 shall not be deemed exclusive of any other rights to which the indemnified party may be entitled; and the indemnification provided for by Section 145 shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of such person's heirs, executors and administrators. Section 145 also empowers the corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify such person against such liabilities under Section 145.

Section 102(b)(7) of the DGCL provides that a corporation's certificate of incorporation may contain a provision eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit.

Mast's amended and restated certificate of incorporation provides that to the fullest extent permitted by the Delaware General Corporation Law, (1) a director shall not be personally liable to Mast or its stockholders for monetary damages for breach of fiduciary duty as a director, and (2) Mast shall indemnify any director or officer made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact of such person's current or prior service as a director or officer of Mast, as a director or officer of any of Mast's predecessors or any other enterprise per Mast or any of its predecessor's request. Mast's amended and restated bylaws provide that (a) Mast shall indemnify its directors and officers to the maximum extent and in the manner permitted by the Delaware General Corporation Law against expenses (including attorneys' fees), judgments, fines, ERISA excise taxes, settlements and other amounts actually and reasonably incurred in connection with any proceeding, whether civil, criminal, administrative or investigative, arising by reason of the fact that such person is or was an agent of the corporation, subject to certain limited exceptions, (b) Mast shall advance expenses incurred by any director or officer prior to the final disposition of any proceeding to which the director or officer was or is or is threatened to be made a party promptly following a request therefore, subject to certain limited exceptions, and (c) the rights conferred in Mast's amended and restated bylaws are not exclusive.

Mast entered into indemnification agreements with its directors and executive officers, in addition to the indemnification provided for in its amended and restated certificate of incorporation and bylaws, and intends to enter into indemnification agreements with any new directors and executive officers in the future.

Mast has purchased and intends to maintain insurance on behalf of any person who is or was a director or officer of Mast against any loss arising from any claim asserted against him or her and incurred by him or her in any such capacity, subject to certain exclusions. The Merger Agreement provides that Mast will purchase an insurance policy, which maintains in effect for six years from the closing the current directors' and officers' liability insurance policies maintained by Mast.

Pursuant to the terms of the Merger Agreement, the provisions relating to the indemnification and elimination of liability for monetary damages set forth in the certificate of incorporation and bylaws of Mast shall not be amended, repealed or otherwise modified for a period of six years' time from the closing of the merger in a manner that would adversely affect the rights thereunder of individuals who, at or prior to the closing, were officers, directors, employees or agents of Mast.

Item 21. *Exhibits and Financial Statement Schedules*

(a) Exhibit Index

A list of exhibits filed with this registration statement on Form S-4 is set forth on the Exhibit Index and is incorporated herein by reference.

(b) Financial Statements

The financial statements filed with this registration statement on Form S-4 are set forth on the Financial Statement Index and is incorporated herein by reference.

Item 22. *Undertakings*

(a) The undersigned registrant hereby undertakes as follows:

(1) That prior to any public reoffering of the securities registered hereunder through use of a proxy statement/prospectus/information statement which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering proxy statement/prospectus/information statement will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(2) That every proxy statement/prospectus/information statement (i) that is filed pursuant to paragraph (a)(1) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Securities Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To respond to requests for information that is incorporated by reference into this proxy statement/prospectus/information statement pursuant to Item 4 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(4) To supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the city of San Diego, State of California, on the 10th day of February, 2017.

MAST THERAPEUTICS, INC.

By: /s/ Brandi L. Roberts
Brandi L. Roberts
Chief Financial Officer and Senior Vice President

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Brian M. Culley and Brandi L. Roberts, and each of them acting individually, as his/her true and lawful attorneys-in-fact and agents, each with full power to act alone, with full powers of substitution and resubstitution, for him/her and in his/her name, place and stead, in any and all capacities, to sign any and all amendments to this registration statement on Form S-4, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitute or resubstitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Brian M. Culley **Brian M. Culley**	Chief Executive Officer and Director *(Principal Executive Officer)*	February 10, 2016
/s/ Brandi L. Roberts **Brandi L. Roberts**	Chief Financial Officer and Senior Vice President *(Principal Financial and Accounting Officer)*	February 10, 2016
/s/ Howard C. Dittrich **Howard C. Dittrich**	Director	February 10, 2016
/s/ Peter Greenleaf **Peter Greenleaf**	Director	February 10, 2016
/s/ Matthew Pauls **Matthew Pauls**	Director	February 10, 2016
/s/ David A. Ramsay **David A. Ramsay**	Director	February 10, 2016

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EXHIBIT INDEX

Exhibit No.	Description	Filed Herewith	Incorporated by Reference		
			Form	File/Film No.	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. (included as Annex A to the proxy statement/prospectus/information statement forming a part of this Registration Statement)	X			
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
2.4†	Agreement and Plan of Merger, dated February 12, 2011, by and among Mast Therapeutics, Inc., SRX Acquisition Corporation, SynthRx, Inc. and, solely with respect to Sections 2 and 8, the Stockholders' Agent		Form 8-K	001-32157-11752769	04/11/11
2.5†	Agreement and Plan of Merger, dated February 7, 2014, by and among Mast Therapeutics, Inc., AP Acquisition Sub, Inc., Aires Pharmaceuticals, Inc. and, solely with respect to Sections 2.8(b) and 6.3 and Article IX, the Stockholders' Representative, as amended by the Waiver of Closing Conditions, dated February 26, 2014		Form 10-Q	001-32157-14813538	05/05/14
2.6	Business Transfer Agreement, dated May 13, 2016, between Savara Inc. and Serendex Pharmaceuticals A/S	X			
3.1	Composite Amended and Restated Certificate of Incorporation, as amended, of Mast Therapeutics, Inc.		Form S-1	333-188870-13873232	05/28/13
3.2	Composite Amended and Restated Bylaws, as amended, of Mast Therapeutics, Inc.		Form 10-K	001-32157-14717498	03/26/14
4.1	Form of common stock certificate of Mast Therapeutics, Inc.		Form 10-K	001-32157-13702619	03/19/13
4.2	Warrant Agent Agreement, dated June 14, 2013, between Mast Therapeutics, Inc. and American Stock Transfer & Trust Company, LLC, including the Form of Common Stock Purchase Warrant as Exhibit A		Form 8-K	001-32157-13917371	06/17/13

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Exhibit No.	Description	Filed Herewith	Incorporated by Reference		
			Form	File/Film No.	Date Filed
4.3	Form of Warrant Agent Agreement, dated as of November 6, 2014, between Mast Therapeutics, Inc. and American Stock Transfer & Trust Company, LLC		Form 8-K	001-32157-141202528	11/07/14
4.4	Form of Warrant issued by Mast Therapeutics, Inc. on November 12, 2014		Form 8-K	001-32157-141202528	11/07/14
4.5	Warrant Agreement, dated as of August 11, 2015, between Mast Therapeutics, Inc. and Hercules Technology III, L.P.		Form 10-Q	001-32157-151224926	11/12/15
4.6	First Amendment to Warrant Agreement, dated as of September 28, 2015, between Mast Therapeutics, Inc. and Hercules Technology III, L.P.		Form 10-Q	001-32157-151224926	11/12/15
4.7	Second Amendment to Warrant Agreement, dated as of February 25, 2016, between Mast Therapeutics, Inc. and Hercules Technology III, L.P.		Form 8-K	001-32157-161468225	02/29/16
4.8	Form of Warrant Agreement entered into on February 16, 2016 between Mast Therapeutics, Inc. and American Stock Transfer & Trust Company, LLC		Form 8-K	001-32157-161407765	02/11/16
4.9	Form of Warrant Certificate for warrants to acquire common stock of Mast Therapeutics, Inc. issued by Mast Therapeutics, Inc. on February 16, 2016		Form 8-K	001-32157-161407765	02/11/16
4.10	Form of Stock Purchase Warrant first issued by Savara Inc. on May 30, 2012	X			
4.11	Form of Stock Purchase Warrant first issued by Savara Inc. on July 15, 2016	X			
5.1*	Opinion of DLA Piper LLP (US) regarding the validity of the securities				
8.1*	Opinion of DLA Piper LLP (US) regarding tax matters				
8.2*	Opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation, regarding tax matters				
10.1	Sales Agreement, dated August 21, 2015, between Mast Therapeutics, Inc. and Cowen and Company, LLC		Form 8-K	001-32157-151069175	08/21/15
10.2	Loan and Security Agreement, dated as of August 11, 2015, among Mast Therapeutics, Inc., Hercules Technology III, L.P. and Hercules Technology Growth Capital, Inc.		Form 10-Q	001-32157-151224926	11/12/15

Exhibit No.	Description	Filed Herewith	Incorporated by Reference		
			Form	File/Film No.	Date Filed
10.3	First Amendment to Loan and Security Agreement, dated as of September 28, 2015, among Mast Therapeutics, Inc., Hercules Technology III, L.P. and Hercules Technology Growth Capital, Inc.		Form 10-Q	001-32157-151224926	11/12/15
10.4	Second Amendment to Loan and Security Agreement, dated as of December 31, 2015, among Mast Therapeutics, Inc., Hercules Technology III, L.P. and Hercules Technology Growth Capital, Inc.		Form 8-K	001-32157-161328864	01/07/16
10.5	Third Amendment to Loan and Security Agreement, dated as of February 25, 2016, among Mast Therapeutics, Inc., Hercules Technology III, L.P. and Hercules Technology Growth Capital, Inc.		Form 8-K	001-32157-161468225	02/29/16
10.6	Fourth Amendment to Loan and Security Agreement dated as of July 22, 2016, among Mast Therapeutics, Inc., Hercules Technology III, L.P. and Hercules Capital, Inc.		Form 8-K	001-32157-161782551	07/25/2016
10.7†	Stockholders' Voting and Transfer Restriction Agreement, dated February 12, 2011, by and among Mast Therapeutics, Inc., each of the principal stockholders of SynthRx, Inc. and, solely with respect to Section 3(c), the Stockholders' Agent		Form 8-K	001-32157-11752769	04/11/11
10.8†	License Agreement, dated June 8, 2004, between SynthRx, Inc. and CytRx Corporation, as amended by that certain Letter Agreement Re: Amendment to License Agreement, dated August 3, 2006, and that certain Agreement and Amendment No. 2 to License Agreement, dated December 1, 2010		Form 8-K	001-32157-11752769	04/11/11
10.9#	2005 Equity Incentive Plan		Form 10-K	001-32157-07697283	03/15/07
10.10#	Form of Stock Option Agreement under the 2005 Equity Incentive Plan		Form S-8	333-126551-05951362	07/13/05
10.11#	Form of Stock Option Agreement under the 2005 Equity Incentive Plan (for director option grants beginning in 2008)		Form 10-K	001-32157-08690952	03/17/08
10.12#	Form of Stock Option Agreement under the 2005 Equity Incentive Plan (for option grants to employees approved in March 2008)		Form 10-Q	001-32157-08820541	05/12/08
10.13#	2008 Omnibus Incentive Plan		Form 8-K	001-32157-08874724	06/02/08
10.14#	Form of Non-Statutory Stock Option Grant Agreement (for directors) under the 2008 Omnibus Incentive Plan		Form 10-Q	001-32157-081005744	08/11/08

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Exhibit No.	Description	Filed Herewith	Incorporated by Reference		
			Form	File/Film No.	Date Filed
10.15#	Form of Non-Statutory/Incentive Stock Option Grant Agreement (for consultants/employees) under the 2008 Omnibus Incentive Plan		Form 10-Q	001-32157-081005744	08/11/08
10.16#	Form of Incentive Stock Option Grant Agreement under the 2008 Omnibus Incentive Plan (for grant to Brian M. Culley in July 2009)		Form 8-K	001-32157-09957353	07/22/09
10.17#	Form of letter, dated January 20, 2010, modifying options granted to Brian M. Culley and Patrick L. Keran in July 2009		Form 8-K	001-32157-10547818	01/26/10
10.18#	Form of Incentive Stock Option Grant Agreement under the 2008 Omnibus Incentive Plan (for grant to Brian M. Culley in January 2010)		Form 8-K	001-32157-10547818	01/26/10
10.19#	Incentive Stock Option Grant Agreement under the 2008 Omnibus Incentive Plan, effective as of February 1, 2011, by and between Mast Therapeutics, Inc. and Brian M. Culley		Form 10-Q	001-32157-11823538	05/09/11
10.20#	Amended and Restated 2008 Omnibus Incentive Plan		Form S-8	333-174940-11914946	06/16/11
10.21#	Form of Non-Statutory Stock Option Grant Agreement —Director under the Amended and Restated 2008 Omnibus Incentive Plan		Form S-8	333-174940-11914946	06/16/11
10.22#	Form of Incentive Stock Option Grant Agreement (for grants to Mast Therapeutics, Inc.'s Chief Executive Officer and President and Chief Operating Officer made in July 2011) under the Amended and Restated 2008 Omnibus Incentive Plan		Form 10-Q	001-32157-111186142	11/08/11
10.23#	Form of Senior Executive Incentive Stock Option Grant Agreement (for grants to Mast Therapeutics, Inc.'s Chief Executive Officer and President and Chief Operating Officer made beginning in December 2011) under the Amended and Restated 2008 Omnibus Incentive Plan		Form 10-K	001-32157-12677367	03/08/12
10.24#	2013 Omnibus Incentive Plan		Form 8-K	001-32157-13927320	06/21/13
10.25#	Form of Non-Statutory Stock Option Grant Agreement-Director (for grants to non-employee directors) under the 2013 Omnibus Incentive Plan		Form 8-K	001-32157-13927320	06/21/13
10.26#	Form of Incentive Stock Option Grant Agreement (for grants to employees) under the 2013 Omnibus Incentive Plan		Form 8-K	001-32157-13927320	06/21/13

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Exhibit No.	Description	Filed Herewith	Incorporated by Reference		
			Form	File/Film No.	Date Filed
10.27#	Form of Senior Executive Incentive Stock Option Grant Agreement (for grants to Mast Therapeutics, Inc.'s chief executive officer and president and chief operating officer) under the 2013 Omnibus Incentive Plan		Form 8-K	001-32157-13927320	06/21/13
10.28#	2014 Omnibus Incentive Plan		Form 8-K	001-32157-14933081	06/20/14
10.29#	Form of Non-Statutory Stock Option Grant Agreement-Director (for grants to non-employee directors) under the 2014 Omnibus Incentive Plan		Form 8-K	001-32157-14933081	06/20/14
10.30#	Form of Incentive Stock Option Grant Agreement (for grants to employees) under the 2014 Omnibus Incentive Plan		Form 8-K	001-32157-14933081	06/20/14
10.31#	Form of Senior Executive Incentive Stock Option Grant Agreement (for grants to Mast Therapeutics, Inc.'s chief executive officer and president and chief operating officer) under the 2014 Omnibus Incentive Plan		Form 8-K	001-32157-14933081	06/20/14
10.32#	Form of CMO Incentive Stock Option Grant Agreement (for grants to Mast Therapeutics, Inc.'s chief medical officer) under the 2014 Omnibus Incentive Plan		Form 8-K	001-32157-14933081	06/20/14
10.33#	Amendment of Stock Option Agreements, dated March 18, 2015, between Mast Therapeutics, Inc. and Patrick L. Keran		Form 10-Q	001-32157-15851050	05/11/15
10.34#	2015 Omnibus Incentive Plan		Form 8-K	001-32157-15934477	06/16/15
10.35#	Form of Non-Statutory Stock Option Grant Agreement-Director (for grants to non-employee directors) under the 2015 Omnibus Incentive Plan		Form 8-K	001-32157-15934477	06/16/15
10.36#	Form of Incentive Stock Option Grant Agreement —Exempt Employees under the 2015 Omnibus Incentive Plan		Form 8-K	001-32157-15934477	06/16/15
10.37#	Form of Incentive Stock Option Grant Agreement —Non-Exempt Employees under the 2015 Omnibus Incentive Plan		Form 8-K	001-32157-15934477	06/16/15
10.38#	Form of CEO Incentive Stock Option Grant Agreement under the 2015 Omnibus Incentive Plan		Form 8-K	001-32157-15934477	06/16/15
10.39#	Form of CMO Incentive Stock Option Grant Agreement under the 2015 Omnibus Incentive Plan		Form 8-K	001-32157-15934477	06/16/15
10.40#	Director Compensation Policy, effective January 1, 2015		Form 10-K	001-32157-15722085	03/24/15

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Exhibit No.	Description	Filed Herewith	Incorporated by Reference		
			Form	File/Film No.	Date Filed
10.41#	Form of Director and Officer Indemnification Agreement		Form 8-K	001-32157-061156993	10/23/06
10.42	Sublease Agreement by and between Mast Therapeutics, Inc. and Santarus, Inc., effective as of June 19, 2014		Form 8-K	001-32157-14949388	06/30/14
10.43#	Executive Severance Agreement, dated March 23, 2016, between Mast Therapeutics, Inc. and Brian M. Culley		Form 8-K	001-32157-161530105	03/25/16
10.44#	Executive Severance Agreement, dated March 23, 2016, between Mast Therapeutics, Inc. and Brandi L. Roberts		Form 8-K	001-32157-161530105	03/25/16
10.45#	Executive Severance Agreement, dated March 23, 2016, between Mast Therapeutics, Inc. and R. Martin Emanuele		Form 8-K	001-32157-161530105	03/25/16
10.46#	Executive Severance Agreement, dated March 23, 2016, between Mast Therapeutics, Inc. and Edwin L. Parsley		Form 10-Q	001-32157-161626040	05/06/2016
10.47#	Executive Severance Agreement, dated March 23, 2016, between Mast Therapeutics, Inc. and Gregory D. Gorgas		Form 10-Q	001-32157-161626040	05/06/2016
10.48#	Executive Severance Agreement, dated March 31, 2016, between Mast Therapeutics, Inc. and Shana Hood		Form 10-Q	001-32157-161626040	05/06/2016
10.49#	2016 Executive Incentive Plan		Form 8-K	001-32157-161555255	04/05/2016
10.50#	Mast Therapeutics, Inc. Form of Restricted Stock Units Grant Notice and Agreement for awards approved January 17, 2017	X			
10.51	Form of Lock-Up Agreement		Form 8-K	001-32157-17515840	01/09/2017
10.52	Form of Amendment No. 1 to Lock-Up Agreement, dated January 21, 2017		Form 8-K	001-32157-17510252	01/23/2017
10.53#	Savara Inc. Stock Option Plan	X			
10.54#	Savara Inc. Form of Incentive Stock Option Agreement	X			
10.55#	Form of Stock Issuance Agreement	X			
10.56#	Employment Agreement, dated March 19, 2012, between Savara Inc. and Robert Neville	X			
10.57#	Employment Agreement, dated October 1, 2009, between Savara Inc. and Taneli Jouhikainen	X			

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Exhibit No.	Description	Filed Herewith	Incorporated by Reference		
			Form	File/Film No.	Date Filed
10.58#	Offer Letter, dated September 30, 2016, between Savara Inc. and David Lowrance	X			
10.59†	Supply Agreement, dated September 26, 2016, between Savara Inc. and Xellia Pharmaceuticals ApS	X			
10.60†	Supply Agreement, effective September 1, 2012, between Savara Inc. and Plastiape SpA, as amended by Amendment No. 1, dated June 1, 2016	X			
10.61†	Supply and Licensing Agreement, dated December 10th, 2012, and Addendum to Supply and License Agreement, dated February 22, 2016, between Savara Inc. and GEMA Biotech S.A.	X			
10.62†	Commercial Supply Agreement dated April 24, 2015 between PARI Pharma GmbH and Serendex Pharmaceuticals A/S	X			
10.63†	Research Collaboration and License Agreement dated November 7, 2014 between PARI Pharma GmbH and Serendex Pharmaceuticals A/S	X			
21.1	List of Mast Subsidiaries	X			
21.2	List of Savara Subsidiaries	X			
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm to Mast Therapeutics, Inc.	X			
23.2	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm to Savara Inc.	X			
23.3	Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm to Savara Inc.	X			
24.1	Power of Attorney (included on the signature page hereto)	X			
99.1*	Form of Mast Therapeutics, Inc. Proxy Card				
99.2	Opinion of Roth Capital Partners, LLC, financial advisor to Mast Therapeutics, Inc. (included as Annex B to the proxy statement/prospectus/information statement forming a part of this Registration Statement).	X			
99.3	Consent of Roth Capital Partners, LLC, financial advisor to Mast Therapeutics, Inc.	X			
99.4	Proposed Amended and Restated Certificate of Incorporation of Mast Therapeutics, Inc. (included as Annex D to the proxy statement/prospectus/ information statement forming a part of this Registration Statement).	X			

Exhibit No.	Description	Filed Herewith	Incorporated by Reference		
			Form	File/Film No.	Date Filed
99.5*	Consent of Robert Neville to serve as a director of Mast Therapeutics, Inc.				
99.6*	Consent of Nevan Elam to serve as a director of Mast Therapeutics, Inc.				
99.7*	Consent of Richard J. Hawkins to serve as a director of Mast Therapeutics, Inc.				
99.8*	Consent of Yuri Pikover to serve as a director of Mast Therapeutics, Inc.				
99.9*	Consent of Joseph S. McCracken to serve as a director of Mast Therapeutics, Inc.				
99.10*	Consent of [●] to serve as a director of Mast Therapeutics, Inc.				
99.11*	Consent of [●] to serve as a director of Mast Therapeutics, Inc.				
101.INS*	XBRL Instance Document				
101.SCH*	XBRL Taxonomy Extension Schema Document				
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document				

† Indicates that confidential treatment has been requested or granted to certain portions, which portions have been omitted and filed separately with the SEC

# Indicates management contract or compensatory plan

* To be filed by amendment

Exhibit 2.6

BUSINESS TRANSFER AGREEMENT

relating to the business of

Serendex Pharmaceuticals A/S
(Company Reg. No. (CVR) 30532229)

Pharmaorigin ApS
(Company Reg. No. (CVR) 29178291)

Drugrecure ApS
(Company Reg. No. (CVR) 29154406)

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CONTENTS

BUSINESS TRANSFER AGREEMENT

BETWEEN Serendex Pharmaceuticals A/S
(Company Reg. No. (CVR) 30532229)
("**Seller**")

AND Savara Inc.
("**Buyer**" or "**Savara Inc.**")

(The Seller and the Buyer are referred to together collectively as the "**Parties**" and each individually as a "**Party**")

1. **BACKGROUND**

WHEREAS,

(A) The Seller is a limited liability company incorporated under the laws of Denmark currently listed on Oslo Axxes (Oslo Stock Exchange) but due to de-list on or about 4 May 2016;

(B) Pharmaorigin ApS (Company Reg. No. (CVR) 29178291) and Drugrecure ApS (Company Reg. No. (CVR) 29154406) are both wholly owned special purpose subsidiaries of the Seller and limited liability companies incorporated under the laws of Denmark (the "**Subsidiaries**");

(C) The Seller is a biopharmaceutical development company which, directly and through its Subsidiaries, advances a pipeline and portfolio of novel inhalation therapies and related technologies for the treatment of severe pulmonary conditions and which is focusing on inhaled formulations of two (2) biologic compounds (*i.e.*, Granulocyte Macrophage Colony-Stimulating Factor (GM-CSF) and Factor VIIa (FVIIa), respectively) related to various orphan indications (the "**Compounds**"), and the medicinal product Molgradex® (an inhalation formulation of recombinant human GM-CSF for the treatment of pulmonary alveolar proteinosis (PAP)) (the "**Product**"), partially comprising the Business (as defined below in Clause 2);

(D) The Buyer is a corporation incorporated under the laws of the State of Delaware, USA and is a privately held specialty pharmaceutical company focusing on innovative drugs for the treatment of serious and life-threatening rare respiratory diseases; and

(E) The Buyer intends to establish a limited liability company as its wholly owned subsidiary (tentatively to be named Savara ApS) under the laws of Denmark after the Signing (as defined below) and before the Closing (as defined below) in order to fulfil its role as the Buyer *mutatis mutandis* in due observation of Clause 15.5;

(F) The Seller wishes to sell the Business and the Buyer wishes to acquire the Business, upon the terms and subject to the conditions herein set forth;

NOW, THEREFORE, on the basis of the representations, warranties, covenants, undertakings, terms and conditions contained in this Agreement (as defined below), it is hereby agreed as follows:

2. CERTAIN DEFINITIONS

For the purpose of this Agreement, unless the context otherwise requires, the term:

2.1 "**Acquisition Proposal**" has the meaning set forth in Clause 13.1.5.

2.2 "**Adoption Agreement**" means that certain Adoption Agreement referable to the Right of First Refusal Agreement (as defined below) attached hereto as Exhibit C;

2.3 "**Affiliated Person**" means any Person Controlling, Controlled by or under common Control with a Party;

2.4 "**Agreement**" means this business transfer agreement, including the Schedules (as defined below in this Clause 2);

2.5 "**Assets**" means all assets, properties, and rights of every kind and nature, whether real, personal, or mixed, tangible or intangible, wherever located and whether now existing or hereafter acquired, which relate to, or are used or available for use by or in connection with the Business for the conduct of its activities, including without limitation the Compounds, the Product, Regulatory Approvals, Inventory, the IPR, the Properties, the Operating Equipment, the Receivables, the Work in Progress, the Seller's rights under the Contracts, and all cash. For clarity and the avoidance of doubt, Assets shall include (i) all shares of or other ownership interest in the Subsidiaries and (ii) any and all tax credits in accordance with the Danish tax credit scheme (in Danish "Skattekreditordningen") regardless of when accrued to which the Business is entitled;

2.6 "**Assigned Contracts**" has the meaning set forth in Clause 4.1;

2.7 "**Assumed Liabilities**" means only those liabilities specifically referred to in Clause 3.3 and the liabilities under the Assigned Contracts;

2.8 "**Basket**" has the meaning set forth in Clause 14.7.1;

2.9 "**Business**" means the Seller's business activities within the field of novel inhalation therapies for rare lung diseases, including without limitation activities related to the Compounds, the Product, and the IPR;

2.10 "**Business Day**" means a day on which the banks in both USA and Denmark are generally open for ordinary banking business (other than for internet banking only);

2.11 "**Buyer's Knowledge**" means any knowledge which the persons listed in Schedule 2.11 had or ought to have had as of Signing of this Agreement, and continuing through the Closing Date, after having made due enquiries with the relevant employees of the Buyer;

2.12 "**Buyer's Representations and Warranties**" has the meaning set forth in Clause 11;

2.13 "**Cap**" has the meaning set forth in Clause 14.7.2;

2.14 "**Change in Control**" means, (i) the acquisition of Savara Inc. by means of any transaction or series of related transactions (including without limitation any stock purchase transaction, merger, consolidation or other form of reorganization in which outstanding shares of Savara Inc. are exchanged for securities or other consideration issued, or caused to be issued, by the acquiring entity or its subsidiary, but excluding (A) any transaction effected for the purpose of changing Savara Inc.'s jurisdiction of incorporation and (B) the sale by Savara Inc. of shares of its capital stock to investors in *bona fide* equity financing transactions), unless securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the surviving or acquiring entity or its direct or indirect parent entity are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by Savara Inc.'s stockholders of record as constituted immediately prior to such transaction or series of related transaction, or (ii) a sale of all or substantially all of the assets of Savara Inc. in a single transaction or series of related transactions. In no event shall any public offering of Savara Inc.'s securities be deemed to constitute a Change in Control;

2.15 "**Claim**" has the meaning set forth in Clause 14.1;

2.16 "**Claim Notice**" and "Claiming Party" have the respective meanings set forth in Clause 14.2.1;

2.17 "**Closing**" means the completion of the sale and purchase of the Business and the other transactions provided for herein in accordance with Clause 9;

2.18 "**Closing Date**" has the meaning set forth in Clause 9.1;

2.19 "**Common Stock**" means the common stock, par value $0.001 per share, of Savara Inc.;

2.20 "**Common Stock Price**" has the meaning set forth in Clause 7.1.1;

2.21 "**Compensation Shares**" has the meaning set forth in Clause 7.2.1;

2.22 "**Completion Statement**" has the meaning set forth in Clause 7.6.1;

2.23 "**Compounds**" has the meaning set out in recital (C);

2.24 "**Confidentiality Undertaking**" means the binding confidentiality undertaking pursuant to that certain Term Sheet dated as of February 19, 2016 executed by the Seller and Savara Inc., together with that certain Mutual Disclosure and Confidentiality Agreement dated as of January 16, 2015 between the Seller and Savara Inc.;

2.25 "**Contingent Milestone Payments**" has the meaning set forth in Clause 7.3.1;

2.26 "**Contracts**" means all contracts, leases, deeds, mortgages, licenses, instruments, notes, commitments, undertakings, indentures, joint ventures, and all other agreements, commitments and legally binding arrangements, whether written or oral;

2.27 "**Control**" means the—direct or indirect— (i) possession of more than fifty percent (50%) of the ownership interest or the voting rights in a legal entity, (ii) right to appoint or remove the majority of the members of the board of directors or the similar management level of a legal entity, or (iii) the power to otherwise determine the financial and operating policies of a legal entity;

2.28 "**Corporate Action**" has the meaning set forth in Clause 7;

2.29 "**De Minimis**" has the meaning set forth in Clause 14.7.1;

2.30 "**DKK**" means Danish Kroner, the lawful currency in Denmark;

2.31 "**Due Diligence Documentation**" means the documents and information listed or referred to in Schedule 2.31;

2.32 "**Expiration Date**" has the meaning set forth in Clause 7.2.1;

2.33 "**Indemnification Holdback Disbursement Date**" has the meaning set forth in Clause 7;

2.34 "**Inventory**" means the inventory owned or controlled by the Seller and used or available for use by the Business;

2.35 "**IPO**" means with respect to Savara Inc. (i) the consummation of a *bona fide* commitment underwritten initial public offering of Savara Inc.'s Common Stock registered under the Securities Act, or (ii) the listing of Savara Inc.'s Common Stock for trading on (a) any tier of any United States national securities exchange (*e.g.*, NYSE, NYSE MKT, or Nasdaq Global Select, Global, or Capital Markets, as each of the same is now or may hereafter be designated), or (b) any other exchange, trading platform or quotation system, including the AIM (a market operated by the London Stock Exchange in the United Kingdom), foreign stock exchanges (*e.g.* TSX), or over-the-counter markets, that in each such case, the Board of Directors of Savara Inc., in its discretion, believes would be expected to provide for an active trading market for Savara Inc.'s Common Stock;

provided, however, that an offering exempt from the registration requirements of the Securities Act pursuant to Regulation A (as amended) of the Securities Act, including without limitation a mini-IPO as provided for in Title IV (commonly known as Regulation A+) of the United States Jumpstart Our Business Startups (JOBS) Act, shall not mean nor constitute an IPO for purposes of this definition or under this Agreement;

2.36 "**IPR**" means intellectual property rights owned or controlled by the Seller and used or available for use by the Business, including without limitation all rights of the following types, which may exist or be created under the laws of any jurisdiction in the world: (a) rights associated with works of authorship, including exclusive exploitation rights, copyrights, moral rights, and mask works; (b) trademark and trade name rights and similar rights; (c) trade secret rights; (d) patents and industrial property rights; (e) other proprietary rights in intellectual property of every kind and nature; and (f) all registrations, renewals, extensions, continuations, divisions, or reissues of, and applications for, any of the rights referred to in clauses (a) through (e) above;

2.37 "**Law**" means any supranational, EU, national, federal, state, provincial, county, municipal or other law or regulation in any jurisdiction, and any regulations, rules and orders promulgated thereunder as well as principles of law and legal precedents;

2.38 "**Loss**" means a documented loss, liability, cost or expense (including without limitation judgments, interest, penalties, reasonable attorneys' fees, and other reasonable expenses of claims and dispute resolution) or as may be recoverable under Danish Law calculated pursuant to the provisions of this Agreement, *provided, however*, that only direct losses shall be considered a Loss under this Agreement, i.e., indirect or consequential losses, loss of goodwill, loss of business, and loss of anticipated profits or savings shall not be considered a Loss;

2.39 "**Observer Agreement**" means that certain agreement between Savara Inc. and Seller, providing on behalf of Seller a single named individual acceptable to Savara Inc. (such acceptance not to be unreasonably withheld) with specified observation rights in relation to the Savara Inc. board of directors, attached hereto as Exhibit D;

2.40 "**Operating Equipment**" means the operating equipment owned or controlled by the Seller and used or available for use by the Business;

2.41 "**Person**" means any individual (natural person), corporation, company, partnership, firm, association, trust, incorporated or unincorporated organisation or other legal entity as well as any Public Authority;

2.42 "**Pre-Closing Tax Credits**" has the meaning set out in Clause 3.2;

2.43 "**Product**" has the meaning set out in recital (C);

2.44 "**Public Authority**" means any supranational entity, nation, state, province, county, municipality or other jurisdiction of any nature and any agency, authority, court, tribunal, judicial authority, department, commission, bureau or other governmental, quasi-governmental or regulatory authority thereof as well as any court of arbitration;

2.45 "**Properties**" means the properties owned, controlled, or leased by the Seller and used or available for use by the Business and listed in Schedule 2.45;

2.46 "**Purchase Consideration Shares**" has the meaning set forth in Clause 7.1;

2.47 "**Receivables**" means the outstanding account receivables of the Seller pertaining to the Business;

2.48 "**Regulatory Approvals**" means the medical, scientific, technical, and related approvals, authorizations, correspondence, filings, grants of beneficial status, licenses, registrations, and the like (including, without limitation, investigational new drug applications (INDs), new drug applications (NDAs), biologic license applications (BLAs), amendments and supplements, pre- and post- approvals, pricing, and third-party reimbursement approvals, and labeling approvals, together with all amendments and supplements thereto) of any national, supra-national, regional, state, or local regulatory agency, department, bureau, commission, council or other governmental entity, necessary for the development, manufacture, distribution, marketing, promotion, offer for sale, use, import, export or sale of a Compound or the Product in a regulatory jurisdiction;

2.49 "**Representative**" means, with respect to any Person, any and all directors, officers, members, managers, employees, consultants, financial advisors, counsel, accountants, and other agents of such Person;

2.50 "**Required Consents**" has the meaning set forth in Clause 4.2;

2.51 "**Retention Consideration Shares**" has the meaning set forth in Clause 7;

2.52 "**Returned Retention Consideration Shares**" has the meaning set forth in Clause 7;

2.53 "**ROFR Agreement**" means that certain Fifth Amended and Restated Right of First Refusal Agreement, dated on or about July 15, 2016, by and among Savara Inc. and certain of its stockholders, as amended, restated or modified from time to time, attached hereto as Exhibit A;

2.54 "**Savara Due Diligence Documentation**" means the documents and information listed or referred to in Schedule 2.54;

2.55 "**Schedules**" mean the schedules to as incorporated by reference in this Agreement;

2.56 "**Securities Act**" means the Securities Act of 1933, as amended;

2.57 "**Seller's Knowledge**" means any knowledge which the persons listed in Schedule 2.57 had or ought to have had as of the Signing of this Agreement and continuing through the Closing Date, after having made due enquiries with the relevant employees of the Seller;

2.58 "**Specific Indemnities**" has the meaning set forth in Clause 12;

2.59 "**Seller's Representations and Warranties**" has the meaning set forth in Clause 10;

2.60 "**Signing**" means the execution and delivery of this Agreement by the Parties;

2.61 "**Subsidiaries**" has the meaning set out in recital (B);

2.62 "**Taxes**" means any and all taxes of whatever nature imposed by and/or payable to any Public Authority, including income taxes (including payables under the Danish joint taxation rules), capital gain taxes, withholding taxes, sales and transfer taxes, energy and real estate taxes, labour market and social contribution taxes, customs duties, VAT and similar levies, duties, charges, stamps and imposts of whatever nature as well as any penalty, fine, surcharge or interest relating thereto

2.63 "**Third Party Claim**" has the meaning set forth in Clause 14.5

2.64 "**Third Party Right**" means any mortgage, pledge or other security interest, right of first refusal, purchase right, retention of title, and any other third party right, interest or encumbrance, both actual and contingent;

2.65 "**Total Purchase Consideration**" means the Purchase Consideration Shares and the Contingent Milestone Payments taken together which constitute the total purchase consideration for the Assets;

2.66 "**Transferred Employees**" means the employees working for the Business and exhaustively listed in Schedule 5.1, to the extent such employees are still employed by the Seller at the Closing Date;

2.67 "**Voting Agreement**" means that certain Third Amended and Restated Voting Agreement, dated on or about July 15, 2016 by and among Savara Inc. and certain of its stockholders, as amended, restated, or modified from time to time, attached hereto as Exhibit B; and

2.68 "**Work in Progress**" means all of the Seller's work in progress pertaining to the Business.

Unless the context otherwise requires, references to the singular number shall include references to the plural number and *vice versa*, and references to natural persons shall include legal entities and *vice versa*. References to Clauses are to clauses, including sub-clauses, of this Agreement.

3. TRANSFER OF ASSETS AND ASSUMED LIABILITIES

3.1 The Assets

Upon the terms and subject to the satisfaction (or express written waiver) of the conditions precedent to Closing of this Agreement, cf. Clause 8, effective as of the Closing Date, the Seller shall sell, transfer and assign to the Buyer, and the Buyer shall purchase from the Seller, the Assets free and clear of any and all Third Party Rights, as the same shall exist at the Closing Date together with all rights of any nature which are now or which may at any time become attached to the Assets or accrue in respect of them on or after the Closing Date, including the goodwill of the Business. For clarity and the avoidance of doubt, all shares of or other ownership interest in the Subsidiaries shall be free and clear of any and all claims, collateralisation, credit facilities, loans, pledges, security interests, and any other encumbrance or liability of any kind on the part of shareholders of Seller or any Person Controlling, Controlled by or under common Control with any such shareholder.

3.2 Wrong pocket

3.2.1 If, whether prior to or after Closing, either of the Parties becomes aware of other assets which are not identified herein but which predominantly have been used or are intended to be used in the ordinary course of the Business as conducted prior to Closing including any such assets which are acquired by the Seller between Signing and Closing, any such other assets shall be transferred by the Seller to the Buyer without any notice from the Buyer being required and without payment of any amount in addition to the Total Purchase Consideration.

3.2.2 If any third party consent or approval is required for the transfer of a particular asset to be effective or lawful then the Seller shall use its best efforts to obtain such consent or approval as soon as reasonably practicable and, pending such consent or approval being given, the Seller shall, where permitted by the terms on which the Seller has the right to such asset, hold the asset (or part thereof), and any monies, goods or other benefits arising after Closing, on behalf of the Buyer and allow the Buyer to have full enjoyment and use of such asset and the Seller shall promptly on receipt of such consent or approval pay or deliver such monies, goods or other benefits to the Buyer.

3.3 Assumed Liabilities

Subject to Closing occurring, with effect from the Closing Date, the Buyer shall assume and take over from the Seller the Assumed Liabilities, if any, exhaustively listed in Schedule 3.3, which listing shall include Assumed Liabilities appearing from the Assigned Contracts, and limited in any event to the amount by which such liabilities are identified in Schedule 3.3 or as set out in the Assigned Contracts (to the extent strictly limited to liabilities that arise directly from the intended and correct fulfilment of the Assigned Contracts for obligations to be performed after the Closing); *provided*, *however*, that Assumed Liabilities shall not include any liabilities (i) arising from or related to any breach by the Seller or the Subsidiaries of any Contract, or (ii) arising from or related to any event, circumstance, or condition occurring or existing on or prior to the Closing that, with notice or lapse of time, would constitute or result in a breach of any Assigned Contract. The Buyer shall not assume any other actual or potential liability or obligation of the Seller or others by virtue of this Agreement. Any liabilities that are not expressly Assumed Liabilities shall be deemed to be retained liabilities of Seller.

4. **CONTRACTS**

4.1 **Assumption of Contracts**

4.1.1 Subject to Closing occurring, with effect from the Closing Date, the Buyer shall assume and take over all of the Seller's existing and future rights, obligations and liabilities related to the Business under the contracts in effect at the Signing as listed in Schedule 4.1 ("**Assigned Contracts**").

4.1.2 Unless otherwise specifically set out in this Agreement, and without limiting the purpose of the Completion Statement in respect to the allocation of costs and other specified items between the Parties, the Buyer shall not assume or take over the Seller's actual or potential liabilities relating to the Assigned Contracts (other than to the extent strictly limited to liabilities that arise directly from the intended and correct fulfilment of the Assigned Contracts) to the extent such liability is based upon or arises out of or in connection with (in whole or in part) any actions or omissions or conditions which have occurred or will occur prior to the Closing Date; or any Taxes due or to become due in respect of any period prior to the Closing Date.

4.2 **Consents**

4.2.1 The Seller shall use commercially reasonable efforts to obtain any consent required in connection with the assignment by the Seller to the Buyer of any of the Assigned Contracts or the Business. For the avoidance of doubt, the Seller shall not be obliged to issue any guarantee or incur any costs or expenses extraordinary in nature in order to obtain any consent.

4.2.2 If the consents have not been obtained prior to or at Closing, the Seller and the Buyer shall, until the consents have been obtained – or if such consent cannot be obtained – until the expiry of such Assigned Contracts cooperate for the purpose of:

(i) giving the Buyer all benefits of rights under such Assigned Contracts (with the deduction of related costs and expenses incurred by the Seller which should have been paid by the Buyer, including and without limitation direct and indirect Taxes, however excluding any extra internal costs for the Seller due to the three party arrangement);

(ii) establishing any reasonable and legal arrangement for the purpose of passing such benefits on to the Buyer; and

(iii) at the Buyer's request (a) terminating the Assigned Contracts at the reasonable expense of the Buyer and/or (b) enforcing the Seller's rights under the Assigned Contracts, all as instructed by the Buyer, provided that the Seller shall not be obliged to become involved in any legal action solely based on actions or omissions of the Buyer.

Notwithstanding the foregoing provisions of this Clause 4, all approvals, consents, and waivers that are listed in Schedule 4.2 (the "**Required Consents**") shall have been received and executed counterparts thereof shall have been delivered to the Buyer prior to or at Closing.

4.3 **Legal action**

4.3.1 To the extent that benefits of the Assigned Contracts are being passed on to the Buyer under Clause 4.2, the Buyer shall in the Seller's name in full fulfil the Seller's obligations under the Assigned Contracts and shall reimburse and indemnify the Seller for all such obligations and legal actions taken by a third party and any other party in that connection provided that such legal actions are solely based on actions or omissions of the Buyer. The Buyer shall in this respect specifically indemnify and hold the Seller harmless from and against all costs, expenses and liabilities incurred by the Seller from (i) any failure by the Buyer to perform the Seller's obligations and assume the Seller's risks and costs under any Assigned Contract from and after Closing and (ii) the Seller taking reasonable action to avoid, resist or defend any liability under an Assigned Contract which become due after Closing.

4.3.2 Nothing in this Agreement shall constitute an assignment of any Assigned Contract if consent is required but refused or if such assignment would constitute a breach of contract.

5. **EMPLOYEES**

5.1 **Transferred Employees**

5.1.1 Subject to Closing occurring, with effect from the Closing Date, the Buyer shall take over the Transferred Employees on their current effective conditions of employment, and the Buyer shall assume the Seller's obligations towards such Transferred Employees in every respect, including but not limited to pay all wages, salaries, holiday entitlements, and other benefits of the Transferred Employees and shall indemnify and hold the Seller harmless against any claims to the extent such claims originate from the period after the Closing Date. Schedule 5.1 sets out a correct and complete list of all employees, including potential Transferred Employees, employed by the Seller at the Signing, and their employment terms. Between Signing and the Closing Date at the latest, the Parties shall cooperate to determine which employees shall become Transferred Employees. The Seller shall indemnify and keep the Buyer harmless from any claims that any of the Transferred Employees may make against the Buyer to the extent such claims originate from the period prior to the Closing Date. For clarity and the avoidance of doubt, the Buyer shall not assume any of the Seller's obligations in relation to any

Transferred Employees in connection with incentive stock or other plans, any grants, options, warrants, any other form of securities or interests in equity, whether related to compensation, benefits, incentives, or otherwise, or any similar plan or program of the Seller.

5.1.2 The Buyer shall not assume any of the Seller's obligations in relation to any employees who are not Transferred Employees. The Seller shall arrange for any present employees who are not Transferred Employees to be given notice of termination before Closing without any liability to the Buyer, *provided, however*, that (i) if more than two (2) employees of the Seller are not Transferred Employees, the Buyer shall reimburse the Seller for all termination costs exceeding the average termination costs of two (2) non-Transferred Employees; and (ii) to the extent such employees are not Transferred Employees due to the Buyer's unilateral selection of Transferred Employees, the Buyer shall indemnify and hold harmless the Seller for any claim from such employees against the Seller to the extent the termination of employment is considered to be without cause (in Danish: "*usaglig afskedigelse"*) or discriminatory as a matter of law.

5.1.3 Notwithstanding the provisions of Clause 5.1.2 above, the Buyer shall reimburse the Seller for any termination costs ordinary and necessary in nature reasonably incurred by the Seller from the unilateral termination by the Buyer of employment on the part of the CEO of the Seller, Kim Arvid Nielsen, except if (i) such termination costs are incurred by the Seller due to Kim Arvid Nielsen's failure or refusal to accept employment from the Buyer or an Affiliated Person of the Buyer on terms similar to the terms of Kim Arvid Nielsen's current service agreement with the Seller or (ii) such termination is for cause; *provided, however*, that in any event the Buyer's obligation to reimburse Seller shall not exceed an amount equal to one (1) year base salary.

5.1.4 The Parties acknowledge that it is the intention of the Buyer to retain the services of the CEO of the Seller, Kim Arvid Nielsen, after Closing, and that discussions in such respect will take place between the Buyer and Kim Arvid Nielsen after Signing.

5.2 **Information**

The Seller shall inform each Transferred Employee of the transfer of the Business from the Seller to the Buyer in accordance with applicable Law.

6. REAL ESTATE

6.1 **Transfer of leased Properties**

The Seller shall seek to transfer the lease agreement set forth in Schedule 6.1 concerning the Business premises to the Buyer. The Seller shall in this respect use commercially reasonable efforts to obtain before Closing any consents required in connection with the transfer of the lease agreement from the Seller to the Buyer. If the lease agreement is transferred and a contingent obligation to renovate the premises (as if the lease agreement was terminated on the Closing Date) exists, the cost related to such

obligation shall be determined and the Seller shall reimburse the Buyer such cost through the Completion Statement, however, only to the extent such cost exceeds the deposit under the lease agreement. For clarity and the avoidance of doubt, the Buyer otherwise and in any event is entitled to such deposit.

7. PURCHASE CONSIDERATION

7.1 Purchase Consideration Shares

7.1.1 The purchase consideration in the form of equity payable by the Buyer to the Seller for the Business shall be in the form of 3,353,925 shares of Common Stock representing approximately 17.1 per cent of the total outstanding share capital of Savara Inc. fixed at the Signing (as may be adjusted for any stock splits, reverse stock splits, stock dividends, combination, and similar recapitalization events occurring after the Closing generally affecting all then-outstanding shares) ("**Purchase Consideration Shares**").

7.1.2 Subject to Clause 7.2 and Clause 7.7, the Purchase Consideration Shares are not subject to adjustment unless a stock split, reverse stock split, stock dividend, combination, or similar recapitalization event occurs before Closing. The Purchase Consideration Shares shall be subject to, and the Seller will become a party to, (i) the ROFR Agreement; (ii) the Voting Agreement; (iii) the Adoption Agreement; and (iv) the Observer Agreement by executing and delivering to Buyer (A) counterpart signature pages to each of the ROFR Agreement and the Voting Agreement, respectively, (B) the Adoption Agreement, and (C) the Observer Agreement. The Seller acknowledges that the Buyer in connection with Closing may (I) increase its stock option pool in order to permit grants to employees, including the Transferred Employees, in the sole discretion of the Buyer and (II) consummate a new investment financing round on arm's lengths terms involving issuance of convertible notes or similar debt or equity instruments in order to provide capital to continue the Business and the ongoing business of the Buyer, neither of which events shall affect the number of Purchase Consideration Shares. For clarity and the avoidance of doubt, the Seller shall not have anti-dilution protection or other preferences or special rights or any similar protections, preference, or rights in connection with either event specified in Clause I or II above, or otherwise.

7.1.3 Of the 3,353,925 Purchase Consideration Shares, eighty percent (80%) of such Purchase Consideration Shares (equivalent to 2,683,140 shares) shall be delivered to the Seller at Closing whereas the remainder twenty percent (20%) of such Purchase Consideration Shares (equivalent to 670,785 shares) ("**Retention Consideration Shares**") shall be held back and retained by Buyer, in the name of the Seller, as security for the Seller's obligations under this Agreement until the lapse of the deadline for submission of claims cf. Clause 14.3 (or if such date is not a Business Day, the first Business Day immediately following such date) (the "**Indemnification Holdback Disbursement Date**"). Retention Consideration Shares shall be distributed to Seller, if at all, on the Indemnification Holdback Disbursement Date, at which time the Buyer shall deliver to the Seller such number of Purchase Consideration Shares that is equal to the Retention

Consideration Shares minus the Returned Retention Consideration Shares (as defined in the following sentence), subject to the right of the Seller to pay indemnification claims in cash. "**Returned Retention Consideration Shares**" means such number of Retention Consideration Shares having an aggregate value of a fixed US$ amount per share to be determined by the Parties in good faith prior to or at Closing (the "**Common Stock Price**") and without taking into account the value of any dividends accrued thereon) equal to the aggregate dollar amount of any claims for indemnification brought by the Buyer against the Seller pursuant to Clause 14 and with respect to which the Buyer has, before the Indemnification Holdback Disbursement Date, provided notice to the Seller (including any amounts that are the subject of any pending or disputed indemnification claim, although for such amounts not until such indemnification claims have been finally and bindingly determined in accordance with this Agreement). The Buyer shall cancel and retire any and all Returned Retention Consideration Shares, it being agreed and understood that the Buyer shall not cancel or retire any Retention Consideration Shares on the basis of any non-final indemnification claim. The Retention Consideration Shares shall be issued as of the Closing Date and held in escrow by Buyer's corporate secretary for distribution to the Seller or cancellation and retirement pursuant to the terms of this Agreement. Until such time that a Retention Consideration Share is returned to Buyer or retired pursuant to this Agreement, such share shall accrue dividends, if and as applicable, for the account of the Seller. While held in escrow, the Seller shall be entitled to vote on the Retention Consideration Shares.

7.1.4 For clarity and the avoidance of doubt, each Party respectively acknowledges and agrees that the Seller may choose, in its sole discretion, to satisfy all or a portion of its obligations under Clause 7.1.3 with a cash payment to the Buyer.

7.2 **Adjustment of the Purchase Consideration Shares as a consequence of a Seller claim**

7.2.1 Until the expiry of the deadline for submission of claims cf. Clause 14.3 (or if such date is not a Business Day, the first Business Day immediately following such date) (the "**Expiration Date**") the Buyer shall – as compensation for a breach, if applicable, of the Buyer's obligations under this Agreement – be obliged to issue (or cause to be issued) to the Seller such number of Common Stock (the "**Compensation Shares**"), free and clear of any encumbrances, having an aggregate value (based on the Common Stock Price and without taking into account the value of any dividends accrued thereon) equal to the aggregate dollar amount of any claims for indemnification brought by the Seller against the Buyer pursuant to Clause 14 and with respect to which the Seller has, before the Expiration Date, provided notice to the Buyer (including any amounts that are the subject of any pending or disputed indemnification claim, although for such amounts not until such indemnification claims have been finally and bindingly determined in accordance with this Agreement).

7.2.2 The Compensation Shares (if any) shall be issued as soon as reasonably practicable after the Expiration Date.

7.2.3 For clarity and the avoidance of doubt, each Party respectively acknowledges and agrees that the Buyer may choose, in its sole discretion, to satisfy all or a portion of its obligations under this Clause 7.2 with a cash payment to the Seller.

7.3 **Contingent Milestone Payments**

7.3.1 In addition to the Purchase Consideration Shares the Buyer shall pay to the Seller (i) an amount of USD five (5) million in cash (US$ 5,000,000) upon the granting of marketing approval of the Product by the European Medicines Agency (EMA), (ii) an amount of USD fifteen (15) million in cash (US$ 15,000,000) upon the granting of marketing approval of the Product by the United States Food and Drug Administration (FDA), and (iii) an amount of USD one and a half (1.5) million in cash (US$ 1,500,000) upon the granting of marketing approval of the Product by the Japanese Pharmaceuticals and Medical Devices Agency (PMDA) ("**Contingent Milestone Payments**").

7.3.2 The Parties agree that for purposes of Section 12B of the Danish Tax Assessment Act the capitalized value of the Contingent Milestone Payments will be determined in good faith by the Parties no later than at Closing.

7.4 **Distribution of the Total Purchase Consideration on the Assets**

7.4.1 As of Signing, the Total Purchase Consideration is distributed on the Assets as follows: seventy five (75) percent of the Total Purchase Consideration is paid for the shares in Drugrecure ApS, fifteen (15) percent of the Total Purchase Consideration is paid for the shares in Pharmaorigin ApS, and ten (10) percent of the Total Purchase Consideration is paid for the other Assets, subject to adjustment as of Closing based on generally accepted accounting principles or applicable legal requirements, or as otherwise mutually agreed between the Parties.

7.5 **Investment by Sorana A/S in Savara Inc.**

In order to provide capital to continue the Business after Closing, Sorana A/S, the majority shareholder of the Seller, commits to participate in the Buyer's new investment financing round in connection with Closing involving issuance of convertible notes or similar debt or other investment instruments, by committed investment in the amount of USD one and a half (1.5) million (US$ 1,500,000).

7.6 **VAT**

The Total Purchase Consideration is not subject to VAT, cf. Section 8.1 of the Danish Act on VAT. Seller shall be responsible for payment of any consumption or sales tax that may be applicable or imposed on the transfer of Assets or Business notwithstanding the foregoing sentence.

7.7 **Completion Statement**

7.7.1 As per the Closing Date, a completion statement ("**Completion Statement**") shall be prepared on an accrual basis (in Danish: "*fuld periodiseret*") regarding allocation between the Parties of costs, expenses, income, taxes (cf. Clause 7.7.2 below), and the like relating to the Business and the Transferred Employees as follows:

(i) the Completion Statement shall include all current income accruing and expenditure incidental to the Business as well as prepaid costs and expenses paid by the Seller but relating to the period after the Closing Date. The Completion Statement shall in respect to the Transferred Employees specify all accrued but not yet paid or exercised rights of the Transferred Employees as per the Closing Date, including documented accrued overtime not yet paid or taken as time off in lieu of overtime, accrued holiday entitlements, extra holidays and accrued benefits, all of which shall remain the obligation of and shall be paid by the Seller in due course;

(ii) the Completion Statement shall be prepared and submitted by the Buyer to the Seller no later than forty-five (45) Business Days following the Closing Date. The Seller shall be granted reasonable access to all necessary information and documentation relating to the Completion Statement;

(iii) no later than twenty (20) Business Days following receipt of the Completion Statement, the Seller shall provide written notice that the Seller disagrees with the Completion Statement accompanied by a reasonably detailed substantiation thereof, otherwise the Completion Statement becomes final and binding on the Parties;

(iv) if the Seller within the twenty-day period provided for in romanette (iii) above disagrees with the Completion Statement, the Seller has the right to request a review of the calculation by an independent auditor appointed by FSR—Danish Auditors (in Danish: "*FSR—Danske Revisorer*"). If such review confirms the calculation or concludes that the correct result was within five per cent (5%) of the result in the Completion Statement, then the Seller shall pay all costs related to the appointment of the auditor, otherwise the costs are payable by the Buyer. The auditor's calculation shall be final and binding on the Parties; and

(v) the balance of the Completion Statement shall be settled by payment made in cash from the respective Party directly to the appropriate payee within thirty (30) days.

7.7.2 Specifically in respect to taxes the Parties agree that all taxes related to the Business accrued or accruable with respect to events occurring prior to the close of business on the Closing Date shall be borne by the Seller. For this purpose, the Closing Date shall be treated as the last day of a taxable period, whether or not the taxable period in fact ends on such date. All taxes related to the Business accrued or accruable with respect

to events occurring after the close of business on the Closing Date will be borne by the Buyer. Real and personal property taxes with respect to any Assets for any taxable period commencing prior to the Closing Date and ending after the Closing Date shall be prorated based on the ratio of number of days in the pre-Closing period to the number of days in the actual taxable period with respect to which tax is assessed, irrespective of when such taxes are due, become a lien or are assessed. Sales and use taxes shall be deemed to accrue as property is purchased, sold, used or transferred. All other taxes shall accrue in accordance with generally accepted accounting principles. The Party responsible for bearing the relevant taxes will file all necessary tax returns and other documentation in connection with the taxes and charges encompassed in this Clause 7.6.2, and the costs of preparing and making such filing shall be paid by the such Party if and when due.

8. CONDITIONS PRECEDENT TO CLOSING

8.1 The Seller's conditions precedent

The Seller shall not be obliged to perform its obligations at Closing as set forth in Clause 9.2 unless the following conditions precedent are satisfied (or waived by the Seller) not later than at Closing:

1. There shall not have been any material adverse changes in the assets, condition, or prospects of the Buyer since 31 December 2015;
2. The Buyer's Representations and Warranties and any certificate or other writing delivered pursuant to this Agreement qualified as to materiality shall be true and correct in all respects, and those not so qualified shall be true and correct in all material respects, at and as of the Closing Date as though made on and as of the Closing Date (except to the extent such representations and warranties speak as of an earlier date, in which case such representations and warranties shall be so true and correct as of such earlier date);
3. The other parties to the ROFR Agreement and Voting Agreement shall have consented to the Seller becoming a party to such agreements on the terms contemplated in connection with the Seller's acceptance of becoming a party to these;
4. No litigation, injunction, order or other similar legal proceeding shall have been instituted against Buyer, which litigation, injunction, order or proceeding is reasonably likely to restrain in any material adverse way or prohibit the consummation of the transaction contemplated by this Agreement; and
5. The Buyer shall have performed and complied in all material respects with its obligations under this Agreement prior to and at Closing so that the transaction contemplated by this Agreement is not in any material respect adversely affected.

8.2 **The Buyer's conditions precedent**

The Buyer shall not be obliged to perform its obligations at Closing as set forth in Clause 9.3 unless the following conditions precedent are satisfied (or waived by the Buyer) not later than at Closing:

1. There shall not have been any material adverse changes in the assets, condition, or prospects of the Business since the last statutory accounts date (for the statutory accounts accounting for the Business) or any material change in the ability of the Business to operate on a stand-alone basis after the Closing Date in accordance with the financial and business projections provided by the Seller to the Buyer;

2. The Seller's Representations and Warranties and any certificate or other writing delivered pursuant to this Agreement qualified as to materiality shall be true and correct in all respects, and those not so qualified shall be true and correct in all material respects, at and as of the Closing Date as though made on and as of the Closing Date (except to the extent such representations and warranties speak as of an earlier date, in which case such representations and warranties shall be so true and correct as of such earlier date);

3. The Seller shall have executed and delivered a counterpart signature page agreeing to become a party to the ROFR Agreement and Voting Agreement;

4. The Seller shall have executed and delivered the Adoption Agreement;

5. The Seller shall have executed and delivered the Observer Agreement;

6. Each director and officer of the Subsidiaries shall have delivered their written resignations effective as of the Closing Date;

7. The Seller shall have delisted the Seller's capital stock from the Oslo Axxes (Oslo Stock Exchange) and terminated its registration under applicable Law;

8. The Seller shall have obtained and delivered to Buyer the Required Consents;

9. The Seller has documented that the transaction contemplated by this Agreement has been duly and finally approved by the shareholders of the Seller at an extraordinary general meeting (EGM) by equivalent action with the required majority;

10. The Seller has documented prior to or at the time of Signing that the majority shareholder of the Seller, Sorana A/S, has in writing committed to vote in favour of this Agreement in a general meeting of the Seller to be held between Signing and Closing;

11. No litigation, injunction, order or other similar legal proceeding shall have been instituted against Seller, which litigation, injunction, order or proceeding is reasonably likely to restrain in any material adverse way or prohibit the consummation of the transaction contemplated by this Agreement; and

12. The Seller shall have performed and complied in all material respects with its obligations under this Agreement, including without limitation the obligations set forth in Clause 13.1, prior to and at Closing so that the transaction contemplated by this Agreement is not in any material respect adversely affected.

8.3 The Parties shall use their best efforts and act in good faith to ensure that the conditions precedent set forth in Clauses 8.1 and 8.2 are satisfied not later than on 15 July 2016 or, failing to meet the said date, as soon as possible thereafter.

8.4 The Buyer shall expedite the filing of all required notifications to any competition authorities. To this end the Parties and their legal advisers shall work together and shall without undue delay share all information relevant for the notification procedures, including any and all filings and correspondence with the competition authorities, unless the sharing of such information is contrary to applicable Law, in which case such information shall only be shared on an external counsel-to-counsel basis, to the extent legally permissible.

8.5 If any of the conditions precedent set forth in Clauses 8.1 and/or 8.2 is not satisfied and is not capable of being satisfied as part of Closing (and such condition precedent is not waived by the Party who may waive the condition precedent) on 31 August 2016 at the latest, or on such other date as the Parties may subsequently agree upon, the Seller and/or the Buyer, as applicable (depending upon which of the Parties that may waive the condition precedent), may not later than on the tenth (10th) Business Day after that date terminate this Agreement with immediate effect by written notice to the other Party, failing which notice this Agreement shall be consummated as contemplated herein, unless prohibited by law.

Notwithstanding the above, a Party may not rely on the failure of any condition precedent to be satisfied as grounds for terminating this Agreement if such failure is caused by such Party's breach of its obligation to use its best efforts or to act in good faith to ensure that such condition precedent is satisfied.

8.6 In case of termination of this Agreement as set forth in Clause 8.5 neither of the Parties shall have any liability towards the other unless the reason why the condition(s) precedent was (were) not satisfied is a consequence of any of the Parties being in breach of any of its obligations under this Agreement, including a breach of any of its representations and warranties given in this Agreement. For clarity and the avoidance of doubt, the Seller's obligation to obtain and deliver the Required Consents as set out in Clause 8.2.8 is a commercially reasonable effort obligation as described in Clause 4.2.1.

In case of any termination of this Agreement caused by a Party being in breach of any of its obligations under this Agreement, the other Party shall be entitled to exercise any remedy available according to this Agreement.

8.7 Each of the Parties undertakes as soon as reasonable practicable to disclose in writing to the other any circumstance or fact that will or is reasonably likely to prevent any of the conditions precedent from being satisfied upon becoming aware of such circumstance or fact. Moreover, each of the Parties undertakes to inform the other in writing as soon as reasonable practicable when such Party has become aware that a condition precedent has been satisfied.

9. CLOSING

9.1 Closing Date

Closing shall be held at the offices of the Buyer, or elsewhere or otherwise as mutually agreed between the Parties on June 30, 2016, or, if at such date all the conditions precedent have not been satisfied or waived and are not capable of being satisfied at Closing, by a date (as agreed upon by the Parties) within ten (10) Business Days after all the conditions precedent have been satisfied, waived or are capable of being satisfied at Closing, unless this Agreement has been terminated as set forth herein.

9.2 The Seller's Closing deliverables

At Closing the Seller shall deliver, or shall cause to be delivered, to the Buyer the following documents as well as perform the following actions, as applicable:

1. Deliver a duly signed and certified board resolution of the board of the Seller authorising the transfer of the Business as contemplated by this Agreement.
2. Deliver all such documents as required to effect the transfer of the Assets and the Subsidiaries, including without limitation duly executed Required Consents.
3. Deliver all documents, papers and other information in possession relating to the Business to the extent not located at the business address of the Seller, which business address is to be taken over by the Buyer on Closing. The Seller may only keep such bookkeeping records and documents which according to mandatory legislation must be kept at the premises of the Seller and only for the mandatory period.
4. Confirm in writing that the Seller has fulfilled its obligations provided for in Clauses 13.1 concerning the running of the Business pending Closing and all other obligations of the Seller to be fulfilled prior to Closing.
5. Confirm in writing by a certificate duly signed by the Chief Executive Officer of the Seller that those of the Seller's Representations and Warranties to be restated at Closing, cf. Schedule 10 are true and correct as at the Closing Date.
6. Deliver originals of the employment and service agreement(s) for the Transferred Employees duly signed by the Transferred Employees.

7. Deliver a CD-ROM containing a complete copy of the Due Diligence Documentation.

8. Deliver copies of such corporate documents which in the reasonable opinion of the Buyer are required to evidence that the Seller has full corporate power and all necessary authority to consummate this Agreement (including evidence that Clauses 8.2.7 and 8.2.1 have been fulfilled), and such documents which are required to evidence the authority of the individuals having executed this Agreement on behalf of the Seller and any document executed and/or delivered by the Seller at Closing.

9. Deliver copies of such documents from the majority shareholder of the Seller and any Person Controlling, Controlled by or under common Control with such shareholder which in the reasonable opinion of the Buyer are necessary or appropriate in order to consummate and perfect the transaction contemplated by this Agreement.

10. Deliver written resignations from each director and officer of the Subsidiaries effective as of the Closing Date.

11. Deliver duly executed counterpart signature pages to each of the ROFR Agreement and Voting Agreement, respectively.

12. Deliver the duly executed Adoption Agreement.

13. Deliver the duly executed Observer Agreement.

14. Deliver such other documents and/or perform such other actions that the Buyer may reasonably request in order to consummate and perfect the transaction contemplated by this Agreement.

9.3 **The Buyer's Closing deliverables**

At Closing the Buyer shall deliver, or shall cause to be delivered, to the Seller the following documents as well as perform the following actions, as applicable:

1. Deliver in favour of the Seller 2,683,140 Purchase Consideration Shares, equivalent to eighty percent (80%) of the Purchase Consideration Shares.

2. Deliver to the Seller an opinion of Buyer's legal counsel or other written certification reasonably acceptable to the Seller confirming that the Purchase Consideration Shares are duly authorized, validly issued, fully paid and free of any third party rights.

3. Execute the employment and service agreements for the Transferred Employees presented by the Seller in accordance with Clause 9.2.6, and any other agreement or document reasonably required to be executed by the Buyer in connection with the transfer of any Assigned Contract (including for the avoidance of doubt a new lease agreement for the leasehold currently occupied by the Seller on terms and conditions acceptable to the Buyer).

4. Deliver copies of such corporate documents which in the reasonable opinion of the Seller are required to evidence that the Buyer has full corporate power and all necessary authority to consummate this Agreement, and which are required to evidence the authority of the individuals having executed this Agreement on behalf of the Buyer and any document executed and/or delivered by the Buyer at Closing.

5. Confirm in writing by a certificate duly signed by the Chief Executive Officer of Savara Inc. that those of the Buyer's Representations and Warranties to be restated at Closing, cf. Schedule 11 are true and correct as at the Closing Date.

6. Deliver a sealed CD-ROM containing a complete copy of the Savara Due Diligence Documentation which CD-ROM is to be held in escrow by the Seller's legal counsel until the Expiration Date.

7. Deliver evidence that Clause 8.1.3 has been fulfilled.

8. Deliver such other documents and/or perform such other actions that the Seller may reasonably request in order to consummate and perfect the transaction contemplated by this Agreement.

9.4 The provisions of Clauses 9.2 and 9.3 shall be deemed to be inter-conditional in all respects and title to the Assets shall not pass to the Buyer until Closing has been perfected such as evidenced by the executed closing memorandum referred to in Clause 9.5. Each of the deliveries to be made and the actions required to be performed at Closing shall be deemed to have occurred at the same time.

9.5 Closing shall be documented by way of a closing memorandum, a draft of which document shall be provided by the Buyer to the Seller not later than five (5) Business Days prior to Closing.

10. SELLER'S REPRESENTATIONS AND WARRANTIES

Subject to and qualified by the information and limitations referred to and set forth in Clause 14.3, the Seller makes the representations and warranties set forth in Schedule 10 ("**Seller's Representations and Warranties**") to the Buyer. The Seller's Representations and Warranties are made as of Signing and as of the Closing Date unless otherwise specifically provided for in the respective clauses in Schedule 10.

11. BUYER'S REPRESENTATIONS AND WARRANTIES

Subject to and qualified by the information and limitations referred to and set forth in Clause 14.3, the Buyer makes the representations and warranties set forth in Schedule 11 ("**Buyer's Representations and Warranties**") to the Seller. The Buyer's Representations and Warranties are made as of Signing and as of the Closing Date unless otherwise specifically provided for in the respective clauses in Schedule 11.

12. **SPECIFIC INDEMNITIES**

Notwithstanding the terms and limitations set forth in Clause 14 the Seller shall fully indemnify the Buyer against any Loss incurred by the Buyer as a result of the following matters ("**Specific Indemnities**"):

a) Any breach of the covenant pursuant to Clause 3.1 that all shares of or other ownership interest in the Subsidiaries shall be free and clear of any and all claims, collateralisation, credit facilities, loans, pledges, security interests, and any other encumbrance or liability of any kind on the part of shareholders of Seller or any Person Controlling, Controlled by or under common Control with any such shareholder.

13. **ADDITIONAL COVENANTS**

13.1 **Interim relations**

Except as otherwise permitted by this Agreement or required by Law, pending Closing

1. The Seller shall cause that the Business is carried out in the ordinary course consistent with past practice so as to maintain the Business as a going concern. The Seller shall use its best efforts to maintain and preserve intact the Business' organization and goodwill, including by way of continuing any current and planned investments and development projects, maintaining properties and other assets in good working condition (normal wear and tear is to be reasonably expected), seeking to retain the services of its officers and employees and maintaining satisfactory relationships with customers, dealers, vendors, employees and others having business relationships with the Business.

2. In particular, by way of illustration but not limitation, the Seller shall refrain from taking any of the following actions without the prior written consent of the Buyer:

   a) undertaking any commitment to sell, dispose of, create any Third Party Rights over or acquire any assets or properties except in the ordinary course and in accordance with past and prudent practice of the Business;

   b) increasing, terminating, amending or otherwise modifying any plan for the benefit of the Transferred Employees, except as set out in item c) below or as required by Law;

   c) increasing the remuneration to/compensation of, or accrue any bonus to, any Transferred Employee of the Business, other than increases in the ordinary course consistent with prior and prudent practice of the Business.

d) agreeing any change to or terminating any Contract other than changes in the ordinary course consistent with prior and prudent practice of the Business;

e) entering into any new agreement or arrangement in respect of the Business with any Affiliated Person;

f) taking any action in relation to any third party pursuant to any agreement or arrangement in effect at the Signing except in the ordinary course and in accordance with past and prudent practice of the Business; or

g) agreeing, authorizing or committing to take any of the aforementioned actions.

3. The Seller undertakes to ensure that complete records of the documents relating to the Business, which the Seller shall not deliver to the Buyer in accordance with Clause 9.2(3) above are maintained for a period of five (5) years following Closing, and, upon reasonable prior notice, to allow the Buyer to inspect such documents in order for the Buyer to fulfil any obligations of the Buyer provided for in applicable Law and/or in the ordinary course of the Business. This Clause 13.1.3 shall apply equally to material held by the Buyer regarding the Business and the transaction contemplated by this Agreement.

4. Seller shall not, and shall not authorize or permit any of its Affiliated Persons or any of its or their Representatives to, directly or indirectly, (i) encourage, solicit, initiate, facilitate or continue inquiries regarding an Acquisition Proposal (as defined below in this Clause 13.1.5; (ii) enter into discussions or negotiations with, or provide any information to, any Person concerning a possible Acquisition Proposal; or (iii) enter into any agreements or other instruments (whether or not binding) regarding an Acquisition Proposal. Seller shall immediately cease and cause to be terminated, and shall cause its Affiliates and all of its and their Representatives to immediately cease and cause to be terminated, all existing discussions or negotiations with any Persons conducted heretofore with respect to, or that could lead to, an Acquisition Proposal. For purposes hereof, "**Acquisition Proposal**" means any inquiry, proposal or offer from any Person (other than Buyer or any of its Affiliates) relating to the direct or indirect disposition, whether by sale, merger or otherwise, of all or any portion of the Business or the Assets. Seller agrees that the rights and remedies for noncompliance with this Clause 13.1.5 shall include having such provision specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach shall cause irreparable injury to Buyer and that money damages would not provide an adequate remedy to Buyer.

13.2 **Post-Closing undertakings**

1. The Buyer and the Seller shall cooperate in ensuring that the transfer of, and Buyer's legal ownership to, the Assets, including the orphan drug designations, is duly filed and registered (if relevant and required under applicable law to legally perfect the transfer) with all relevant authorities and other relevant public and private bodies as soon as possible after Closing. All transfer, documentary, sales, use, stamp, registration, conveyance or similar taxes or charges arising out of the transactions contemplated hereby and all charges for or in connection with the recording of any document or instrument contemplated hereby, if any, shall be paid one-half by the Seller and one-half by the Buyer if and when due.

2. The Buyer and the Seller shall cooperate in ensuring that the manufacturer's and importer's authorisation to be granted by the Danish Medicines Agency according to section 39 of the Danish Medicines Act is obtained, together with any and all approvals, consents, and authorisations of Public Authorities as may be necessary or appropriate, by the Buyer (or Savara ApS, as the case may be) as soon as reasonably practicable after Closing.

3. Seller acknowledges that Buyer or one or more of its Affiliated Persons may file registration statements, applications, reports and other documents under the United States federal and various state securities laws, rules and regulations and the rules and regulations of one or more securities exchanges in connection with the public offering or private placement of certain securities of Buyer or any such Affiliated Persons. Upon request in writing by Buyer after the Closing Date, Seller shall provide to Buyer or any such Affiliated person, at Buyer's expense (by passing along without mark-up reasonable out-of-pocket costs and receiving reimbursement for the fully loaded cost (on an hourly basis) of its personnel, upon submission of reasonably detailed invoices), any and all audited and unaudited financial statements and other information (including, without limitation, any opinions, certificates, consents or schedules related thereto) relating to the Assets, the Business and any Assumed Liabilities which may be required (a) by Buyer or any such Affiliated Person, its or their lenders, underwriters or placement agents, or the United States Securities and Exchange Commission (SEC), any state securities authority, or any securities exchange for inclusion in such registration statements, applications, reports and other documents, or (b) by Buyer or any such Affiliated Person, its or their lenders, underwriters, placement agents or equity participants, or any other person in connection with the financing or refinancing of all or any portion of the transaction contemplated hereby. Moreover, upon request in writing by Buyer after the Closing Date, Seller shall use commercially reasonable efforts to obtain or assist Buyer in obtaining and, if successful, provide to Buyer, at Buyer's expense (by passing along without mark-up

reasonable out-of-pocket costs and receiving reimbursement for the fully loaded cost (on an hourly basis) of its personnel, upon submission of reasonably detailed invoices), the written consent of the independent accountants and other experts with respect to the filing of the materials with the SEC in connection with the registration of a public offering of securities of Buyer or any Affiliate of Buyer under the Securities Act.

4. Seller covenants and agrees that it will continue to exist, and will not cause a dissolution, liquidation or winding-up of Seller until an IPO or Change in Control. Seller further covenants and agrees that it will use its best efforts to cause its officers or directors to not authorize, approve or take any action that would result in a dissolution, liquidation or winding-up of the Seller or a distribution of beneficial interests in the Purchase Consideration Shares until an IPO or Change in Control.

5. Until the occurrence of an IPO, Change in Control or the Buyer becoming subject to reporting requirements of the Securities Exchange Act of 1934, Buyer undertakes to deliver to Seller unaudited or audited consolidated annual financial statements (balance sheet, statements of income, cash flow and shareholders' equity) for the Buyer's group prepared in accordance with generally accepted accounting principles as soon as reasonably practicable after the fiscal year end. Furthermore, the Buyer shall in the same period deliver to the Seller: (i) the annual budget for the Buyer's group (when approved by the board of directors), (ii) unaudited quarterly financial statements (as soon as reasonably practicable after the quarter end) including a management report and analysis. Finally, following the end of each fiscal year, the Buyer shall furnish a report to the Seller comparing each annual budget to such financial statements.

6. The Buyer shall permit representatives of the Seller at the Seller's expense, to visit and inspect the Buyer's properties, to examine its books of account and records and to discuss the affairs, finances and accounts of the Buyer's group with its officers, all at such reasonable times as may be requested by the Seller; *provided, however*, that the Buyer shall not be obligated pursuant to this Clause 13.2.6 to provide access to any information (i) that it reasonably considers to be a trade secret or similar confidential information (unless covered by an enforceable confidentiality agreement, in form acceptable to the Buyer) or (ii) the disclosure of which would adversely affect the attorney-client privilege between the Buyer and its counsel. In any event, and further subject to the confidentiality agreement, the Seller agrees to hold in confidence and trust and not to misuse or disclose any confidential information obtained pursuant to this Clause 13.2.6.

13.3 **Non-competition**

The Seller undertakes in favour of the Buyer that for a period of four (4) years after the Closing Date it shall not carry out any development or commercial activity, directly or indirectly (whether through an Affiliated Person or otherwise), which competes or might compete with the Business.

13.4 **Employees**

13.4.1 The Seller undertakes in favour of the Buyer that for a period of six (6) months after the Closing Date it shall not directly or indirectly solicit or induce, or take any action intended to solicit or induce, any Transferred Employee, to terminate or alter their engagement or employment with the Business or the Buyer.

13.4.2 The Seller undertakes in favour of the Buyer that for a period of six (6) months after the Closing Date it shall not directly or indirectly employ or retain in any capacity, or directly or indirectly offer to employ or retain in any capacity, a Transferred Employee.

13.5 **Non-solicitation of customers and suppliers**

The Seller undertakes in favour of the Buyer that it shall not interfere with the Business or divert or attempt to divert from the Business any business of any kind in which the Business is engaged, or otherwise induce or attempt to induce any supplier or customer of the Business to terminate, discontinue or alter his, her or its relationship with the Business.

13.6 **Name of Business**

13.6.1 The Seller agrees not to use the name “Serendex” except for any purposes which does not and might not, directly or indirectly, compete with or cause confusion regarding the Buyer or any Affiliated Person of the Buyer.

13.6.2 Furthermore, the Seller undertakes to as soon as reasonable possible after Closing convene and hold an extraordinary general meeting of the Seller at which meeting the articles of association of the Seller shall be amended to the effect that the name of the Seller is changed into a name other than Serendex or any name similar to or of confusing similarity to Serendex.

13.7 **Remedies**

In case of any violation of Clauses 13.3, 13.4, 13.5 or 13.6 the Seller shall be liable to pay liquidated damages to the Buyer of DKK 250,000 for each violation. For the purpose of calculating such liquidated damages each two-week period during which a violation continues to exist shall be considered one separate violation. The payment of liquidated damages shall not cure the breach by the Seller of any of Clauses 13.3, 13.4, 13.5 or 13.6, nor shall it prevent the Buyer from initiating, or limit its right to initiate, legal action in respect of any Losses incurred by the Buyer in excess of the liquidated damages paid or to seek an injunction against the Seller’s infringement of its obligations.

13.8 **Further assurances**

Each of the Parties shall execute such documents and take such actions as may reasonably be required by the other Party in order to carry out the provisions of this Agreement and to consummate and implement the transaction contemplated hereby.

13.9 **Termination of joint taxation**

The Subsidiaries are parties to a mandatory Danish joint taxation with certain other Danish companies forming part of the same tax group as the Seller. As the said joint taxation will terminate as a result of the transaction contemplated by this Agreement, the Parties have agreed the terms and procedures relating to such joint taxation and the termination thereof as are set forth in Schedule 13.9.

14. INDEMNIFICATION AND REMEDIES

14.1 **General**

14.1.1 Subject to the terms, including procedures and limitations, of this Agreement each of the Parties hereby undertakes to indemnify the other Party from and against all Losses suffered directly or indirectly by the other Party as a result of any breach of this Agreement (a "**Claim**").

14.1.2 Each Party shall in accordance with Danish law use reasonable endeavours to avoid and to mitigate any Loss arising from a breach of this Agreement by the other Party. If and to the extent that a Party fails to avoid and/or mitigate a Loss, the other Party shall be relieved from its obligation to indemnify the other Party from such Loss.

14.1.3 For a period of twenty (20) Business Days following receipt of a Claim Notice, a Party is entitled to remedy the breach. If—and to the extent—the Party remedies the breach, the Party's obligation to indemnify the other Party will cease.

14.1.4 A Party has no obligation to indemnify the other Party with respect to any information of a forward-looking nature relating to the Business or Savara Inc. (as the case may be), including any business plans, budgets or forecasts.

14.2 **Notice of Claims**

14.2.1 In the event that a Party (the "**Claiming Party**") wishes to make a Claim against the other Party or in the event that a Claiming Party acquires knowledge of a matter which may give rise to a Claim against the other Party (in a way which is sufficiently clear to enable the Claiming Party to conclude with a reasonable degree of certainty that there is a basis for a Claim against the other Party), the Claiming Party shall give notice (a "**Claim Notice**") to the other Party within thirty (30) Business Days after acquiring knowledge of the matter giving rise to such Claim or possible Claim.

14.2.2 In the event that the Claiming Party fails to give a Claim Notice in due time, cf. Clause 14.2.1, the other Party's obligation (if any) to indemnify the Claiming Party will cease in respect of the relevant matter.

14.2.3 A Claim Notice must contain a detailed description of the Claim and the factual and legal basis of the Claim and complete documentation as well as detailed calculation of the amount of the Claim (reasonably estimated if necessary).

14.2.4 In the event that a Party rejects (in part or in full) any obligation to indemnify the Claiming Party in respect of a Claim, the Party shall notify the Claiming Party thereof in writing. In such case, the Claiming Party must commence arbitration proceedings in respect of the Claim (or such part thereof which the other Party has rejected) within three (3) months of the Claiming Party's receipt of the other Party's rejection notice, failing which the other Party's obligation to indemnify the Claiming Party in respect of the Claim (or the relevant part thereof) will automatically cease.

14.3 **Disclosed information**

14.3.1 Neither Party shall be entitled to make any Claim against the other Party with respect to any breach of the Seller's Representations and Warranties or the Buyer's Representations and Warranties (as the case may be) if, and to the extent, the basis or potential for such Claim was (i) in respect to a Claim made by the Buyer: within Buyer's Knowledge or has been disclosed fairly in the Due Diligence Documentation, or (ii) in respect to a Claim made by the Seller: within Seller's Knowledge or has been disclosed fairly in the Savara Due Diligence Documentation. For the purposes of this Clause, "fairly disclosed" shall mean disclosures in the Due Diligence Documentation or the Savara Due Diligence Documentation (as the case may be) which on a stand-alone basis include the information necessary and appropriate for the Buyer or the Seller (as the case may be) to assess the situation accurately and completely. Thus, limited, fragmented hints, or misleading information, and more generally such information which does not by itself allow the Buyer or the Seller (as the case may be) to assess a situation accurately and completely, shall not limit the Buyer's or the Seller's (as the case may be) rights to make any Claims against the Seller or the Buyer (as the case may be). For the avoidance of doubt, references contained in or referred to in the Due Diligence Documentation or the Savara Due Diligence Documentation (as the case may be) to information not in the Due Diligence Documentation or the Savara Due Diligence Documentation (as the case may be) shall not be deemed to include such information in the Due Diligence Documentation or the Savara Due Diligence Documentation (as the case may be).

14.3.2 Notwithstanding the foregoing, the Parties agree that the limitation of the Seller's Representations and Warranties set forth in Clause 14.3.1 shall not apply, and no disclosure is intended by the Seller or accepted by the Buyer, with respect to the Seller's Representations and Warranties in the following clauses of Schedule 10:

A. Clause 1 (Title);

B. Clause 24 (Subsidiaries);

C. Clause 25 (Securities law);

D. Clause 26 (No pre-arranged plan of dissolution); and

E. Clause 27 (Broker's fees).

14.3.3 Notwithstanding the foregoing, the Parties agree that the limitation of the Buyer's Representations and Warranties set forth in Clause 14.3.1 shall not apply, and no disclosure is intended by the Buyer or accepted by the Seller, with respect to the Buyer's Representations and Warranties in the following clauses of Schedule 11: A. Authorization.

14.4 **Deadline for submission of Claims**

14.4.1 The Seller shall have no liability under this Agreement in respect of any Claim pertaining to any breach of the Seller's Representations and Warranties notified to the Seller subsequent to the expiry of twelve (12) months from (but not including) the Closing Date, *provided*, *however*, that this deadline does not apply to any Claim resulting from any breach of the Seller's Representations and Warranties mentioned in Clause 14.3.2.

14.4.2 In case of any breach of the Seller's Representations and Warranties mentioned in Clause 14.3.2 the deadline for the Buyer to notify the Seller shall be three (3) years from (but not including) the Closing Date.

14.4.3 The Buyer shall have no liability under this Agreement in respect of any Claim pertaining to any breach of the Buyer's Representations and Warranties notified to the Buyer subsequent to the expiry of twelve (12) months from (but not including) the Closing Date.

14.5 **Third Party Claims**

14.5.1 In the event any third party asserts any claim against the Business or any of its assets, based on which a Claim is notified to the Seller (a "**Third Party Claim**"), the Buyer shall:

A. as soon as reasonably practicable give notice thereof to the Seller and keep the Seller informed in reasonable detail of all matters pertaining to such claim, including all material written communication and discussions substantive in nature with the relevant third party;

B. give the Seller and its advisors reasonable access during normal working hours to such books, records and other documents and material pertaining to such claim, and to the extent legally permitted allow the Seller accompanied by the Buyer to consult with employees of the Buyer (to the extent such employees are Transferred Employees) relevant in the context of such claim; and

C. have the right to control the defence of such Third Party Claim. To the extent relevant, the Seller shall co-operate with the Buyer and with any counsel appointed by the Buyer.

14.6 **Losses**

14.6.1 Any Loss for which a Claim is notified to the Seller shall be calculated in DKK subject to the following principles and otherwise in accordance with Danish Law:

1. the net present value of any Tax benefit or saving by the Buyer which may be calculated as a result of the Loss for which a Claim is made shall be deducted when calculating the Loss;

2. the amount of any compensation or other recovery (including without limitation insurance proceeds) actually paid to or otherwise credited the Buyer (less the amount of any related costs and expenses, including the aggregate costs of pursuing any related insurance claims and any correspondent increases in insurance premiums) shall be deducted when calculating the Loss. If a Claim has been settled by the Seller, and the Buyer subsequently recovers any payment or compensation with respect to such Claim, the Buyer shall pay to the Seller the amount so recovered, up to the amount that was settled by the Seller to the Buyer;

3. the Buyer shall not be entitled to indemnification or other restitution more than once in respect of the same Loss;

4. under no circumstances may multiples or similar methods of calculation be applied in the calculation of a Loss; and

5. when calculating a Loss sustained in foreign currencies such Losses shall be converted into DKK at the time when the Claim is notified to the Seller.

14.6.2 Any payment by the Seller to the Buyer as a result of a Claim for a breach of any of the Seller's Representations and Warranties and/or under the Specific Indemnities shall be regarded as a reduction of the purchase price for the Business (a 'DKK for DKK reduction' in respect to the amount of Purchase Consideration Shares payable by the Buyer to the Seller under this Agreement).

14.6.3 Any Loss for which a Claim is notified to the Buyer shall be calculated in USD subject to the following principles and otherwise in accordance with Danish Law:

1. a Loss incurred by Savara Inc. as a result of a breach of a Buyer's Representations and Warranties shall for the purpose of calculating the indirect Loss suffered by the Seller be multiplied by the Seller's ownership percentage of Savara Inc. at the Closing Date;

2. the net present value of any Tax benefit or saving by Savara Inc. which may be calculated as a result of the Loss for which a Claim is made shall be deducted when calculating the Loss;

3. the amount of any compensation or other recovery (including without limitation insurance proceeds) actually paid to or otherwise credited Savara Inc. (less the amount of any related costs and expenses, including the aggregate costs of pursuing any related insurance claims and any correspondent increases in insurance premiums) shall be deducted when calculating the Loss;

4. the Seller shall not be entitled to indemnification or other restitution more than once in respect of the same Loss;

5. under no circumstances may multiples or similar methods of calculation be applied in the calculation of a Loss; and

6. when calculating a Loss sustained in foreign currencies such Losses shall be converted into USD at the time when the Claim is notified to the Seller.

14.6.4 A Party has no obligation to indemnify the other Party for any Loss caused by:

1. any change in applicable Laws after the Closing Date; or

2. the other Party's actions or omissions after the signing of this Agreement.

14.7 **Principles for determining the indemnification of Representations and Warranties**

14.7.1 A Party shall only be liable for indemnification for any breach of such Party's Representations and Warranties (*i.e.*, Seller's Representations and Warranties or Buyer's Representations and Warranties, as the case may be) provided that:

1. each individual Loss as finally determined caused by such breach exceeds DKK 200,000 ("**De Minimis**") (meaning that if the Loss has been incurred by Savara Inc. the Loss shall amount to DKK 200,000 divided by the Seller's ownership percentage of Savara Inc. according to the Common Stock Price in order to reach the De Minimis); and

2. the Claiming Party's aggregate Loss pertaining to any such breaches as finally determined exceed DKK 2,000,000 ("**Basket**") (meaning that if the Losses have been incurred by Savara Inc. the aggregate Loss shall amount to DKK 2,000,000 divided by the Seller's ownership percentage of Savara Inc. according to the Common Stock Price in order to reach the Basket), and then the Claiming Party shall be entitled to claim indemnity for the full amount of Losses, as well as to credit and set off Losses against Contingent Milestone Payments and / or Retained Consideration Shares (if and to the extent applicable).

14.7.2 The maximum aggregate indemnification claimable against either Party for any and all breaches of such Party's Representations and Warranties shall in no event exceed twenty per cent (20%) the value of the Total Purchase Consideration at Closing ("**Cap**").

14.7.3 Notwithstanding the foregoing, the De Minimis, the Basket and the Cap shall not apply to any breach of the Seller's Representations and Warranties specified in Clause 14.3.2, and Losses caused by, based upon, arising out of, or resulting from a breach of such Seller's Representation and Warranty or any retained liabilities of Seller shall not be taken into consideration when deciding whether the De Minimis, the Basket or the Cap is exceeded or not.

14.7.4 For purposes of this Clause 14, neither Seller's Representations and Warranties nor Buyer's Representations and Warranties shall be deemed to be qualified by any references to materiality or to material adverse effect.

14.8 **Exclusive Remedies**

The remedies provided for in this Clause 14 shall be the exclusive remedies of a Party with respect to any and all breaches of the other Party's Representations and Warranties (i.e., Seller's Representations and Warranties or Buyer's Representations and Warranties, as the case may be).

14.9 **Specific Indemnities or a Party's wilful misconduct**

With the exception of Clause 14.6, none of the limitations contained in this Clause 14 shall apply with respect to the Specific Indemnities, or in case of a Party's intentional breach, wilful misconduct or fraud. In such case, such Party shall be obliged to indemnify the other Party in accordance with generally applicable Danish law and the other Party shall have any and all remedies available to it in any court of competent jurisdiction under generally applicable Danish law.

15. OTHER PROVISIONS

15.1 **Entire Agreement**

This Agreement supersedes any oral or prior written agreement or understanding between the Parties, as well as any oral or prior written undertaking, representation and warranty of any kind with respect to all matters comprised by or referred to in this Agreement.

15.2 **Confidentiality**

15.2.1 Information acquired by each Party regarding the other Party and as regards this Agreement in connection with the negotiations for, execution of, and the consummation of this Agreement shall be deemed to be confidential information, which the Parties are, without limit of time, obligated to keep confidential and not entitled to use or pass on to any third party except

1. with prior written consent of the other Party, such consent not to be unreasonably withheld, delayed, or conditioned;

2. as may be required by Law, to the limited extent so required;

3. as required or appropriate to satisfy any of the conditions precedent of this Agreement;

4. to their auditors, legal counsels and other advisers who are required by Law or written agreement to observe secrecy as well as to such banks or other financial institutions as each of the Parties deems appropriate to consummate the transaction contemplated by this Agreement; or

5. for the purpose of enforcing any right or complying with any obligation under this Agreement, including, to the extent required or appropriate, for the purpose of any arbitration proceedings pursuant to Clause 15.11.2.

Any disclosure pursuant to Clause 15.2.1 (2) requires prior notice to and consultation with the other Party to the extent permitted by Law.

15.2.2 For purpose of this Clause 15.2 the requirement to observe confidentiality and restrictions on use and disclosure shall not apply to any information which

1. was available to the general public at the time of its disclosure;

2. becomes available to the general public other than as a result of any non-compliance with this Clause 15.2;

3. was or is provided to the disclosing Party without restriction on confidentiality, disclosure, or use by a third party who is lawfully in possession of such information and who has a lawful right to disclose the information; or

4. was in the possession of the disclosing Party without restriction on confidentiality, disclosure, or use at the time of the execution of the Confidentiality Undertaking.

15.2.3 The Parties' obligations pursuant to the Confidentiality Undertaking shall apply in addition to this Clause 15.2.

15.2.4 Each of the Parties shall use its best efforts to cause its respective directors, employees, agents, representatives and advisers to keep confidential and not to disclose to any third party or to use for any purpose whatsoever any such information which the Party itself is prohibited from disclosing or using pursuant to this Clause 15.2.

15.3 **Severability**

15.3.1 Should one or more of the provisions of this Agreement cease to apply or be modified as a result of invalidity, voidability or for other reason this shall not affect the validity of the remaining provisions of this Agreement.

15.3.2 If one or more of the provisions of this Agreement are held to be contrary to Danish Law the Parties agree that such provision(s) shall be deemed modified and shall apply with such contents as may be validly agreed seeking to maintain as much of the original intentions as possible and that the remaining provisions of this Agreement shall still apply.

15.4 **Notices**

15.4.1 Any notices between the Parties concerning matters arising out of this Agreement shall be sent by (i) registered letter with return receipt or (ii) e-mail to the following addresses or such other addresses as may subsequently be notified by a Party to the other in accordance with this Clause 15.4:

For the Seller:	Serendex Pharmaceuticals A/S Attn.: Kim Arvid Nielsen, CEO Slotsmarken 17, 2. tv. DK-2970 Hørsholm Denmark E-mail: kim.arvid.nielsen@serendex.com
with a copy to:	Lundgrens Attn.: Mads Ilum, Advokat, Partner Tuborg Havnevej 19 2900 Hellerup Denmark E-mail: mil@rl.dk/mil@lundgrens.dk
For the Buyer:	Savara Inc. Attn.: Rob Neville, CEO and President 900 S. Capital of Texas Highway, Suite 150 Austin, Texas 78746 USA E-mail: rob.neville@savarapharma.com
with a copy to:	Life Science Legal LLC Attn.: Thomas W. Fredrick, Esq., Principal 214 South Spring Street Independence, Missouri 64050 USA E-mail: tfredrick@lifesciencelegal.com
and a copy to:	Kromann Reumert Attn.: Jørgen Kjergaard Madsen, Advokat, Partner Sundkrogsgade 5 DK: 2100 Copenhagen Ø Denmark E-mail: jkm@kromannreumert.com

Notices shall be deemed to have been made on the date of the receipt thereof by the recipient as indicated on the return receipt or the transmission report, as applicable.

Any such notice shall be in the English language.

15.5 **Assignment**

The Buyer shall be entitled to freely assign, in whole or in part, this Agreement and any right or obligation hereunder to an Affiliated Person, *provided*, *however*, that the Buyer irrespective of such assignment remains to be liable as an obligor for the due fulfilment of this Agreement. The Seller shall be entitled to freely assign, in whole or in part, the Contingent Milestone Payments to an Affiliated Person. Any other assignment of this Agreement and any right or obligation hereunder requires the prior written consent of the other Party.

15.6 **Expenses**

Each Party shall bear the fees and other expenses payable to its own advisers incurred in connection with negotiating, executing and/or consummating this Agreement.

15.7 **Waiver and amendments**

This Agreement may be amended and the terms hereof may be waived only by written instrument signed and delivered by the Parties or in the case of a waiver, by the Party waiving its rights under this Agreement unless a stricter form is required by Law.

15.8 **Headings**

The headings inserted are for convenience and reference only and shall not be used to construe or interpret this Agreement.

15.9 **Interpretation**

The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event of any ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favouring or disfavouring any Party by virtue of the authorship of any of the provisions of this Agreement.

15.10 **Survival**

Clause 2 (Certain Definitions), Clause 8.6 (Pre-closing liability), Clause 14.8 (Exclusive Remedies) and Clause 15 (Other Provisions), together with other terms and conditions that by their intent or meaning have continuing validity, shall survive expiration or termination of this Agreement irrespective of the cause of such expiration or termination. Termination shall not prejudice the accrued rights of the Parties in respect of any breach of this Agreement committed prior to such expiration or termination.

15.11 **Governing law and arbitration**

15.11.1 This Agreement and any dispute or claim arising out of or in connection with this Agreement shall be governed by and construed in accordance with the Laws of Denmark.

15.11.2 Any dispute between or claim made by any of the Parties arising out of or in connection with this Agreement, including any dispute regarding the existence, validity or termination thereof, shall be resolved amicably by the Parties. Any dispute not resolved amicably by the Parties shall be finally settled by arbitration arranged by the Danish Institute of Arbitration in accordance with the rules of arbitration procedure adopted by the Danish Institute of Arbitration and in force at the time when such proceedings are commenced.

The arbitral tribunal shall be composed of three (3) arbitrators. The Buyer and the Seller shall each appoint one (1) arbitrator and the Danish Institute of Arbitration shall appoint the third arbitrator, who shall be the chairman of the arbitral tribunal, if the arbitrators appointed by the Parties have not jointly appointed the third arbitrator within fifteen (15) days of their appointment. If the Seller or the Buyer has not appointed an arbitrator within fifteen (15) days of having requested or received notice of the arbitration, the Danish Institute of Arbitration shall appoint such arbitrator.

The place of arbitration shall be Copenhagen, Denmark.

The language of the arbitration proceedings shall be English.

15.12 **SCHEDULES AND EXHIBITS[1]**

Schedule 2.11	Persons comprised by “Buyer’s Knowledge”
Schedule 2.31	Due Diligence Documentation
Schedule 2.45	The Properties
Schedule 2.54	Savara Due Diligence Documentation
Schedule 2.57	Persons comprised by “Seller’s Knowledge”
Schedule 3.3	Assumed Liabilities
Schedule 4.1	Assigned Contracts
Schedule 4.2	Required Consents
Schedule 5.1	Employees
Schedule 6.1	Lease agreement
Schedule 10	The Seller’s Representations and Warranties
Schedule 11	The Buyer’s Representations and Warranties
Schedule 13.9	Termination of Joint Taxation

1 Schedules and exhibits to be provided to the SEC upon request.

Exhibit A	ROFR Agreement
Exhibit B	Voting Agreement
Exhibit C	Adoption Agreement
Exhibit D	Observer Agreement

15.13 **Signatures**

This Agreement has been executed and delivered as of the Signing in two (2) or more original copies at least one (1) of which has been given to each of the Parties, and additionally or alternatively in two (2) or more counterparts via electronic means (including via portable document format (PDF)), each of which shall be deemed an original, but all of which together shall constitute one and the same legal instrument.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK;
THE SIGNATURE PAGE IMMEDIATELY FOLLOWS]

Signing Date: 13 May 2016

For the Seller

/s/ Karin Verland
Name: Karin Verland
Capacity: Chairman of the Board

/s/ Kim Arvid Nielsen
Name: Kim Arvid Nielsen
Capacity: CEO

For the Buyer

/s/ Rob Neville
Name: Rob Neville
Capacity: CEO

/s/ Taneli Jouhikainen
Name: Taneli Jouhikainen
Capacity: COO

Exhibit 4.10

Issue Date: , 2012

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SUCH ACT AND QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS, OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE, REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION OR QUALIFICATION IS NOT REQUIRED.

THE SECURITIES REPRESENTED BY THIS INSTRUMENT ARE SUBJECT TO A LOCK-UP PERIOD OF UP TO 180 DAYS FOLLOWING THE EFFECTIVE DATE OF A REGISTRATION STATEMENT OF THE COMPANY FILED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. SUCH LOCK-UP PERIOD IS BINDING ON TRANSFEREES OF THIS INSTRUMENT.

SAVARA INC.

STOCK PURCHASE WARRANT

THIS CERTIFIES that (the "***Holder***") is entitled, upon the terms and subject to the conditions hereinafter set forth, to subscribe for and purchase, from Savara Inc., a Delaware corporation (the "***Company***"), up to Shares (as defined below) at an exercise price of $3.12959 per share (the "***Exercise Price***"). The Exercise Price and the Shares purchasable hereunder are subject to adjustment as set forth in Section 9. This Warrant may be exercised for Shares at any time on or after the date hereof and prior the earliest to occur of (i) the close of business on May 30, 2017, (ii) the date on which the first Change of Control (or the "effective time" if such a time is specified in connection with the transaction constituting such Change of Control (as defined below), or (iii) the date that is 360 days following the closing of an IPO (as defined below) ((i), (ii),or (iii) as applicable, the "***Expiration Date***"). The Company shall provide notice to the Holder at least ten (10) days prior to the closing of a Change of Control.

1. ***Definitions***.

(a) "***Change of Control***" shall mean (x) the acquisition of the Company by means of any transaction or series of related transactions (including, without limitation, any stock purchase transaction, merger, consolidation or other form of reorganization in which outstanding shares of the Company are exchanged for securities or other consideration issued, or caused to be issued, by the acquiring entity or its subsidiary, but excluding (i) any transaction effected solely for the purpose of changing the Company's jurisdiction of incorporation and (ii) the sale by the Company of shares of its capital stock to investors in bona fide equity financing transactions or in an IPO (as defined in the Company's Fourth Amended and Restated Certificate of Incorporation, as amended from time to time), *unless* securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the surviving or acquiring entity or its direct or indirect parent entity are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the Company's stockholders of record as constituted immediately prior to such transaction or series of related transactions and (y) a sale of all or substantially all of the assets of the Company in a single transaction or series of related transactions.

(b) "***Common Stock***" shall mean the Company's common stock, $0.001 par value per share.

(c) "***IPO***" shall mean the Company's first firm commitment underwritten public offering of its Common Stock or other securities pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "***Securities Act***"), covering the offer and sale of Common Stock to the public with aggregate net proceeds to the Corporation of at least $20,000,000 and an offering price of at least $9.3887 per share (as adjusted to reflect any stock dividend, stock split, combination, recapitalization and other similar event with respect to each such share).

(d) "***Preferred Stock***" shall mean the Series B Preferred Stock, par value $0.001 per share, of the Company and any other stock into or for which the Series B Preferred Stock may be converted or exchanged, and upon and after the occurrence of an event which results in the automatic or voluntary conversion, redemption or retirement of all (but not less than all) of the outstanding shares of such Preferred Stock, including without limitation, the consummation of an IPO in which such conversion occurs, then from and after the date upon which such outstanding shares are so converted, redeemed or retired, "Preferred Stock" shall mean such Common Stock.

(e) "***Securities***" shall mean this Warrant and the Shares issuable upon exercise of this Warrant.

(f) "***Shares***" shall mean shares of Preferred Stock.

2. ***Exercise of Warrant.***

(a) The purchase rights represented by this Warrant are exercisable by the Holder, in whole or in part, by the surrender of this Warrant and the Notice of Exercise annexed hereto duly executed at the principal executive office of the Company (or such other office or agency of the Company as it may designate by notice in writing to the Holder at the address of the Holder appearing on the books of the Company), and upon payment of the Exercise Price of the Shares thereby purchased (by cash or by check or bank draft payable to the order of the Company); whereupon the Holder shall be entitled to receive a certificate for the number of Shares so purchased. The Company agrees that if at the time of the surrender of this Warrant and purchase of the Shares, the Holder shall be entitled to exercise this Warrant, the Shares so purchased shall be and be deemed to be issued to the Holder as the record owner of such Shares as of the close of business on the date on which this Warrant shall have been exercised as aforesaid.

(b) In lieu of exercising this Warrant by payment of cash or check pursuant to subsection (a) above, the Holder may elect to receive Shares equal to the value of the Warrant (based upon the value of the Shares or the portion thereof being exercised), at any time after the date hereof and before the close of business on the Expiration Date, by surrender of this Warrant at the principal executive office of the Company, together with the Notice of Conversion annexed hereto, in which event the Company will issue to the Holder Shares in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

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

Y = the number of Shares for which the Warrant is being exercised;

A = the fair market value of one Share; and

B = the Exercise Price.

For purposes of this Section 2(b), the fair market value of a Share is defined as follows:

(i) if the exercise is in connection with an initial public offering of the Common Stock, and if the Company's registration statement relating to such offering has been declared effective by the Securities and Exchange Commission, then the fair market value shall be the initial "Price to Public" specified in the final prospectus with respect to the offering;

(ii) if the exercise occurs prior to the date of the Company's initial public offering of Common Stock, the fair market value shall be determined in good faith by the Board of Directors of the Company based on relevant facts and circumstances at the time of the net exercise under this Section 2(b);

(iii) if the exercise is in connection with a Change of Control, then the fair market value shall be the value received in such Change of Control by the holders of the securities as to which purchase rights under this Warrant exist;

(iv) if the exercise occurs after, and not in connection with the Company's initial public offering, and:

(A) if traded on a securities exchange or the Nasdaq Stock Market, the value shall be deemed to be the average of the closing prices of the securities on such exchange or market over the thirty (30) day period ending three (3) days prior to the date of the Notice of Conversion; or

(B) if actively traded over-the-counter, the value shall be deemed to be the average of the closing bid prices over the thirty (30) day period ending three (3) days prior to the date of the Notice of Conversion;

(C) if there is no active public market, the value shall be the fair market value thereof, as determined in good faith by the Company's Board of Directors.

3. ***Nonassessable***. The Company covenants that all Shares which may be issued upon the exercise of rights represented by this Warrant will, upon exercise of the rights represented by this Warrant, be validly issued, fully paid and nonassessable and free from all taxes, liens and charges in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue). Certificates for Shares purchased hereunder shall be delivered to the Holder within a reasonable time after the date on which this Warrant shall have been exercised as aforesaid.

4. ***No Fractional Shares or Scrip***. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. With respect to any fraction of a share called for upon the exercise of this Warrant, an amount equal to such fraction multiplied by the then current price at which each Share may be purchased hereunder shall be paid in cash to the Holder.

5. ***Charges, Taxes and Expenses***. Issuance of certificates for Shares upon the exercise of this Warrant shall be made without charge to the Holder hereof for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder.

6. ***No Rights as Stockholder***. This Warrant does not entitle the Holder to any voting rights or other rights as a stockholder of the Company prior to the exercise hereof.

7. ***Loss, Theft, Destruction or Mutilation of Warrant***. On receipt of evidence 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 satisfactory in form and substance to the Company or, in the case of mutilation, on surrender and cancellation of this Warrant, the Company at its expense shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor and amount.

8. ***Saturdays, Sundays, Holidays, etc***. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday, a Sunday or a legal holiday, then such action may be taken or such right may be exercised on the next succeeding day not a Saturday, Sunday or legal holiday.

9. ***Adjustments***. The Exercise Price and the number of Shares purchasable hereunder are subject to adjustment from time to time as set forth in this Section 9.

(a) ***Reclassification, etc***. If the Company, at any time while this Warrant, or any portion hereof, remains outstanding and unexpired by reclassification of securities or otherwise, shall change any of the securities as to which purchase rights under this Warrant exist into the same or a different number of securities or any other class or classes, this Warrant shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities that were subject to the purchase rights under this Warrant immediately prior to such reclassification or other change and the Exercise Price therefor shall be appropriately adjusted, all subject to further adjustment as provided in this Section 9.

(b) ***Subdivision or Combination of Shares***. In the event that the Company shall at any time subdivide the outstanding securities as to which purchase rights under this Warrant exist, or shall issue a stock dividend on the securities as to which purchase rights under this Warrant exist, the number of securities as to which purchase rights under this Warrant exist immediately prior to such subdivision or to the issuance of such stock dividend shall be proportionately increased, and the Exercise Price shall be proportionately decreased, and in the event that the Company shall at any time combine the outstanding securities as to which purchase rights under this Warrant exist, the number of securities as to which purchase rights under this Warrant exist immediately prior to such combination shall be proportionately decreased, and the Exercise Price shall be proportionately increased, effective at the close of business on the date of such subdivision, stock dividend or combination, as the case may be.

(c) ***Cash Distributions***. No adjustment on account of cash dividends or interest on the securities as to which purchase rights under this Warrant exist will be made to the Exercise Price under this Warrant.

10. ***Restrictions on Transferability of Securities***.

(a) ***Restrictions on Transferability***. The Securities shall not be sold, assigned, transferred or pledged except upon the conditions specified in this Section 10.

(b) ***Restrictive Legend***. Each certificate representing the Securities and any other securities issued in respect of the Securities upon any stock split, stock dividend, recapitalization, merger, consolidation or similar event, shall (unless otherwise permitted by the provisions of Section 10(c)) be stamped or otherwise imprinted with a legend in the following form (in addition to any legend required under applicable state securities laws):

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SUCH ACT AND QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS, OR UNLESS THE CORPORATION HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE, REASONABLY SATISFACTORY TO THE CORPORATION AND ITS COUNSEL, THAT SUCH REGISTRATION OR QUALIFICATION IS NOT REQUIRED.
>
> THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A LOCK-UP PERIOD OF UP TO 180 DAYS FOLLOWING THE EFFECTIVE DATE OF A REGISTRATION STATEMENT OF THE COMPANY FILED UNDER THE

SECURITIES ACT OF 1933, AS AMENDED, AS SET FORTH IN THAT CERTAIN STOCK PURCHASE WARRANT BETWEEN THE CORPORATION AND THE ORIGINAL HOLDER OF THESE SECURITIES, A COPY OF WHICH MAY BE OBTAINED AT THE CORPORATION'S PRINCIPAL OFFICE. SUCH LOCK-UP PERIOD IS BINDING ON TRANSFEREES OF THESE SECURITIES.

Each holder of Securities and each subsequent transferee consents to the Company making a notation on its records and giving instructions to any transfer agent of the Securities in order to implement the restrictions on transfer established in this Section 10.

(c) ***Notice of Proposed Transfers***. Each holder of a warrant or stock certificate, as the case may be, representing the Securities, by acceptance thereof, agrees to comply in all respects with the provisions of this Section 10(c). Such holder agrees not to make any disposition of all or any portion of the Securities unless and until (X) there is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement or (Y) such holder shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and if reasonably requested by the Company, such holder shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company that such disposition will not require registration of such shares under the Securities Act. Notwithstanding the foregoing, the prior written approval of the Company shall not necessary for any assignment or transfer of Securities from a Holder to an assignee that (i) is a subsidiary, parent, member, partner, limited partner, retired partner, grantor or shareholder of a Holder, (ii) an investment fund managed by a Holder or the directors, officers, partners or members of such Holder, or (iii) is a Holder's family member or trust for the benefit of an individual Holder *provided* that: (a) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the Securities being assigned; and (b) such transferee or assignee agrees in writing to be bound by and subject to the terms and conditions of this Warrant if this Warrant is still outstanding.

11. ***Investment Representations of the Holder***. With respect to the acquisition of any of the Securities, the Holder hereby represents and warrants to the Company as follows:

(a) ***Purchase Entirely for Own Account***. This Warrant is made with the Holder in reliance upon the Holder's representation to the Company, which by the Holder's execution of this Warrant the Holder hereby confirms, that the Securities will be acquired for investment for the Holder's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that the Holder has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Warrant, the Holder further represents that the Holder does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person with respect to any of the Securities.

(b) ***Reliance upon Holders' Representations***. The Holder understands that the Securities have not been, and will not be, registered under the Securities Act by reason of a specific exemption from the registration provisions of the Securities Act, and that the Company's reliance on such exemption is predicated on the Holder's representations set forth herein.

(c) ***Investment Experience; Economic Risk***. The Holder understands that the Company has a limited financial and operating history and that an investment in the Company involves substantial risks. The Holder is experienced in evaluating and investing in private placement transactions of securities of companies in a similar stage of development to that of the Company and acknowledges that the Holder is able to fend for himself, herself or itself. The Holder has such knowledge and experience in financial and business matters that the Holder is capable of evaluating the merits and risks of the investment in the Securities. The Holder can bear the economic risk of the Holder's investment and is able, without impairing the Holder's financial condition, to hold the Securities for an indefinite period of time and to suffer a complete loss of the Holder's investment.

(d) ***Accredited Investor Status***. The Holder is an "accredited investor" within the meaning of Regulation D, Rule 501(a), promulgated under the Securities Act. If other than an individual, the Holder also represents that it has not been organized for the purpose of acquiring the Securities.

(e) ***Representations by Foreign Holder***. If Holder is not a United States person, such Holder hereby represents that such Holder has satisfied himself, herself or itself as to the full observance of the laws of such Holder's jurisdiction in connection with any invitation to subscribe for the Securities purchasable hereunder, including (i) the legal requirements within such Holder's jurisdiction for the purchase of the Securities, (ii) any foreign exchange restrictions applicable to such purchase, (iii) any governmental or other consents that may need to be obtained and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale, or transfer of the Securities purchasable hereunder. Such Holder's subscription and payment for, and such Holder's continued beneficial ownership of the Securities purchasable hereunder, will not violate any applicable securities or other laws of such Holder's jurisdiction.

(f) ***Restricted Securities***. The Holder understands that the Securities are characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such federal securities laws and applicable regulations such Securities may be resold without registration under the Securities Act only in certain limited circumstances. In this connection, Holder represents that it is aware of the provisions of Rule 144 promulgated under the Securities Act which permit limited resale of securities purchased in a private placement subject to the satisfaction of certain conditions, including, among other things, the existence of a public market for the securities, the availability of certain current public information about the Company, the resale occurring not less than one year after a party has purchased and paid for the security to be sold, the sale being effected through a "broker's transaction" or in transactions directly with a "market maker" and the number of shares being sold during any three-month period not exceeding specified limitations.

12. ***Market Standoff***. Holder agrees to be bound (and shall cause any transferee of this Warrant to be bound) by the "Market Stand-off Agreements" provisions set forth in Section 2.11 of the Third Amended and Restated Investors' Rights Agreement by and between the Company and the signatories thereto, as may be amended from time to time.

13. ***Notices***. In the event (i) the Company shall take a record of the holders of the securities at the time receivable upon the exercise of this Warrant for the purpose of entitling them to receive any dividend or other distribution, or any right to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right, (ii) of any capital reorganization of the Company, (iii) of any reclassification of the capital stock of the Company, or (iv) of any voluntary dissolution, liquidation or winding-up of the Company, then, and in each such case, the Company will mail or cause to be mailed to the Holder a notice specifying, as the case may be, (A) the date on which a record is to be taken for the purpose of such dividend, distribution or right, and stating the amount and character of such dividend, distribution or right, or (B) the date on which such reorganization, reclassification, dissolution, liquidation or winding-up is to take place, and the time, if any is to be fixed, as of which the holders of the securities at the time receivable upon the exercise of this Warrant shall be entitled to exchange such securities for the securities or other property deliverable upon such reorganization, reclassification, dissolution, liquidation or winding-up. Such notice shall be given at least ten (10) days prior to the date therein specified.

14. ***Miscellaneous***.

(a) ***Governing Law***. THIS AGREEMENT SHALL BE GOVERNED IN ALL RESPECTS BY THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO CONFLICT OF LAWS RULES.

(b) ***Waivers and Amendments***. This Warrant and any provisions hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of the same is sought.

(c) ***Assignment***. This Warrant may be assigned or transferred by the Holder only with the prior written approval of the Company. Notwithstanding the foregoing, the prior written approval of the Company shall not necessary for any assignment or transfer from a Holder to an assignee that (i) is a subsidiary, parent, member, partner, limited partner, retired partner, grantor or shareholder of a Holder, (ii) an investment fund managed by a Holder or the directors, officers, partners or members of such Holder, or (iii) is a Holder's family member or trust for the benefit of an individual Holder *provided* that: (a) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee; and (b) such transferee or assignee agrees in writing to be bound by and subject to the terms and conditions of this Warrant. This Warrant shall be binding upon any successors or assigns of the Company.

(d) ***Notices***. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, by commercial delivery service, mailed by registered or certified mail (return receipt requested), sent via facsimile (with confirmation of receipt) or electronic mail to the parties at the address for each party as set forth on the signature page hereto (or at such other address for a party as such party may designate pursuant to this Section 14(d)).

Notice given by personal delivery, courier service or mail shall be effective upon actual receipt. Notice given by facsimile shall be effective upon actual receipt if received during the recipients normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. All notices by facsimile shall be confirmed by the sender promptly after transmission via certified mail or personal delivery. Any party may change any address to which notice is to be given to it by giving notice as provided above or such change of address.

An electronic communication ("***Electronic Notice***") shall be deemed written notice for purposes of this Section 14(d) if sent with return receipt requested to the electronic mail address specified by the receiving party in a signed writing in a nonelectronic form. Electronic Notice shall be deemed received at the time the party sending Electronic Notice receives verification of receipt by the receiving party. Any party receiving Electronic Notice may request and shall be entitled to receive the notice on paper, in a nonelectronic form ("***Nonelectronic Notice***") which shall be sent to the requesting party within ten (10) days of receipt of the written request for Nonelectronic Notice. This Warrant may be executed in any number of counterparts, each of which shall be enforceable, and all of which together shall constitute one instrument.

(e) ***Counterparts***. This Warrant may be executed in any number of counterparts, each of which shall be enforceable, and all of which together shall constitute one instrument.

(f) ***Delays or Omissions***. No delay or omission to exercise any right, power, or remedy accruing to the Holder, upon any breach or default of the Company under this Warrant shall impair any such right, power, or remedy of the Holder nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default therefore or thereafter occurring. Any waiver, permit, consent, or approval of any kind or character on the part of the Holder of any breach or default under this Warrant or any waiver on the part of the Holder of any provisions or conditions of this Warrant must be made in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Warrant or by law or otherwise afforded to the Holder, shall be cumulative and not alternative.

(g) ***Titles and Subtitles***. The titles of the paragraphs and subparagraphs of this Warrant are for convenience of reference only and are not to be considered in construing this Warrant.

(h) ***Lost Warrants or Stock Certificates***. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction, or mutilation of any Warrant or stock certificate and, in the case of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company, or in the case of any such mutilation upon surrender and cancellation of such Warrant or stock certificate, the Company at its expense will make and deliver a new Warrant or stock certificate, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant or stock certificate provided, however, that, if the Company's stock is publicly traded, the Company may require the posting of a bond in an amount and nature as is customary and reasonable given the circumstances.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized.

SAVARA INC.

By: _____

Name: _____

Title: _____

AGREED AND ACKNOWLEDGED:

"Holder"

_____
(Signature)

_____
(Print Name)

_____
(Title if signing of behalf of an entity)

Address*:

_____

_____

_____

Phone #: _____
Facsimile #: _____
Email: _____

* Please indicate address for notice purposes.

NOTICE OF EXERCISE

TO: Savara Inc.
5900 Shepherd Mountain Cove #2-205
Austin, Texas 78730
ATTN: Chief Executive Officer

1. The undersigned hereby elects to purchase shares of the Stock (the "***Shares***") of Savara Inc. (the "***Company***") pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price in full.

2. Please issue a certificate or certificates representing the Shares in the name of the undersigned or in such other name as is specified below:

_____
(Print Name)

Address: _____

_____

3. *Investment Representations*. With respect to the acquisition of any of the Shares, the undersigned hereby represents and warrants to the Company as follows:

(a) *Purchase Entirely for Own Account*. The undersigned confirms that the Shares are being acquired for the account of the undersigned, not as a nominee or agent, for investment only and not with a view to the resale or distribution of any part thereof, and that the undersigned has no present intention of selling, granting any participation in, or otherwise distributing the same. The undersigned further represents that the he, she or it does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person with respect to any of the Shares.

(b) *Reliance upon Undersigned's Representations*. The undersigned understands that the Shares have not been, and will not be, registered under the Securities Act of 1933, as amended (the "***Securities Act***") by reason of a specific exemption from the registration provisions of the Securities Act, and that the Company's reliance on such exemption is predicated on the undersigned's representations set forth herein.

(c) *Investment Experience; Economic Risk.* The undersigned understands that the Company has a limited financial and operating history and that an investment in the Company involves substantial risks. The undersigned is experienced in evaluating and investing in private placement transactions of securities of companies in a similar stage of development to that of the

Company and acknowledges that the undersigned is able to fend for himself, herself or itself. The undersigned has such knowledge and experience in financial and business matters that the undersigned is capable of evaluating the merits and risks of the investment in the Shares. The undersigned can bear the economic risk of the undersigned's investment and is able, without impairing the undersigned's financial condition, to hold the Shares for an indefinite period of time and to suffer a complete loss of the undersigned's investment.

(d) *Accredited Investor Status*. The undersigned is an "accredited investor" within the meaning of Regulation D, Rule 501(a), promulgated under the Securities Act. If other than an individual, the undersigned also represents that it has not been organized for the purpose of acquiring the Shares.

(e) *Representations by Foreign Investor*. If the undersigned is not a United States person, such undersigned hereby represents that such he, she or it has satisfied himself, herself or itself as to the full observance of the laws of such undersigned's jurisdiction in connection with any invitation to subscribe for the Shares purchasable hereunder, including (i) the legal requirements within such undersigned's jurisdiction for the purchase of the Shares, (ii) any foreign exchange restrictions applicable to such purchase, (iii) any governmental or other consents that may need to be obtained and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale, or transfer of the Shares purchasable hereunder. Such undersigned's subscription and payment for, and such undersigned's continued beneficial ownership of the Shares, will not violate any applicable securities or other laws of such undersigned's jurisdiction.

(f) *Restricted Securities.* The undersigned understands that the Shares are characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such federal securities laws and applicable regulations such Shares may be resold without registration under the Securities Act only in certain limited circumstances. In this connection, undersigned represents that it is aware of the provisions of Rule 144 promulgated under the Securities Act which permit limited resale of securities purchased in a private placement subject to the satisfaction of certain conditions, including, among other things, the existence of a public market for the securities, the availability of certain current public information about the Company, the resale occurring not less than one year after a party has purchased and paid for the security to be sold, the sale being effected through a "broker's transaction" or in transactions directly with a "market maker" and the number of shares being sold during any three-month period not exceeding specified limitations.

_____ _____

(Date) (Signature)

_____

(Print Name)

NOTICE OF CONVERSION

TO: Savara Inc.
5900 Shepherd Mountain Cove #2-205
Austin, Texas 78730
ATTN: Chief Executive Officer

1. The undersigned hereby elects to convert the attached Warrant into shares of the Stock (the "***Shares***") of Savara Inc. pursuant to Section 2(b) of such Warrant, which conversion shall be effected pursuant to the terms of the attached Warrant.

2. Please issue a certificate or certificates representing the Shares in the name of the undersigned or in such other name as is specified below:

_____
(Print Name)

Address: _____

_____

3. *Investment Representations*. With respect to the acquisition of any of the Shares, the undersigned hereby represents and warrants to the Company as follows:

(a) *Purchase Entirely for Own Account*. The undersigned confirms that the Shares are being acquired for the account of the undersigned, not as a nominee or agent, for investment only and not with a view to the resale or distribution of any part thereof, and that the undersigned has no present intention of selling, granting any participation in, or otherwise distributing the same. The undersigned further represents that the he, she or it does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person with respect to any of the Shares.

(b) *Reliance upon Undersigned's Representations*. The undersigned understands that the Shares have not been, and will not be, registered under the Securities Act of 1933, as amended (the "***Securities Act***") by reason of a specific exemption from the registration provisions of the Securities Act, and that the Company's reliance on such exemption is predicated on the undersigned's representations set forth herein.

(c) *Investment Experience; Economic Risk.* The undersigned understands that the Company has a limited financial and operating history and that an investment in the Company involves substantial risks. The undersigned is experienced in evaluating and investing in private placement transactions of securities of companies in a similar stage of development to that of the

Company and acknowledges that the undersigned is able to fend for himself, herself or itself. The undersigned has such knowledge and experience in financial and business matters that the undersigned is capable of evaluating the merits and risks of the investment in the Shares. The undersigned can bear the economic risk of the undersigned's investment and is able, without impairing the undersigned's financial condition, to hold the Shares for an indefinite period of time and to suffer a complete loss of the undersigned's investment.

(d) *Accredited Investor Status*. The undersigned is an "accredited investor" within the meaning of Regulation D, Rule 501(a), promulgated under the Securities Act. If other than an individual, the undersigned also represents that it has not been organized for the purpose of acquiring the Shares.

(e) *Representations by Foreign Investor*. If the undersigned is not a United States person, such undersigned hereby represents that such he, she or it has satisfied himself, herself or itself as to the full observance of the laws of such undersigned's jurisdiction in connection with any invitation to subscribe for the Shares purchasable hereunder, including (i) the legal requirements within such undersigned's jurisdiction for the purchase of the Shares, (ii) any foreign exchange restrictions applicable to such purchase, (iii) any governmental or other consents that may need to be obtained and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale, or transfer of the Shares purchasable hereunder. Such undersigned's subscription and payment for, and such undersigned's continued beneficial ownership of the Shares, will not violate any applicable securities or other laws of such undersigned's jurisdiction.

(f) *Restricted Securities.* The undersigned understands that the Shares are characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such federal securities laws and applicable regulations such Shares may be resold without registration under the Securities Act only in certain limited circumstances. In this connection, undersigned represents that it is aware of the provisions of Rule 144 promulgated under the Securities Act which permit limited resale of securities purchased in a private placement subject to the satisfaction of certain conditions, including, among other things, the existence of a public market for the securities, the availability of certain current public information about the Company, the resale occurring not less than one year after a party has purchased and paid for the security to be sold, the sale being effected through a "broker's transaction" or in transactions directly with a "market maker" and the number of shares being sold during any three-month period not exceeding specified limitations.

_____ _____

(Date) (Signature)

_____

(Print Name)

Exhibit 4.11

Issue Date:

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SUCH ACT AND QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS, OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE, REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION OR QUALIFICATION IS NOT REQUIRED.

THE SECURITIES REPRESENTED BY THIS INSTRUMENT ARE SUBJECT TO A LOCK-UP PERIOD OF UP TO 180 DAYS FOLLOWING THE EFFECTIVE DATE OF A REGISTRATION STATEMENT OF THE COMPANY FILED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. SUCH LOCK-UP PERIOD IS BINDING ON TRANSFEREES OF THIS INSTRUMENT.

SAVARA INC.

STOCK PURCHASE WARRANT
(EXERCISABLE ONLY UPON AN EXERCISE EVENT)

THIS CERTIFIES that (the "***Holder***") is entitled, upon the terms and subject to the conditions set forth in this Warrant (this "***Warrant***"), but in any event expressly conditioned on the consummation of, but not prior to, the Exercise Event (as defined below) occurring on or prior to the Expiration Date (as defined below), but not thereafter, to subscribe for and purchase from Savara Inc., a Delaware corporation (the "***Company***"), shares of Preferred Stock (as defined below), subject to adjustment as set forth in UUSection 11UU (the "***Shares***"). This Warrant is one of the "Warrants" (the "***Bridge Warrants***") issued in connection with the issuance of a series of subordinated convertible promissory notes (collectively the "***Notes***" and each a "***Note***") by the Company to raise interim financing initially of up to $5,000,000, with up to an additional $10,000,000, subject to approval at the discretion of the Company's Board of Directors.

The following is a statement of the rights of the Holder of this Warrant and the conditions to which this Warrant is subject, to which the Holder, by the acceptance of this Warrant, agrees:

1. ***Definitions***.

(a) "***Change of Control***" shall mean (x) the acquisition of the Company by means of any transaction or series of related transactions, including, without limitation, any stock purchase transaction, merger, consolidation or other form of reorganization in which outstanding shares of the Company are exchanged for securities or other consideration issued, or caused to be issued, by the acquiring entity or its subsidiary, but excluding (i) any transaction effected solely for the purpose of

changing the Company's jurisdiction of incorporation and (ii) the sale by the Company of shares of its capital stock to investors in bona fide equity financing transactions or in an IPO (as defined below), *unless* securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the surviving or acquiring entity or its direct or indirect parent entity are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the Company's stockholders of record as constituted immediately prior to such transaction or series of related transactions and (y) a sale of all or substantially all of the assets of the Company in a single transaction or series of related transactions. The Company shall provide notice to the Holder at least ten (10) days prior to the closing of a Change of Control.

(b) "***Common Stock***" shall mean the Company's common stock, $0.001 par value per share.

(c) "***Exercise Event***" means the earliest to occur of a Change in Control, IPO or Regulation A Offering.

(d) "***Exercise Price***" means $5.2605, subject to adjustment as set forth in Section 11.

(e) "***Expiration Date***" means the earliest to occur of (i) the close of business on June 30, 2021, (ii) the date on which the first Change of Control (as defined below) (or the "effective time" if such a time is specified in connection with the transaction constituting such Change of Control), (iii) the date that is 360 days following the closing of an IPO (as defined below) (or the "effective time" if such a time is specified in connection with the IPO), or (iv) the date that is 360 days following the date on which the Company's Common Stock is Listed for Trading.

(f) "***IPO***" shall mean the Company's first firm commitment underwritten public offering of its Common Stock or other securities pursuant to an effective registration statement on Form S-1 (or a successor form) under the Securities Act of 1933, as amended (the "***Securities Act***"), covering the offer and sale of Common Stock; or the listing of the Company's Common Stock for trading on (A) any tier of any U.S. national securities exchange (e.g., NYSE, NYSE MKT, or Nasdaq Global Select, Global or Capital Markets, as each of the same may hereafter be designated), or (B) any other exchange, trading platform or quotation system, including the AIM (a market operated by the London Stock Exchange in the United Kingdom), foreign stock exchanges (e.g. TSX), or over-the-counter markets, that in each such case, the Board of Directors of the Company, in its discretion, believes would be expected to provide for an active trading market for the Company's capital stock (the occurrence of trading of the Company's Common Stock pursuant to (A) or (B) is referred to herein as "***Listed for Trading***").

(g) "***Preferred Stock***" shall mean the Series C Preferred Stock and any other stock into or for which the Series C Preferred Stock may be converted or exchanged, and upon and after the occurrence of an event which results in the automatic or voluntary conversion, redemption or retirement of all (but not less than all) of the outstanding shares of such Preferred Stock, including without limitation, the consummation of an IPO in which such conversion occurs, then from and after the date upon which such outstanding shares are so converted, redeemed or retired, "Preferred Stock" shall mean such Common Stock.

(h) "***Regulation A Offering***" means the next offering to occur that is exempt from the registration requirements of the Securities Act pursuant to Regulation A (as amended) of the Securities Act (including, without limitation, a mini-IPO as provided for in Title IV (commonly known as Regulation A+) of the United States Jumpstart Our Business Startups (JOBS) Act).

(i) "***Restated Certificate***" means the Company's Fifth Amended and Restated Certificate of Incorporation, as amended, modified or amended and restated from time to time.

(j) "***Securities***" shall mean this Warrant, the Shares issuable upon exercise of this Warrant, and the shares of Common Stock issuable upon conversion of the Shares issuable upon exercise of this Warrant.

(k) "***Series C Preferred Stock***" shall means shares of the Company's Series C Preferred Stock, par value $0.001 per share.

(i) "***Shares***" shall have the meaning set forth in the first paragraph of this Warrant.

2. ***Exercise of Warrant.***

(a) The purchase rights represented by this Warrant are exercisable by the Holder, in whole or in part, only upon an Exercise Event, by the surrender of this Warrant and the Notice of Exercise annexed hereto duly executed at the principal executive office of the Company (or such other office or agency of the Company as it may designate by notice in writing to the Holder at the address of the Holder appearing on the books of the Company), and upon payment of the Exercise Price of the Shares thereby purchased (by cash or by check or bank draft payable to the order of the Company); whereupon the Holder shall be entitled to receive a certificate for the number of Shares so purchased; provided that if the exercise is to occur following the IPO or pursuant to Section 2(b) below, the Shares shall be deemed converted and issued as Common Stock if the Preferred Stock underlying the Warrant has not already been converted to Common Stock. The Company agrees that if at the time of the surrender of this Warrant and purchase of the Shares, the Holder shall be entitled to exercise this Warrant, the Shares so purchased shall be and be deemed to be issued to the Holder as the record owner of such Shares as of, and conditioned upon, the closing of the applicable Exercise Event.

(b) In lieu of exercising this Warrant by payment of cash or check pursuant to subsection (a) above, upon (and only upon) a Change of Control, an IPO or when the Company's Common Stock has been Listed for Trading, as applicable, the Holder may elect to receive Shares equal to the value of the Warrant (based upon the value of the Shares or the portion thereof being exercised), at any time after the date hereof and before the close of business on the Expiration Date, by surrender of this Warrant at the principal executive office of the Company, together with the Notice of Conversion annexed hereto, in which event the Company will issue (or shall be deemed to have issued) to the Holder immediately prior to, and conditioned upon, the closing of the Change of Control or IPO, as applicable, Shares in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

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

Y = the number of Shares for which the Warrant is being exercised;

A = the fair market value of one Share; and

B = the Exercise Price.

For purposes of this UUSection 2(b)UU, the fair market value of a Share shall be determined in the manner set forth in the Restated Certificate, or if there is no provision specifying such determination of value, then the fair market value shall be determined as follows

(i) if the exercise is conditioned upon a Change in Control, then the fair market value shall be the value received in such Change in Control by the holders of the securities as to which purchase rights under this Warrant exist;

(ii) if the exercise is conditioned upon the Company's IPO, and if the Company's registration statement relating to such IPO has been declared effective by the Securities and Exchange Commission, then the fair market value shall be the initial "Price to Public" specified in the final prospectus with respect to the IPO; or

(iii) If the exercise is following the IPO and/or when the Company's Common Stock is Listed for Trading, then:

(A) if the securities are traded on a securities exchange, the value of the securities shall be deemed to be the average of the closing prices of the securities on such exchange over the ten (10) trading day period ending three (3) trading days prior to the distribution;

(B) if the securities are actively traded over-the-counter, the value of the securities shall be deemed to be the average of the closing or bid prices (whichever is applicable) over the ten (10) trading day period ending three (3) trading days prior to the distribution; and

(C) if there is no active public market, the value shall be the fair market value thereof, as determined in good faith by the Board of Directors of the Corporation.

For the purposes of this Section 2(b)(iii), "trading day" shall mean any day which the exchange or system on which the securities to be distributed are traded is open and "closing prices" or "closing bid prices" shall be deemed to be: (i) for securities traded primarily on the New York Stock Exchange, the American Stock Exchange or the Nasdaq Stock Market, the last reported trade price or sale price, as the case may be, at 4:00 p.m., New York time, on that day and (ii) for securities listed or traded on other exchanges, markets and systems, the market price as of the end of the regular hours trading period that is generally accepted as such for such exchange, market or system. If, after the date hereof, the benchmark times generally accepted in the securities industry for determining the market price of a

stock as of a given trading day shall change from those set forth above, the fair market value shall be determined as of such other generally accepted benchmark times. The method of valuation of securities subject to investment letter or other restrictions on free marketability (other than restrictions arising solely by virtue of a stockholder's status as an affiliate or former affiliate) shall be valued at an appropriate discount from the value determined as provided in Section 2(b)(iii)(A) or Section2(b)(iii)(B) above to reflect the approximate fair market value thereof, as determined in good faith by the Board of Directors.

3. ***Conditional Election***. The exercise or conversion of this Warrant in connection with an Exercise Event may, at the election of the Holder, be conditioned upon the closing of the applicable Exercise Event, in which event the Holder shall not be deemed to have exercised or converted such Warrant until immediately prior to the closing of such Exercise Event.

4. ***Nonassessable***. The Company covenants that all Shares which may be issued upon the exercise of rights represented by this Warrant will, upon exercise of the rights represented by this Warrant, be validly issued, fully paid and nonassessable and free from all taxes, liens and charges in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue). Certificates for Shares purchased hereunder shall be delivered to the Holder within a reasonable time after the date on which this Warrant shall have been exercised as aforesaid.

5. ***Stockholder Agreements***. In connection with any exercise of this Warrant, the Holder agrees that the Shares (and any shares of Common Stock issued or issuable upon conversion thereof) shall become subject to the rights and obligations under the Company stockholder agreements to which Holder is subject at such time with respect to the class of shares issued upon exercise hereof.

6. ***No Fractional Shares or Scrip***. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. With respect to any fraction of a share called for upon the exercise of this Warrant, an amount equal to such fraction multiplied by the then current price at which each Share may be purchased hereunder shall be paid in cash to the Holder.

7. ***Charges, Taxes and Expenses***. Issuance of certificates for Shares upon the exercise of this Warrant shall be made without charge to the Holder hereof for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder.

8. ***No Rights as Stockholder***. This Warrant does not entitle the Holder to any voting rights or other rights as a stockholder of the Company prior to the exercise hereof.

9. ***Loss, Theft, Destruction or Mutilation of Warrant***. On receipt of evidence 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 satisfactory in form and substance to the Company or, in the case of mutilation, on surrender and cancellation of this Warrant, the Company at its expense shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor and amount.

10. ***Saturdays, Sundays, Holidays, etc***. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday, a Sunday or a legal holiday, then such action may be taken or such right may be exercised on the next succeeding day not a Saturday, Sunday or legal holiday.

11. ***Adjustments***. The Exercise Price and the number of Shares purchasable hereunder are subject to adjustment from time to time as set forth in this Section 11.

(a) ***Reclassification, etc***. If the Company, at any time while this Warrant, or any portion hereof, remains outstanding and unexpired by reclassification of securities or otherwise, shall change any of the securities as to which purchase rights under this Warrant exist into the same or a different number of securities or any other class or classes, this Warrant shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities that were subject to the purchase rights under this Warrant immediately prior to such reclassification or other change and the Exercise Price therefor shall be appropriately adjusted, all subject to further adjustment as provided in this Section 11.

(b) ***Subdivision or Combination of Shares***. In the event that the Company shall at any time subdivide the outstanding securities as to which purchase rights under this Warrant exist, or shall issue a stock dividend on the securities as to which purchase rights under this Warrant exist, the number of securities as to which purchase rights under this Warrant exist immediately prior to such subdivision or to the issuance of such stock dividend shall be proportionately increased, and the Exercise Price shall be proportionately decreased, and in the event that the Company shall at any time combine the outstanding securities as to which purchase rights under this Warrant exist, the number of securities as to which purchase rights under this Warrant exist immediately prior to such combination shall be proportionately decreased, and the Exercise Price shall be proportionately increased, effective at the close of business on the date of such subdivision, stock dividend or combination, as the case may be.

(c) ***Cash Distributions***. No adjustment on account of cash dividends or interest on the securities as to which purchase rights under this Warrant exist will be made to the Exercise Price under this Warrant.

12. ***Restrictions on Transferability of Securities***.

(a) ***Restrictions on Transferability***. The Securities shall not be sold, assigned, transferred or pledged except upon the conditions specified in this Section 12.

(b) ***Restrictive Legend***. Each certificate representing the Securities and any other securities issued in respect of the Securities upon any stock split, stock dividend, recapitalization, merger, consolidation or similar event, shall (unless otherwise permitted by the provisions of Section 12(c)) be stamped or otherwise imprinted with a legend in the following form (in addition to any legend required under applicable state securities laws):

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SUCH ACT AND QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS, OR UNLESS THE CORPORATION HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE, REASONABLY SATISFACTORY TO THE CORPORATION AND ITS COUNSEL, THAT SUCH REGISTRATION OR QUALIFICATION IS NOT REQUIRED.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A LOCK-UP PERIOD OF UP TO 180 DAYS FOLLOWING THE EFFECTIVE DATE OF A REGISTRATION STATEMENT OF THE COMPANY FILED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AS SET FORTH IN THAT CERTAIN STOCK PURCHASE WARRANT BETWEEN THE CORPORATION AND THE ORIGINAL HOLDER OF THESE SECURITIES, A COPY OF WHICH MAY BE OBTAINED AT THE CORPORATION'S PRINCIPAL OFFICE. SUCH LOCK-UP PERIOD IS BINDING ON TRANSFEREES OF THESE SECURITIES.

Each holder of Securities and each subsequent transferee consents to the Company making a notation on its records and giving instructions to any transfer agent of the Securities in order to implement the restrictions on transfer established in this Section 12.

(c) ***Notice of Proposed Transfers***. Each holder of a warrant or stock certificate, as the case may be, representing the Securities, by acceptance thereof, agrees to comply in all respects with the provisions of this Section 12(c). Such holder agrees not to make any disposition of all or any portion of the Securities unless and until (X) there is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement or (Y) such holder shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and if reasonably requested by the Company, such holder shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company that such disposition will not require registration of such shares under the Securities Act. Notwithstanding the foregoing, the prior written approval of the Company shall not necessary for any assignment or transfer of Securities from a Holder to an assignee that (i) is a subsidiary, parent, member, partner, limited partner, retired partner, grantor or shareholder of a Holder, (ii) an investment fund managed by a Holder or the directors, officers, partners or members of such Holder, or (iii) is a Holder's family member or trust for the benefit of an individual Holder *provided* that: (a) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the Securities being assigned; and (b) such transferee or assignee agrees in writing to be bound by and subject to the terms and conditions of this Warrant if this Warrant is still outstanding.

13. ***Investment Representations of the Holder***. With respect to the acquisition of any of the Securities, the Holder hereby represents and warrants to the Company as follows:

(a) ***Purchase Entirely for Own Account***. This Warrant is made with the Holder in reliance upon the Holder's representation to the Company, which by the Holder's execution of this Warrant the Holder hereby confirms, that the Securities will be acquired for investment for the Holder's own account, not as a nominee or agent, and not with a view to the resale or distribution of

any part thereof, and that the Holder has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Warrant, the Holder further represents that the Holder does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person with respect to any of the Securities.

(b) ***Reliance upon Holders' Representations***. The Holder understands that the Securities have not been, and will not be, registered under the Securities Act by reason of a specific exemption from the registration provisions of the Securities Act, and that the Company's reliance on such exemption is predicated on the Holder's representations set forth herein.

(c) ***Investment Experience; Economic Risk***. The Holder understands that the Company has a limited financial and operating history and that an investment in the Company involves substantial risks. The Holder is experienced in evaluating and investing in private placement transactions of securities of companies in a similar stage of development to that of the Company and acknowledges that the Holder is able to fend for himself, herself or itself. The Holder has such knowledge and experience in financial and business matters that the Holder is capable of evaluating the merits and risks of the investment in the Securities. The Holder can bear the economic risk of the Holder's investment and is able, without impairing the Holder's financial condition, to hold the Securities for an indefinite period of time and to suffer a complete loss of the Holder's investment.

(d) ***Accredited Investor Status***. The Holder is an "accredited investor" within the meaning of Regulation D, Rule 501(a), promulgated under the Securities Act. If other than an individual, the Holder also represents that it has not been organized for the purpose of acquiring the Securities.

(e) ***Representations by Foreign Holder***. If Holder is not a United States person, such Holder hereby represents that such Holder has satisfied himself, herself or itself as to the full observance of the laws of such Holder's jurisdiction in connection with any invitation to subscribe for the Securities purchasable hereunder, including (i) the legal requirements within such Holder's jurisdiction for the purchase of the Securities, (ii) any foreign exchange restrictions applicable to such purchase, (iii) any governmental or other consents that may need to be obtained and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale, or transfer of the Securities purchasable hereunder. Such Holder's subscription and payment for, and such Holder's continued beneficial ownership of the Securities purchasable hereunder, will not violate any applicable securities or other laws of such Holder's jurisdiction.

(f) ***Restricted Securities***. The Holder understands that the Securities are characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such federal securities laws and applicable regulations such Securities may be resold without registration under the Securities Act only in certain limited circumstances. In this connection, Holder represents that it is aware of the provisions of Rule 144 promulgated under the Securities Act which permit limited resale of securities purchased in a private placement subject to the satisfaction of certain conditions, including, among other things, the existence of a public market for the securities, the availability of certain current public information about the Company, the resale occurring not less than one year after a party has purchased and paid for the security to be sold, the sale being effected through a "broker's transaction" or in transactions directly with a "market maker" and the number of shares being sold during any three-month period not exceeding specified limitations.

(g) ***Disqualification Events***. Neither the Holder nor, to the extent it has them, any of its shareholders, members, managers, general or limited partners, directors, affiliates or executive officers (collectively with the Holder, the "***Holder Covered Persons***"), are subject to any of the "bad actor" disqualifications described in Securities Act Rule 506(d)(1)(i) to (viii) (a "***Disqualification Event***"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3) and that has been disclosed in writing to the Company. The Holder has exercised reasonable care to determine whether any Holder Covered Person is subject to a Disqualification Event. The purchase of the Shares by the Holder will not subject the Company to any Disqualification Event.

(h) ***Regulation S Representations and Restrictions***. If the Holder's address set forth on the signature page to this Note is an address located outside of the United States, the Holder makes the following additional representations, warranties and agreements:

(i) Holder is not a U.S. Person as defined in Rule 902(k) of Regulation S under the 1933 Act. The offer and sale of the Securities to such Holder was made in an offshore transaction (as defined in Rule 902(h) of Regulation S). To the actual knowledge of the Holder, no directed selling efforts (as defined in Rule 902(c) of Regulation S) were made in the United States with respect to the Securities. The Holder is not acquiring the Securities for the account or benefit of any U.S. Person;

(ii) Holder will not, during the Restricted Period applicable to the Securities set forth in the legend set forth below (the "***Restricted Period***") and to any certificate representing the Shares, offer or sell any of the foregoing securities (or create or maintain any derivative position equivalent thereto) in the United States, to or for the account or benefit of a U.S. Person or other than in accordance with Regulation S; and

(iii) Holder will, after the expiration of the applicable Restricted Period, offer, sell, pledge or otherwise transfer the Securities (or create or maintain any derivative position equivalent thereto) only pursuant to registration under the 1933 Act or any available exemption therefrom and, in any case, in accordance with applicable state securities laws. Holder acknowledges and agrees that the Company shall not register the transfer of this Warrant or the Shares issuable upon exercise of this Warrant in violation of these restrictions. Holder acknowledges and agrees that the certificates evidencing the Shares issuable upon conversion of this Warrant will bear the legend set forth below (in addition to any other legend required by applicable federal, state or foreign securities laws or provided in any other agreement with the Company):

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, AND THE COMPANY DOES NOT INTEND TO REGISTER THEM PRIOR TO THE ONE YEAR ANNIVERSARY OF THE ISSUANCE DATE OF SUCH SHARES (THE "ANNIVERSARY DATE"), THE SHARES MAY NOT BE OFFERED OR SOLD

(INCLUDING OPENING A SHORT POSITION IN SUCH SECURITIES) IN THE UNITED STATES OR TO U.S. PERSONS AS DEFINED BY RULE 902(k) ADOPTED UNDER THE ACT, OTHER THAN TO DISTRIBUTORS, UNLESS THE SHARES ARE REGISTERED UNDER THE ACT, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT IS AVAILABLE. HOLDERS OF SHARES PRIOR TO THE ANNIVERSARY DATE, MAY RESELL SUCH SHARES ONLY PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT OR OTHERWISE IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S OF THE ACT, OR IN TRANSACTIONS EFFECTED OUTSIDE OF THE UNITED STATES PROVIDED THEY DO NOT SOLICIT (AND NO ONE ACTING ON THEIR BEHALF SOLICITS) HOLDERS IN THE UNITED STATES OR OTHERWISE ENGAGE(s) IN SELLING EFFORTS IN THE UNITED STATES AND PROVIDED THAT HEDGING TRANSACTIONS INVOLVING THESE SECURITIES MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE ACT. A HOLDER OF THE SECURITIES WHO IS A DISTRIBUTOR, DEALER, SUB UNDERWRITER OR OTHER SECURITIES PROFESSIONAL, IN ADDITION, CANNOT PRIOR TO THE ANNIVERSARY DATE RESELL THE SECURITIES TO A U.S. PERSON AS DEFINED BY RULE 902(k) OF REGULATION S UNLESS THE SECURITIES ARE REGISTERED UNDER THE ACT OR AN EXEMPTION FROM REGISTRATION UNDER THE ACT IS AVAILABLE."

14. ***Market Standoff***. Holder agrees to be bound (and shall cause any transferee of this Warrant to be bound) by the "Market Stand-off Agreements" provisions set forth in Section 2.11 of the Fourth Amended and Restated Investors' Rights Agreement by and between the Company and the signatories thereto, as may be amended from time to time.

15. ***Notices***. In the event (i) the Company shall take a record of the holders of the securities at the time receivable upon the exercise of this Warrant for the purpose of entitling them to receive any dividend or other distribution, or any right to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right, (ii) of any capital reorganization of the Company, (iii) of any reclassification of the capital stock of the Company, or (iv) of any voluntary dissolution, liquidation or winding-up of the Company, then, and in each such case, the Company will mail or cause to be mailed to the Holder a notice specifying, as the case may be, (A) the date on which a record is to be taken for the purpose of such dividend, distribution or right, and stating the amount and character of such dividend, distribution or right, or (B) the date on which such reorganization, reclassification, dissolution, liquidation or winding-up is to take place, and the time, if any is to be fixed, as of which the holders of the securities at the time receivable upon the exercise of this Warrant shall be entitled to exchange such securities for the securities or other property deliverable upon such reorganization, reclassification, dissolution, liquidation or winding-up. Such notice shall be given at least ten (10) days prior to the date therein specified.

16. ***Miscellaneous***.

(a) ***Governing Law***. THIS AGREEMENT SHALL BE GOVERNED IN ALL RESPECTS BY THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO CONFLICT OF LAWS RULES.

(b) ***Waivers and Amendments***. This Warrant and the obligations of the Company and the rights of the Holder under this Warrant may be amended, waived, discharged or terminated (either generally or in a particular instance, either retroactively or prospectively and either for a specified period of time or indefinitely) with the written consent of the Company (which shall not be required in connection with a waiver of rights in favor of the Company) and the holders holding a majority-in-interest of the shares (on an as-converted to Common Stock basis) issuable with respect to all Bridge Warrants then outstanding; *provided*, *however*, that no such amendment or waiver shall reduce the number of Shares represented by this Warrant without the consent of the Holder hereof; and *provided further*, however, that nothing shall prevent the Holder from individually agreeing to waive the observation of any term of this Warrant. Any amendment, waiver discharge or termination effected in accordance with this Section 16(b) shall be binding upon the Company, the Holder, and except pursuant to a waiver by an individual holder of another Warrant pursuant to the final proviso in the immediately preceding sentence, each other holder of Warrants.

(c) ***Assignment***. This Warrant may be assigned or transferred by the Holder only with the prior written approval of the Company. Notwithstanding the foregoing, the prior written approval of the Company shall not be necessary for any assignment or transfer from a Holder to an assignee that (i) is a subsidiary, parent, member, partner, limited partner, retired partner, grantor or shareholder of a Holder, (ii) is an investment fund managed by a Holder or the directors, officers, partners or members of such Holder, or (iii) is a Holder's family member or trust for the benefit of an individual Holder *provided* that: (a) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee; and (b) such transferee or assignee agrees in writing to be bound by and subject to the terms and conditions of this Warrant. This Warrant shall be binding upon any successors or assigns of the Company.

(d) ***Notices***. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, by commercial delivery service, mailed by registered or certified mail (return receipt requested), sent via facsimile (with confirmation of receipt) or electronic mail to the parties at the address for each party as set forth on the signature page hereto (or at such other address for a party as such party may designate pursuant to this Section 16(d)).

Notice given by personal delivery, courier service or mail shall be effective upon actual receipt. Notice given by facsimile shall be effective upon actual receipt if received during the recipients normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours. All notices by facsimile shall be confirmed by the sender promptly after transmission via certified mail or personal delivery. Any party may change any address to which notice is to be given to it by giving notice as provided above or such change of address.

An electronic communication ("***Electronic Notice***") shall be deemed written notice for purposes of this Section 16(d) if sent with return receipt requested to the electronic mail address specified by the receiving party in a signed writing in a nonelectronic form. Electronic Notice shall be deemed received at the time the party sending Electronic Notice receives verification of receipt by the receiving party. Any party receiving Electronic Notice may request and shall be entitled to receive the notice on paper, in a nonelectronic form ("***Nonelectronic Notice***") which shall be sent to the requesting party within ten (10) days of receipt of the written request for Nonelectronic Notice. This Warrant may be executed in any number of counterparts, each of which shall be enforceable, and all of which together shall constitute one instrument.

(e) ***Counterparts***. This Warrant may be executed in any number of counterparts, each of which shall be enforceable, and all of which together shall constitute one instrument.

(f) ***Delays or Omissions***. No delay or omission to exercise any right, power, or remedy accruing to the Holder, upon any breach or default of the Company under this Warrant shall impair any such right, power, or remedy of the Holder nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default therefore or thereafter occurring. Any waiver, permit, consent, or approval of any kind or character on the part of the Holder of any breach or default under this Warrant or any waiver on the part of the Holder of any provisions or conditions of this Warrant must be made in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Warrant or by law or otherwise afforded to the Holder, shall be cumulative and not alternative.

(g) ***Titles and Subtitles***. The titles of the paragraphs and subparagraphs of this Warrant are for convenience of reference only and are not to be considered in construing this Warrant.

(h) ***Lost Warrants or Stock Certificates***. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction, or mutilation of any Warrant or stock certificate and, in the case of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company, or in the case of any such mutilation upon surrender and cancellation of such Warrant or stock certificate, the Company at its expense will make and deliver a new Warrant or stock certificate, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant or stock certificate provided, however, that, if the Company's stock is publicly traded, the Company may require the posting of a bond in an amount and nature as is customary and reasonable given the circumstances.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized.

SAVARA INC.

By: _____

Name:
Title:

ACCEPTED AND AGREED:

_____

Name of Investor or Entity "Holder"

By: _____

Name of Signer: _____

Title: _____

(Only for entity based investors e.g. trustee)

Date: _____

NOTICE OF EXERCISE

TO: Savara Inc.
900 S. Capital of TX HWY, STE 150
Austin, Texas 78746
ATTN: Chief Executive Officer

1. The undersigned hereby elects to purchase shares of the Stock (the "***Shares***") of Savara Inc. (the "***Company***") pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price in full.

2. Please issue a certificate or certificates representing the Shares in the name of the undersigned or in such other name as is specified below:

_____
(Print Name)

Address: _____

_____

3. *Investment Representations*. With respect to the acquisition of any of the Shares, the undersigned hereby represents and warrants to the Company as follows:

(a) *Purchase Entirely for Own Account*. The undersigned confirms that the Shares are being acquired for the account of the undersigned, not as a nominee or agent, for investment only and not with a view to the resale or distribution of any part thereof, and that the undersigned has no present intention of selling, granting any participation in, or otherwise distributing the same. The undersigned further represents that the he, she or it does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person with respect to any of the Shares.

(b) *Reliance upon Undersigned's Representations*. The undersigned understands that the Shares have not been, and will not be, registered under the Securities Act of 1933, as amended (the "***Securities Act***") by reason of a specific exemption from the registration provisions of the Securities Act, and that the Company's reliance on such exemption is predicated on the undersigned's representations set forth herein.

(c) *Investment Experience; Economic Risk.* The undersigned understands that the Company has a limited financial and operating history and that an investment in the Company involves substantial risks. The undersigned is experienced in evaluating and investing in private placement transactions of securities of companies in a similar stage of development to that of the

Company and acknowledges that the undersigned is able to fend for himself, herself or itself. The undersigned has such knowledge and experience in financial and business matters that the undersigned is capable of evaluating the merits and risks of the investment in the Shares. The undersigned can bear the economic risk of the undersigned's investment and is able, without impairing the undersigned's financial condition, to hold the Shares for an indefinite period of time and to suffer a complete loss of the undersigned's investment.

(d) *Accredited Investor Status*. The undersigned is an "accredited investor" within the meaning of Regulation D, Rule 501(a), promulgated under the Securities Act. If other than an individual, the undersigned also represents that it has not been organized for the purpose of acquiring the Shares.

(e) *Representations by Foreign Investor*. If the undersigned is not a United States person, such undersigned hereby represents that such he, she or it has satisfied himself, herself or itself as to the full observance of the laws of such undersigned's jurisdiction in connection with any invitation to subscribe for the Shares purchasable hereunder, including (i) the legal requirements within such undersigned's jurisdiction for the purchase of the Shares, (ii) any foreign exchange restrictions applicable to such purchase, (iii) any governmental or other consents that may need to be obtained and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale, or transfer of the Shares purchasable hereunder. Such undersigned's subscription and payment for, and such undersigned's continued beneficial ownership of the Shares, will not violate any applicable securities or other laws of such undersigned's jurisdiction.

(f) *Regulation S Representations and Restrictions*. With respect to the acquisition of any of the Shares, the undersigned hereby represents and warrants to the Company that the representations and warranties contained in Section 13(h) of the attached Warrant shall be true and correct in all respects on and as of the date below with the same effect as though such representations and warranties had been made on and as of the date below.

(g) *Restricted Securities.* The undersigned understands that the Shares are characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such federal securities laws and applicable regulations such Shares may be resold without registration under the Securities Act only in certain limited circumstances. In this connection, undersigned represents that it is aware of the provisions of Rule 144 promulgated under the Securities Act which permit limited resale of securities purchased in a private placement subject to the satisfaction of certain conditions, including, among other things, the existence of a public market for the securities, the availability of certain current public information about the Company, the resale occurring not less than one year after a party has purchased and paid for the security to be sold, the sale being effected through a "broker's transaction" or in transactions directly with a "market maker" and the number of shares being sold during any three-month period not exceeding specified limitations.

[Signature Page to Follow]

Acknowledged and Agreed:

(Date)

(Holder Name)

(Signature)

(Print Name)

(Title if signing of behalf of an entity)

Address*:

Facsimile #:

Email:

* Please indicate address for notice purposes.

NOTICE OF CONVERSION

TO: Savara Inc.
900 S. Capital of TX HWY, STE 150
Austin, Texas 78746
ATTN: Chief Executive Officer

1. The undersigned hereby elects to convert the attached Warrant into shares of the Stock (the "***Shares***") of Savara Inc. pursuant to Section 2(b) of such Warrant, which conversion shall be effected pursuant to the terms of the attached Warrant.

2. Please issue a certificate or certificates representing the Shares in the name of the undersigned or in such other name as is specified below:

_____
(Print Name)

Address: _____

_____

3. *Investment Representations*. With respect to the acquisition of any of the Shares, the undersigned hereby represents and warrants to the Company as follows:

(a) *Purchase Entirely for Own Account*. The undersigned confirms that the Shares are being acquired for the account of the undersigned, not as a nominee or agent, for investment only and not with a view to the resale or distribution of any part thereof, and that the undersigned has no present intention of selling, granting any participation in, or otherwise distributing the same. The undersigned further represents that the he, she or it does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person with respect to any of the Shares.

(b) *Reliance upon Undersigned's Representations*. The undersigned understands that the Shares have not been, and will not be, registered under the Securities Act of 1933, as amended (the "***Securities Act***") by reason of a specific exemption from the registration provisions of the Securities Act, and that the Company's reliance on such exemption is predicated on the undersigned's representations set forth herein.

(c) *Investment Experience; Economic Risk.* The undersigned understands that the Company has a limited financial and operating history and that an investment in the Company involves substantial risks. The undersigned is experienced in evaluating and investing in private placement transactions of securities of companies in a similar stage of development to that of the

Company and acknowledges that the undersigned is able to fend for himself, herself or itself. The undersigned has such knowledge and experience in financial and business matters that the undersigned is capable of evaluating the merits and risks of the investment in the Shares. The undersigned can bear the economic risk of the undersigned's investment and is able, without impairing the undersigned's financial condition, to hold the Shares for an indefinite period of time and to suffer a complete loss of the undersigned's investment.

(d) *Accredited Investor Status*. The undersigned is an "accredited investor" within the meaning of Regulation D, Rule 501(a), promulgated under the Securities Act. If other than an individual, the undersigned also represents that it has not been organized for the purpose of acquiring the Shares.

(e) *Representations by Foreign Investor*. If the undersigned is not a United States person, such undersigned hereby represents that such he, she or it has satisfied himself, herself or itself as to the full observance of the laws of such undersigned's jurisdiction in connection with any invitation to subscribe for the Shares purchasable hereunder, including (i) the legal requirements within such undersigned's jurisdiction for the purchase of the Shares, (ii) any foreign exchange restrictions applicable to such purchase, (iii) any governmental or other consents that may need to be obtained and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale, or transfer of the Shares purchasable hereunder. Such undersigned's subscription and payment for, and such undersigned's continued beneficial ownership of the Shares, will not violate any applicable securities or other laws of such undersigned's jurisdiction.

(f) *Regulation S Representations and Restrictions*. With respect to the acquisition of any of the Shares, the undersigned hereby represents and warrants to the Company that the representations and warranties contained in Section 13(h) of the attached Warrant shall be true and correct in all respects on and as of the date below with the same effect as though such representations and warranties had been made on and as of the date below.

(g) *Restricted Securities.* The undersigned understands that the Shares are characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such federal securities laws and applicable regulations such Shares may be resold without registration under the Securities Act only in certain limited circumstances. In this connection, undersigned represents that it is aware of the provisions of Rule 144 promulgated under the Securities Act which permit limited resale of securities purchased in a private placement subject to the satisfaction of certain conditions, including, among other things, the existence of a public market for the securities, the availability of certain current public information about the Company, the resale occurring not less than one year after a party has purchased and paid for the security to be sold, the sale being effected through a "broker's transaction" or in transactions directly with a "market maker" and the number of shares being sold during any three-month period not exceeding specified limitations.

Acknowledged and Agreed:

(Date)

(Holder Name)

(Signature)

(Print Name)

(Title if signing of behalf of an entity)

Address*:

Facsimile #:

Email:

* Please indicate address for notice purposes.

Exhibit 10.50

MAST THERAPEUTICS, INC.
NOTICE OF GRANT OF RESTRICTED STOCK UNITS

The Awardee has been granted an award of Restricted Stock Units (the *"**Award**"*) pursuant to the Mast Therapeutics, Inc. 2015 Omnibus Incentive Plan (the *"**Plan**"*), each of which represents the right to receive on the applicable Settlement Date one (1) Share common stock of Mast Therapeutics, Inc. (the *"**Company**"*), as follows:

Awardee:	_____
Grant Approval Date:	January 17, 2017
Number of Restricted Stock Units:	_____, subject to adjustment as provided by the Restricted Stock Units Agreement.
Settlement Date:	For each Restricted Stock Unit, except as otherwise provided by the Restricted Stock Units Agreement, the first date that is administratively practicable following the date on which such unit becomes a Vested Unit (if any) in accordance with the vesting schedule set forth below; but no later than March 15th of the calendar year following the calendar year in which the Restricted Stock Units become Vested Units.
Vested Units:	Except as provided by the Restricted Stock Units Agreement and provided that the Awardee's service has not terminated prior to the consummation of the Merger (as defined in the Restricted Stock Units Agreement), the Number of Restricted Stock Units shall become Vested Units as follows: The Award shall become one hundred percent (100%) vested and non-forfeitable upon the occurrence of all the following events, with vesting occurring on the date that the last of such events occurs; provided that all such events occur on or before July 6, 2017: • The consummation of the Merger on or before July 6, 2017; and • Awardee executing and not revoking a release of claims in a form satisfactory to the Company taking into account the effect of this Award, the Merger, and any change, if any, in the Awardee's service relationship with the Company which release must become effective in accordance with its terms no later than sixty (60) days following the consummation of the Merger.[1]

By their signatures below or by electronic acceptance or authentication in a form authorized by the Company, the Company and the Awardee agree that the Award is governed by this Grant Notice and by the provisions of the Plan and the Restricted Stock Units Agreement, both of which are made a part of this document. The Awardee acknowledges that copies of the Plan, Restricted Stock Units Agreement, and the prospectus for the Plan have been made available to the Awardee.

In addition, Awardee agrees that in accordance with the determination made by the Company's Board of Directors, all of the Awardee's outstanding stock options previously granted under the Plan (which are also listed as an attachment to this Grant Notice) shall be cancelled immediately prior to, but contingent upon, the consummation of the Merger and that such stock options shall cease to be exercisable as of such date. In addition, Awardee also waives any right to accelerated vesting with respect to such stock options regardless of any provision in any

[1] Notices of Grant to Mast's non-employee directors do not include this general release requirement.

agreement or plan to the contrary. [Further, Awardee agrees that this Award shall not be subject to the terms of the Executive Severance Agreement dated March 23, 2016][2]. Thus, the Awardee shall not be entitled to this Award, which shall not be treated as having been granted, until this Agreement is executed. The Awardee represents that the Awardee has read and is familiar with the provisions of the Plan and Restricted Stock Units Agreement, and hereby accepts the Award subject to all of their terms and conditions. Failure by the Awarded to execute this Grant Notice on or before January 27, 2017 shall result in this Award being null and void.

MAST THERAPUETICS, INC.	AWARDEE
By: _____	_____
	Signature
Its: _____	_____
	Date
	_____
	Address
Address: 3611 Valley Centre Drive Suite 500 San Diego, CA 92130	_____

ATTACHMENTS: Restricted Stock Units Agreement; 2015 Omnibus Incentive Plan, as amended to the Grant Date; Plan Prospectus; List of Awardee's outstanding stock options

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2 Included only in Notices of Grant to Mast's executive officers.

MAST THERAPEUTICS INC.
RESTRICTED STOCK UNITS AGREEMENT

Mast Therapeutics, Inc. ("**Mast**" or the "**Company**") has granted to the Awardee named in the *Notice of Grant of Restricted Stock Units* (the "***Grant Notice***") to which this Restricted Stock Units Agreement (the "***Agreement***") is attached an Award consisting of Restricted Stock Units (the "***Units***") subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to and shall in all respects be subject to the terms conditions of the Mast Therapeutics, Inc. 2015 Omnibus Incentive Plan (the "***Plan***"), as amended to the Grant Date attached as Exhibit A, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Awardee: (a) acknowledges receipt of and represents that the Awardee has read and is familiar with the Grant Notice, this Agreement, the Plan and a prospectus for the Plan prepared in connection with the registration with the Securities and Exchange Commission of the shares issuable pursuant to the Award (the "***Plan Prospectus***"), (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Company's Board of Directors or its delegatee(s) (collectively, the "***Board***") upon any questions arising under the Grant Notice, this Agreement or the Plan.

1. **DEFINITIONS AND CONSTRUCTION.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned in the Grant Notice or the Plan. In addition, the term "Merger" shall mean the transaction contemplated by that certain Agreement and Plan of Merger and Reorganization (the "***Merger Agreement***"), by and among Mast, Savara Inc. ("***Savara***") and Victoria Merger Corp., a Delaware corporation and wholly-owned subsidiary of Mast (the "***Merger Sub***"), pursuant to which, among other things, Mast would acquire all shares of Savara's capital stock through the exchange of such shares for shares of common stock of Mast resulting in Mast's stockholders collectively owning approximately 24%, and Savara's stockholders collectively owing approximately 76%, of the combined company on a pro-forma basis, subject to adjustment based on the Mast's net cash balance and Mast's and Savara's capitalization at closing, and, upon the terms and conditions set forth in the Merger Agreement, Merger Sub would be merged with and into Savara (the "***Merger***"), with Savara, as the surviving entity in the Merger, becoming a wholly-owned subsidiary of Mast.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

2. **ADMINISTRATION.**

All questions of interpretation concerning the Grant Notice, this Agreement and the Plan shall be determined by the Board. All such determinations shall be final and binding upon all persons having an interest in the Award as provided by the Plan. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent or actual authority with respect to such matter, right, obligation, or election.

3. **THE AWARD.**

3.1 **Grant of Units.** On the Grant Date, the Awardee shall acquire, subject to the provisions of this Agreement, the Number of Restricted Stock Units set forth in the Grant Notice, subject to adjustment as provided in Section 9 of this Agreement. Each Unit represents a right to receive on a date determined in accordance with the Grant Notice and this Agreement one (1) Share.

3.2 **No Monetary Payment Required.** The Awardee is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Units or Shares issued upon settlement of the Units, the consideration for which shall be past services actually rendered and/or future services to be rendered to the Company or an affiliate. Notwithstanding the foregoing, if required by applicable state corporate law, the Awardee shall furnish consideration in the form of cash or past services rendered having a value not less than the par value of the Shares issued upon settlement of the Units.

4. **VESTING OF UNITS**.

The Units shall vest and become Vested Units as provided in the Grant Notice.

5. **COMPANY REACQUISITION RIGHT.**

5.1 **Grant of Company Reacquisition Right.** Except to the extent otherwise provided in an employment agreement between the Company or an Affiliate and the Awardee, in the event that the Awardee's Service terminates for any reason or no reason, with or without cause prior to the consummation of the Merger, the Awardee shall forfeit and the Company shall automatically reacquire all Units which are not, as of the time of such termination, Vested Units (***"Unvested Units")***, and the Awardee shall not be entitled to any payment therefor (the ***"Company Reacquisition Right"***). In addition, if the Merger is not consummated on or before July 6, 2017, then the Award shall be forfeited and the Awardee shall not become entitled to any compensation under this Agreement.

5.2 **Dividends, Distributions and Adjustments.** Upon a dividend or distribution to the stockholders of the Company paid in shares of Stock or other property, or any other adjustment upon a change in the capital structure of the Company as described in Section 10.2 of the Plan, any and all new, substituted or additional securities or other property (other than regular, periodic dividends paid on Shares pursuant to the Company's dividend policy) to which the Awardee is entitled by reason of the Awardee's ownership of Unvested Units shall be immediately subject to the Company Reacquisition Right and included in the terms "Units" and "Unvested Units" for all purposes of the Company Reacquisition Right with the same force and effect as the Unvested Units immediately prior to the dividend, distribution or adjustment, as the case may be. For purposes of determining the number of Vested Units following a dividend, distribution or adjustment, credited Service shall include all service with the Company or an Affiliate at the time the service is rendered.

6. **SETTLEMENT OF THE AWARD.**

6.1 **Issuance of Shares.** Subject to the provisions of Section 6.3 of this Agreement, the Company shall issue to the Awardee on the settlement date with respect to each Vested Unit to be settled on such date one (1) Share. Shares issued in settlement of Units shall not be subject to any restriction on transfer other than any such restriction as may be required pursuant to Section 6.3 of this Agreement, Section 7 of this Agreement, other applicable laws, insider trading policies or any agreement between the Awardee and the Company applicable to the Shares (collectively, "***Share Sale Restrictions***").

6.2 **Beneficial Ownership of Shares; Certificate Registration.** The Awardee hereby authorizes the Company, in its sole discretion, to deposit for the benefit of the Awardee with the broker designated by the Company with which the Awardee has an account, any or all Shares acquired by the Awardee pursuant to the settlement of the Award. Except as provided by the preceding sentence, a certificate for the Shares as to which the Award is settled shall be registered in the name of the Awardee, or, if applicable, in the names of the heirs of the Awardee.

6.3 **Restrictions on Grant of the Award and Issuance of Shares.** The grant of the Award and issuance of Shares upon settlement of the Award shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No Shares may be issued hereunder if the issuance of such Shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Shares may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares subject to the Award shall relieve the Company of any liability in respect of the failure to issue such Shares as to which such requisite authority shall not have been obtained. As a condition to the settlement of the Award, the Company may require the Awardee to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

6.4 **Fractional Shares.** The Company shall not be required to issue fractional Shares upon the settlement of the Award.

7. **TAX WITHHOLDING.**

7.1 **In General.** At the time the Grant Notice is executed, or at any time thereafter as requested by the Company, the Awardee hereby authorizes withholding from payroll and any other amounts payable to the Awardee, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax (including any social insurance) withholding obligations of the Company and its affiliates, if any, which arise in connection with the Award, the vesting of Units or the issuance of Shares in settlement thereof. The Company shall have no obligation to deliver shares of Stock until such tax withholding obligations of the Company have been satisfied by the Awardee.

7.2 **Assignment of Sale Proceeds; Payment of Tax Withholding by Check.** Subject to compliance with applicable law and any Share Sale Restrictions, the Company may permit the Awardee to satisfy the tax withholding obligations in accordance with procedures established by the Company providing for either (i) delivery by the Awardee to the Company or a broker approved by the Company of properly executed instructions, in a form approved by the Company, providing for the assignment to the Company of the proceeds of a sale with respect to some or all of the Shares being acquired upon settlement of Units, or (ii) payment by check.

7.3 **Withholding in Shares.** The Company may require, or permit, the Awardee to satisfy all or any portion of the Company's or Affiliate's tax withholding obligations by deducting from the Shares otherwise deliverable to the Awardee in settlement of the Award a number of whole Shares having a fair market value, as determined by the Company as of the date on which the tax withholding obligations arise, not in excess of the amount of such tax withholding obligations determined by the applicable minimum statutory withholding rates.

8. **EFFECT OF CHANGE IN CONTROL ON AWARD.**

In the event of a Change in Control, except to the extent that the Board determines to cash out the Award, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "***Acquiror***"), may, without the consent of the Awardee, assume or continue the Company's rights and obligations with respect to all or any portion of the outstanding Units or substitute for all or any portion of the outstanding Units substantially equivalent rights with respect to the Acquiror's stock. For purposes of this Section, a Unit shall be deemed assumed if, following the Change in Control, the Unit confers the right to receive, subject to the terms and conditions of the Plan and this Agreement, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a Share on the effective date of the Change in Control was entitled; provided, however, that if such consideration is not solely common stock of the Acquiror, the Board may, with the consent of the Acquiror, provide for the consideration to be received upon settlement of the Unit to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Share pursuant to the Change in Control.

9. **ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE.**

Subject to any required action by the stockholders of the Company and the requirements of Section 409A of the Code to the extent applicable, in the event of any change in the Shares effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Shares (excepting normal cash dividends) that has a material effect on the Fair Market Value of Shares, appropriate and proportionate adjustments shall be made in the number of Units subject to the Award and/or the number and kind of shares to be issued in settlement of the Award, in order to prevent dilution or enlargement of the Awardee's rights under the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." Any fractional Share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Board, and its determination shall be final, binding and conclusive.

10. **RIGHTS AS A STOCKHOLDER OR EMPLOYEE.**

The Awardee shall have no rights as a stockholder with respect to any Shares which may be issued in settlement of this Award until the date of the issuance of a certificate for such Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate is issued, except as provided in Section 9 of this Agreement. If the Awardee is an Employee, the Awardee understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between the Company or an Affiliate and the Awardee, the Awardee's employment is "at will" and is for no specified term. Nothing in this Agreement shall confer upon the Awardee any right to continue in the service of the Company or an Affiliate or interfere in any way with any right to terminate the Awardee's service at any time.

11. **LEGENDS.**

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing Shares issued pursuant to this Agreement. The Awardee shall, at the request of the Company, promptly present to the Company any and all certificates representing Shares acquired pursuant to this Award in the possession of the Awardee in order to carry out the provisions of this Section.

12. **MISCELLANEOUS PROVISIONS.**

12.1 **Termination or Amendment.** The Board may terminate or amend the Plan or this Agreement at any time; provided, however, that except as provided in Section 8 of this Agreement in connection with a Change in Control, no such termination or amendment may adversely affect the Awardee's rights under this Agreement without the consent of the Awardee unless such termination or amendment is necessary to comply with applicable law or government regulation, including, but not limited to, Section 409A. No amendment or addition to this Agreement shall be effective unless in writing.

12.2 **Nontransferability of the Award.** Prior to the issuance of Shares on the applicable Settlement Date, neither this Award nor any Units subject to this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Awardee or the Awardee's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Awardee's lifetime only by the Awardee or the Awardee's guardian or legal representative.

12.3 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

12.4 **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Awardee and the Awardee's heirs, executors, administrators, successors and assigns.

12.5 **Delivery of Documents and Notices.** Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Awardee by the Company or any Affiliate, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address shown below that party's signature to the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Awardee electronically. In addition, the Awardee may deliver electronically the Grant Notice to the Company or to such third party involved

in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the Internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Awardee acknowledges that the Awardee has read Section 12.5(a) of this Agreement and consents to the electronic delivery of the Plan documents and Grant Notice, as described in Section 12.5(a). The Awardee acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Awardee by contacting the Company by telephone or in writing. The Awardee further acknowledges that the Awardee will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Awardee understands that the Awardee must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Awardee may revoke his or her consent to the electronic delivery of documents described in Section 12.5(a) or may change the electronic mail address to which such documents are to be delivered (if Awardee has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Awardee understands that he or she is not required to consent to electronic delivery of documents described in Section 12.5(a).

12.6 **Integrated Agreement.** The Grant Notice, this Agreement and the Plan, together with any employment, service or other agreement between the Awardee and the Company or an Affiliate referring to the Award, shall constitute the entire understanding and agreement of the Awardee and the Company or an Affiliate with respect to the subject matter contained herein or therein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Awardee and the Company or an Affiliate with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of the Grant Notice, this Agreement and the Plan shall survive any settlement of the Award and shall remain in full force and effect.

12.7 **Applicable Law.** This Agreement shall be governed by the laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within the State of California.

12.8 **Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SAVARA, INC.
STOCK OPTION PLAN

Effective Date: February 15, 2008
Approved by Stockholders: July 31, 2008

SAVARA, INC. STOCK OPTION PLAN

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SAVARA, INC. STOCK OPTION PLAN

INTRODUCTION

The purpose of the Savara, Inc. Stock Option Plan (the "Plan") is to further the growth and development of Savara, Inc., a Delaware corporation, by affording an opportunity for stock ownership to selected Employees, Consultants and Directors of the Company who are responsible for the conduct and management of its business or who are involved in endeavors significant to its success. The Plan is also intended to (a) assist the Company in attracting new Employees, Consultants and Directors and retaining individuals; (b) optimize the profitability and growth of the Company through incentives that are consistent with the Company's goals; (c) provide incentives for excellence in individual performance; and (d) promote teamwork.

ARTICLE 1.
DEFINITIONS

When used in this Plan, the following capitalized terms shall have the meanings set forth below unless a different meaning is plainly required by the context:

1.1 ***Award*** means the grant of Nonqualified Stock Options, Incentive Stock Options or other grant under the Plan. More than one Award may be granted to an eligible Employee, Consultant or Directors.

1.2 ***Award Agreement*** means either (a) an agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award granted under the Plan, or (b) a written or electronic statement issued by the Company to a Participant setting forth the terms and provisions applicable to such Award. The terms of any Award Agreement need not be identical to the terms of any other Award Agreement applicable to other grants under the Plan to the same or other Participants. No Award shall be issued under the Plan until the Participant satisfies the conditions, if any, described in that Award Agreement for acceptance of the Award.

1.3 ***Board of Directors*** means the Board of Directors of the Company.

1.4 ***Capitalization Adjustment*** has the meaning ascribed to that term in Section 3.3.

1.5 ***Cause*** means "Cause," as defined in the Participant's employment agreement, if applicable, or if the Participant has not entered into an employment agreement with the Company, as determined in the sole and absolute discretion of the Company, a termination on account of dishonesty, fraud, misconduct, unauthorized use or disclosure of confidential information or trade secrets or conviction or confession of a crime punishable by law (except minor violations), in each such case as determined by the Plan Administrator, and its determination shall be conclusive and binding. A Participant who agrees to resign from his or her affiliation with the Company in lieu of being terminated for Cause may be deemed to have been terminated for Cause for purposes of the Plan.

1.6 ***Change in Control*** means the date on which one of the following, each referred to as a "Change in Control Event," shall have occurred with respect to the Employer; provided that a Change in Control shall not include (i) any consolidation or merger effected exclusively to change the domicile or form of entity of the Company, or (ii) any transaction or series of transactions in which voting securities of the Company are issued principally for bona fide financing purposes in which cash is received by the Company or any successor or indebtedness or equity securities of the Company are canceled or converted or a combination thereof:

(a) a third person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, becomes the beneficial owner of shares of Employer having 50% or more of the total number of votes that may be cast for the election of members of the Board; or

(b) the stockholder(s) of Employer approve: (i) any agreement for a merger or consolidation of Employer with another entity, provided that there shall be no change of control if the persons and entities who were the stockholders of Employer immediately before such merger or consolidation continue to own, directly or indirectly, at least a majority of the outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the voting securities of Employer outstanding immediately before such merger or consolidation; or (ii) any sale, exchange or other disposition of all or substantially all of Employer's assets; or

(c) any sale, exchange or other disposition of greater than substantially all of Employer' s assets, other than in the ordinary course of business, whether in a single transaction or a series of related transactions.

Employer's reasonable determination as to whether any such event under this section a. has occurred shall be final and conclusive. A Change in Control shall not occur with respect to Participant if, in advance of such event, the Participant agrees in writing that such event shall not constitute a Change in Control.

1.7 ***Code*** means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

1.8 ***Common Stock or Stock*** means the Company's common stock (par value $.001 per share) and any share or shares of the Company's capital stock hereafter issued or issuable in substitution for such shares.

1.9 ***Company*** means Savara, Inc.

1.10 ***Consultant*** means a consultant, agent, advisor or independent contractor who provides service to the Company and who does not receive wages subject to income tax federal withholding under Code Section 3401; provided, however, that such person renders bona fide services that are not in connection with the offer and sale of the Company's securities in a capital raising transaction and does not directly or indirectly promote or maintain a market for the Company's securities. ***Consultant*** does not include Directors who are not compensated by the Company for services as Directors, and the payment of a Director's fee by the Company for services as a Director shall not cause a Director to be considered a ***Consultant*** for purposes of the Plan.

1.11 ***Continuous Service*** means that the Participant's service with the Company is not interrupted or terminated. The Participant's Continuous Service shall not be deemed to have been interrupted or terminated because of a change in the capacity in which the Participant renders service to the Company from an Employee to an independent contractor or a member of the Company's board of directors. The Plan Administrator, in its sole discretion, may determine whether Continuous Service shall be considered interrupted in any circumstance, including (but not limited to) in the case of any leave of absence, including sick leave, military leave or any other personal leave; provided that any leave that exceeds six months shall be deemed to be a termination of Continuous Service.

1.12 ***Director*** means a member of the Board of Directors.

1.13 ***Disability*** means the earliest date that a Participant is determined to be disabled pursuant to (a) the long-term disability policy maintained by the Company; (b) a determination by the Social Security Administration, or (c) within the meaning of Code Section 22(e)(3).

1.14 ***Effective Date*** means the effective date of the Plan as set forth on the title page.

1.15 ***Employee*** means a common law employee of the Company and any person who has accepted a binding offer of employment from the Company, but excludes any individual classified by the Company as an independent contractor or leased employee.

1.16 ***Exchange Act*** means the Securities Exchange Act of 1934, as amended from time to time.

1.17 ***Fair Market Value*** means the value of the Common Stock, determined in accordance with the following:

(a) *Publicly Traded*. If the Common Stock is readily tradable on any established stock exchange (including without limitation the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market), the OTC Bulletin Board or otherwise over-the-counter (including without limitation the Pink Sheets), then the Fair Market Value per share shall be deemed to be the average of the "high" and "low" sales prices (or bid and ask prices, if sales prices are not reported) for the Common Stock for the preceding five trading days as reported for the principal trading market for the Common Stock. If there is no volume in the Common Stock in any of such five trading days, then the sales prices (or bids) shall be those sales prices (or bids) on the preceding trading day in which there was volume in the Common Stock.

(b) *Not Publicly Traded*. If the Common Stock is not readily tradable on an established stock exchange as determined in accordance with subsection (a), the Fair Market Value per share shall be deemed to be an amount as determined in good faith by the Plan Administrator by applying any reasonable valuation method, which may be an independent third party evaluation; provided, that any such determination shall be made in compliance with the regulations under Code Section 409A. Factors to be considered in establishing Fair Market Value shall include as applicable: the value of tangible and intangible assets of the corporation, the present value of anticipated future cash flows of the corporation, the market value of stock or equity interests in similar corporations and other entities engaged in trades or businesses substantially similar to those engaged in by the corporation the stock of which is to be valued, the value of which can be readily determined through nondiscretionary, objective means (such as through trading prices on an established securities market or an amount paid in an arm's length private transaction), recent arm's length transactions involving the sale or transfer of such stock or equity interests, and other relevant factors such as control premiums or discounts for lack of marketability and whether the valuation method is used for other purposes that have a material economic effect on the service recipient, its stockholders, or its creditors. The use of a valuation method shall take into consideration all available information material to the value of the Company at the time of the grant of the Award and the Fair Market Value shall be established not longer than 12 months prior to the date of the grant of the Award. In making its determination regarding Fair Market Value, to the extent that the Company is considered a "start-up corporation" under Code Section 409A, the Plan Administrator may rely on a written report that takes into account the above factors and is produced by a person that the Plan Administrator reasonably determines is qualified to perform the valuation based on such person's significant knowledge, experience, education or training.

1.18 ***Incentive Stock Option*** means any option granted to an eligible Employee under the Plan, which the Company intends at the time the option is granted to be an Incentive Stock Option within the meaning of Code Section 422. Incentive Stock Options may not be granted to non-Employee Consultants and Directors.

1.19 ***Nonqualified Stock Option*** means any option granted to an eligible Employee, Consultant or Director under the Plan that is not an Incentive Stock Option.

1.20 ***Option*** means and refers collectively to Incentive Stock Options and Nonqualified Stock Options.

1.21 ***Participant*** means any Employee, Consultant or Director who is granted an Award under the Plan and any such individual whose Award remains outstanding following the cessation of that relationship with the Company. Participant also means the personal representative of a Participant and any other person who acquires the right to exercise or receive payment pursuant to an Award by bequest or inheritance.

1.22 ***Plan Administrator*** means the body that is responsible for the administration of the Plan, as determined pursuant to Section 2.1.

1.23 ***Reorganization*** means any one of the following events:

(a) the merger or consolidation of the Company (but only if the Company is not the surviving corporation or if the Company becomes a subsidiary of another corporation) or the acquisition of its assets or stock pursuant to a non-taxable reorganization;

(b) the dissolution or liquidation of the Company;

(c) the appointment of a receiver for all or substantially all of the Company's assets or business;

(d) the appointment of a trustee for the Company after a petition has been filed for the Company's reorganization under applicable statutes; or

(e) the sale, lease, or exchange of all or substantially all of the Company's assets and business.

1.24 ***Rule 16b-3*** means Rule 16b-3 promulgated by the Securities Exchange Commission under the Exchange Act, together with any successor rule, as in effect from time to time.

1.25 ***Stock Restriction Agreement*** means an agreement placing certain restrictions upon the Participant's right to transfer shares, including without limitation the creation of an irrevocable right of first refusal upon the transfer of shares in favor of the Company and its designees and provisions requiring the Participant to transfer the shares to the Company or the Company's designees upon a termination of employment, as described in Section **Error! Reference source not found.**.

ARTICLE 2.
ADMINISTRATION

2.1 **PLAN ADMINISTRATOR**. The Plan shall be administered by the Board of Directors, unless and until such time as the Board of Directors delegates the administration of the Plan to a committee, which shall be appointed by and shall serve at the pleasure of the Board of Directors. The powers, duties and procedures of any appointed committee shall be governed by its adopted charter, or in the absence of such charter, by this Article 2 Any committee member shall be deemed to have resigned automatically from the committee upon his or her termination of service with the Company. To the extent the Board considers it desirable for transactions relating to a grant of Options to be eligible to qualify for an exemption under Rule 16b-3, the Plan Administrator shall consist of the Board of Directors or a committee of two or more Directors of the Company, all of whom qualify as "non-employee directors" within the meaning of Rule 16b-3. To the extent the Board considers it desirable for compensation delivered pursuant to a grant of Options to be eligible to qualify for an exemption under Code Section 162(m), the Plan Administrator shall consist of a committee of two or more Directors of the Company, all of whom qualify as "outside directors" within the meaning of Code Section 162(m). The Board may from time to time remove members from or add members to any such committee; fill vacancies on the committee, howsoever caused; and otherwise increase or decrease the number of members of such committee.

2.2 **MEETINGS AND ACTION**. The Plan Administrator shall hold meetings at such times and places as it may determine. A majority of the members of the Plan Administrator shall constitute a quorum, and the acts of the majority of the members present at a meeting or a consent in writing signed by all members of the Plan Administrator shall be the acts of the Plan Administrator and shall be final, binding and conclusive upon all persons, including the Company, its stockholders, and all persons having any interest in Awards that may be or have been granted pursuant to the Plan.

2.3 **POWERS OF PLAN ADMINISTRATION**. The Plan Administrator shall have the full and exclusive right to grant and determine terms and conditions of all Awards granted under the Plan, to determine satisfaction of any conditions applicable to Awards, to amend or waive the provisions of any Award, and to prescribe, amend and rescind rules and regulations for administration of the Plan. In selecting Participants and granting Awards, the Plan Administrator shall take into consideration the contribution the Participant has made or may make to the success of the Company and such other factors as the Plan Administrator shall determine.

2.4 **INTERPRETATION OF PLAN**. The Plan Administrator may correct any defect, supply any omission, or reconcile any inconsistency in the Plan or in any agreement entered into hereunder. The determination of the Plan Administrator as to any disputed question arising under the Plan, including questions of construction and interpretation, shall be final, binding and conclusive upon all persons, including the Company, its stockholders, and all persons having any interest in Awards that may be or have been granted pursuant to the Plan.

2.5 **INDEMNIFICATION**. Each person who is or shall have been a member of the Plan Administrator or of the Board of Directors shall be indemnified and held harmless by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred in connection with or resulting from any claim, action, suit or proceeding to which such person may be a party or in which such person may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid in settlement thereof, provided that the Company approved such settlement (which approval shall not be unreasonably withheld), or paid in satisfaction of a judgment in any such action, suit or proceeding. The foregoing right of indemnification shall not be exclusive of, and is in addition to, any other rights of indemnification to which any person may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless. The foregoing right of indemnification shall not apply to any person in his or her capacity as a Participant under the Plan. The Company shall also pay for or reimburse the reasonable expenses incurred by any such member in connection with any such claim, action, suit or proceeding as provided in the Company's articles of incorporation, bylaws or an indemnification or other agreement.

ARTICLE 3.
STOCK SUBJECT TO THE PLAN

3.1 **PLAN LIMIT**. Subject to the provisions of Section 3.3, the aggregate number of shares of Common Stock that may be issued under Awards granted pursuant to the Plan shall not exceed 307,344 shares, subject to the approval by the stockholders of the Company within 12 months of the Effective Date of the Plan with respect to Incentive Stock Options. Shares that may be issued under Awards may consist, in whole or in part, of authorized but unissued stock or treasury stock of the Company not reserved for any other purpose. In addition, if applicable, the Company may use the proceeds received from a Participant upon the exercise of an Option to repurchase shares of Stock in the open market, which shall be available for grant of Awards under the Plan.

3.2 **UNUSED STOCK**. If any outstanding Award under the Plan expires or for any other reason ceases to be exercisable, is forfeited or repurchased by the Company, in whole or in part (other than upon exercise of an Option), the shares that were subject to such Award (and as to which the Award had not been exercised) shall continue to be available under the Plan or revert to the Plan to again be available for issuance under the Plan.

3.3 **ADJUSTMENT FOR CHANGE IN OUTSTANDING SHARES**.

(a) *In General*. If there is any change, increase or decrease, in the outstanding shares of Common Stock that is effected without receipt of additional consideration by the Company, by reason of a stock dividend, subdivision, reclassification, recapitalization, merger, consolidation, stock split, combination or exchange of stock, or other similar circumstances not involving the receipt of consideration by the Company (each a Capitalization Event), then in each such event, the Plan Administrator shall make an appropriate adjustment in the aggregate number and/or kind of shares of Common Stock available under the Plan, the number and/or kind of shares of Common Stock subject to each outstanding Award and/or the Option price in order to prevent the dilution or enlargement of any Participant's rights. In the event of any adjustment in the number or kind of shares of Stock covered by any Award, including those provided in subsection (b), each such Award shall cover only the number of full shares resulting from such adjustment. The Plan Administrator's determinations in making any adjustment shall be final and conclusive.

Subject to the provisions of Article 11, without affecting the number of shares reserved or available hereunder, the Committee may authorize the issuance or assumption of benefits under this Plan in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate, subject to compliance with the rules under Code Section 422 in the case of Incentive Stock Options.

(b) *Adjustments for Certain Distributions of Property*. If the Company at any time distributes with respect to its Common Stock securities or other property (except cash or Common Stock), a proportionate part of those securities or other property shall be set aside and delivered to the Participant when he exercises an Option. The securities or other property shall be in the same ratio to the total securities and property set aside for the Participant as the number of shares of Common Stock with respect to which the Option is then exercised is to the total shares of Common Stock subject to the Award.

(c) *Exceptions to Adjustment*. Except as expressly provided herein, the issue by the Company of shares of Common Stock of any class, or securities convertible into or exchangeable for shares of Common Stock of any class, for cash or property or for labor or services, upon either sale of exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into or exchangeable for shares of Common Stock of any class, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Common Stock subject to any Award granted under the Plan.

3.4 **RETENTION OF RIGHTS** The existence of this Plan and any Award granted pursuant to the Plan shall not affect the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, Reorganization or other change in the Company's capital structure or its business, or a merger or consolidation of the Company, or any issue of bonds, debentures, or preferred or preference stock ranking before or affecting the Common Stock, or the dissolution of the Company or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether similar or not.

3.5 **NO REPRICING OF OPTIONS**. No modifications to reduce the exercise price (repricing) of previously fixed stock option Awards issued under the Plan may be made pursuant to the Plan.

ARTICLE 4.
ELIGIBILITY

All Employees, Consultants and Directors who are responsible for the conduct and management of the business of the Company or who are involved in endeavors significant to the success of the Company, as determined by the Plan Administrator in its sole discretion, shall be eligible to receive an Award under the Plan.

ARTICLE 5.
STOCK OPTIONS

5.1 **GRANT OF OPTIONS**. The Plan Administrator may from time to time in its discretion determine which of the eligible Employees, Consultants and Directors of the Company will receive Options, the type of Options to be granted (whether Incentive Stock Options or Nonqualified Stock Options) the number of shares subject to such Options, and the dates on which such Options are to be granted. No Employee may be granted Incentive Stock Options to the extent that the aggregate Fair Market Value (determined as of the time each Option is granted) of the Common Stock with respect to which any such Options are exercisable for the first time during a calendar year (under all incentive stock option plans of the Company) would exceed

$100,000. To the extent that the limitation set forth in the preceding sentence has been exceeded, the Options that exceed the annual limitation shall be deemed to be Nonqualified Stock Options rather than Incentive Stock Options in accordance with Code Section 422.

5.2 **AWARD AGREEMENT**. Each Option granted under the Plan shall be evidenced by a written Award Agreement setting forth the terms upon which the Option is granted. Each Award Agreement shall designate the type of Options being granted (whether Incentive Stock Options or Nonqualified Stock Options), and shall state the number of shares of Common Stock, as designated by the Plan Administrator, to which that Option pertains. More than one Option, and any combination of Options may be granted to an eligible Employee, Consultant or Director.

(a) *Option Price*. The Option price per share of Common Stock under each Option shall be determined by the Plan Administrator and stated in the Award Agreement. The Option price for all Options granted under the Plan shall not be less than 100% of the Fair Market Value (determined as of the day the Option is granted) of the shares subject to the Option.

(b) *Duration of Options*. Each Option shall be of a duration as specified in the Award Agreement but in no case shall exceed a period of ten (10) years.

(c) *Vesting*. Options shall be subject to the vesting conditions outlined in each individual Award Agreement, which may be waived or accelerated by the Plan Administrator at any time. If no vesting conditions are specified in the Award Agreement, the Option shall vest in accordance with the following schedule:

Period of Participant's Continuous Service from the Grant Date	Percentage of Shares Vested and Exercisable
1 year	25%
2 years	50%
3 years	75%
4 years	100%

(d) *Additional Limitations on Grant for 10% Stockholders*. No Incentive Stock Option shall be granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock (as determined in accordance with Code Section 424(d)) representing more than 10% of the total combined voting power of all classes of stock of the Company, unless the option price of such Incentive Stock Option is at least 110% of the Fair Market Value (determined as of the day the Incentive Stock Option is granted) of the stock subject to the Incentive Stock Option and the Incentive Stock Option by its terms is not exercisable more than five years from the date it is granted.

(e) *Rights as Stockholder*. A Participant shall have no rights as a stockholder of the Company with respect to any shares of Common Stock covered by an Option until the date of the issuance of the stock certificate for such shares.

(f) *Other Terms and Conditions*. The Award Agreement may contain such other provisions, which shall not be inconsistent with the Plan, as the Plan Administrator shall deem appropriate, including, without limitation, provisions that relate to the Participant's ability to exercise an Option in whole or in part to the passage of time or the achievement of specific goals or the occurrence of certain events, as specified by the Plan Administrator.

5.3 **MANNER OF EXERCISE**. Subject to the limitations and conditions of the Plan or the Award Agreement, an Option shall be exercisable, in whole or in part, from time to time, by giving written notice of exercise to the Secretary of the Company, which notice shall specify the number of shares of Common Stock to be purchased and shall be accompanied by (a) payment in full to the Company of the purchase price of the shares to be purchased; plus (b) payment in full of such amount as the Company shall determine to be sufficient to satisfy any liability it may have for any withholding of federal, state or local income or other taxes incurred by reason of the exercise of the Option; (c) representations meeting the requirements of Sections 10.4 and/or 10.5 if requested by the Company; and (d) a Stock Restriction Agreement meeting the requirements of Section 10.6 if requested by the Company. Except as provided in Section 5.4, the conditions of this section shall be satisfied at the time that the Option or any part thereof is exercised, and no shares of Common Stock shall be issued or delivered until such conditions have been satisfied by the Participant.

5.4 **PAYMENT OF OPTION PRICE**. Payment for shares and withholding taxes shall be in the form of either: (a) cash; (b) a certified or Company cashier's check to the order of the Company; (c) shares of the Common Stock, properly endorsed to the Company, in an amount the Fair Market Value of which on the date of receipt by the Company equals or exceeds the aggregate option price of the shares with respect to which the Option is being exercised, provided that such shares have been held outright by the Participant for at least six months; (d) authorization for the Company to retain from the total number of Shares as to which the Option is exercised that number of shares of Common Stock having a Fair Market Value on the date of exercise equal to the exercise price for the total number of Shares as to which the Option is exercised; (e) any other form of legal consideration that may be acceptable to the Plan Administrator; or (f) in any combination thereof. However, no payment may be made in shares of Common Stock under clauses (c), (d) or (f) unless the Plan Administrator has approved of payment in such form by such Participant with respect to the Option exercise in question. Should the Common Stock be registered under Section 12 of the Exchange Act at the time an Option is exercised, and to the extent the option is exercised for vested shares, then payment may also be made through a special sale and remittance procedure pursuant to which the Participant shall concurrently provide irrevocable written instructions (1) to a brokerage firm designated by the Company to effect the immediate sale of the purchased shares and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares plus all applicable withholding taxes, and (2) to the Company to deliver the certificates for the purchased shares directly to such brokerage firm in order to complete the sale. Upon the exercise of any Option, the Company, in its sole discretion, may permit the deferred payment of the purchase price on such terms and conditions as the Company shall specify.

ARTICLE 6.
OTHER AWARDS

With advance Board approval and to the extent consistent with the Company's by-laws, the Plan Administrator may from time to time determine which of the eligible Employees of the Company should receive grants of Common Stock and/or other Awards that are valued in whole or in part by reference to, or are otherwise based upon, Common Stock, including without limitation restricted stock, dividend equivalents, stock appreciation rights, phantom stock, restricted stock units and performance units. Such Awards may be issued alone or in conjunction with other Awards under the Plan. In addition, the Plan Administrator may, from time to time, if consistent with the Company's by-laws and with applicable law that would prohibit the imposition of the constructive receipt of income under Code Section 451, afford a Participant the opportunity to convert the form of Award currently held by the Participant prior to the time such Participant would become vested in such Award. The Plan Administrator, in its sole discretion, may include in any Award any provisions necessary to avoid adverse tax consequences to the Participant under Code Section 409A.

ARTICLE 7.
NONTRANSFERABILITY

Options and other Awards are not transferable by the Participant other than by will or the laws of descent and distribution and shall be exercisable during the Participant's lifetime only by the Participant. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of the Awards contrary to the provisions hereof, or upon the levy of any attachment or similar process upon the Award, the Award shall immediately become null and void.

ARTICLE 8.
TERMINATION OF CONTINUOUS SERVICE

8.1 **CESSATION OF VESTING**. The vesting of any Option shall cease upon termination of the Participant's Continuous Service, and any Option shall be exercisable only to the extent that it was exercisable on the date of such termination of Continuous Service. Any Option not exercisable as of the date of termination, and any Option or portions thereof not exercised within the period specified herein, shall terminate.

8.2 **EXERCISE OF AWARD**.

(a) *Termination by Death or Disability*. Subject to any limitations set forth in the Award Agreement, and provided that the notice of exercise is provided as required by the Plan prior to the expiration of the Option, the Participant (or in the case of the Participant's death, the personal representatives of the Participant's estate or the person or persons who shall have acquired the Option from the Participant by bequest or inheritance) shall be entitled to exercise the vested portion of an Option until the earlier of the date that is twelve (12) months after the date of the Participant's death or the expiration date of the Award.

(b) *Termination Other than for Cause but not by reason of Death or Disability.* Subject to any limitations set forth in the Award Agreement, and provided that the notice of exercise is provided as required by the Plan prior to the expiration of the Option, the Participant (or in the case of the Participant's death, the personal representatives of the Participant's estate or the person or persons who shall have acquired the Option from the Participant by bequest or inheritance) shall be entitled to exercise the vested portion of an Option until the earlier of the date that is three (3) months after the date of the Participant's termination of Continuous Service or the expiration date of the Award.

(c) Termination for Cause; Breach of Covenant Not to Compete or Nondisclosure Agreement. Notwithstanding anything herein to the contrary, and unless otherwise provided by the Award Agreement, all unexercised Options (whether or not vested) granted to the Participant shall terminate immediately if the Participant is terminated for Cause, breaches any obligation under a covenant not to compete with the Company, or breaches any obligation under an agreement not to use or disclose proprietary information obtained from or through the Company, upon such occurrence.

(d) *Extension of Option Termination Date*. The Plan Administrator, in its sole discretion, may extend the termination date of an Option granted under the Plan without regard to the preceding provisions of this section. Such extension may be made in the Award Agreement as originally executed or by amendment to the Award Agreement, either prior to or following termination of a Participant's Continuous Service. However, the Plan Administrator shall have no power to extend the termination date of an Incentive Stock Option beyond the periods provided in this Section 8.2 prior to the termination of the Participant's Continuous Service or without the approval of the Participant, which may be granted or withheld in the Participant's sole discretion. Any extension of the termination date of an Incentive Stock Option may be deemed to be the grant of a new Option for purposes of the Code.

ARTICLE 9.
CHANGE IN CONTROL; REORGANIZATION

9.1 **ACCELERATION OF VESTING, SUBSTITUTION OF AWARDS**. Upon the occurrence of a Change in Control or Reorganization, any surviving corporation or acquiring corporation may assume any outstanding Award under the Plan or shall substitute similar stock awards on an equitable basis of appropriate stock of the Company, or of the surviving corporation or acquiring corporation, which will be issuable in respect of the Common Stock (including an award to acquire the same consideration paid to the stockholders in the Change in Control) for those Awards outstanding under the Plan; provided, however, that if the Awards are not assumed, all outstanding Awards shall become exercisable in full.

9.2 **TERMINATION OF AWARD**. In the event of a Change in Control or Reorganization, if any surviving corporation or acquiring corporation refuses to assume the outstanding Awards or to substitute similar stock awards for those outstanding under the Plan as otherwise provided in this Article 9, then with respect to any Awards held by Participants, the Plan Administrator may, in its sole discretion, (a) provide for their cancellation, forfeiture or purchase of any Award in the plan or agreement governing the Change in Control or Reorganization, such as by the exchange of any unexercised Awards for consideration similar to that received by stockholders of Stock of the Company in the Change in Control or Reorganization, less the exercise price required under such Awards; and/or (b) provide, upon written notice to all Participants holding Awards, that all unexercised Awards must be exercised within a specified number of days of the date of such notice or such Options will terminate. In response to such a notice, a Participant may make an irrevocable election to exercise the Participant's Awards contingent upon and effective as of the effective date of the Change in Control or Reorganization.

ARTICLE 10.
ISSUANCE OF SHARES

10.1 **TRANSFER OF SHARES TO PARTICIPANT**. As soon as practicable after a Participant has given the Company written notice of exercise of an Award and has otherwise met the requirements of the applicable Award Agreement, the Company shall register a certificate in such Participant's name for the number of shares of Common Stock as to which the Option has been exercised and shall, upon the Participant's request, deliver such certificate to the Participant. In no event shall the Company be required to transfer fractional shares to the Participant, and in lieu thereof, the Company may pay an amount in cash equal to the Fair Market Value of such fractional shares on the date of exercise.

10.2 **LEGEND**. All certificates evidencing shares of Common Stock originally issued pursuant to this Plan or subsequently transferred to any person or entity, and any shares of capital stock received in respect thereof, may bear such legends and transfer restrictions as the Company shall deem reasonably necessary or desirable, including, without limitation, legends restricting transfer of the Common Stock until there has been compliance with federal and state securities laws and until the Participant or any other holder of the Common Stock has paid the Company such amounts as may be necessary in order to satisfy any withholding tax liability of the Company.

10.3 **COMPLIANCE WITH LAWS**. If the issuance or transfer of shares, or the removal of restrictions from shares of Common Stock previously delivered pursuant to the Plan, by the Company would for any reason, in the opinion of counsel for the Company, violate any applicable federal, state or local laws or regulations, the Company may delay issuance or transfer of such shares to the Participant or removal of such restrictions until compliance with such laws can reasonably be obtained. Similarly, the Company will not be obligated to deliver shares of Common Stock pursuant to the Plan, or to remove any restrictions from shares of Common Stock previously delivered pursuant to the Plan, if the outstanding Common Stock is at the time of delivery listed on any stock exchange or established trading market until the shares to be delivered have been listed or authorized to be listed on such exchange or

trading market upon official notice of issuance. In no event shall the Company be obligated to effect or obtain any listing, registration, qualification, consent or approval under any applicable federal or state laws or regulations or any contract or agreement to which the Company is a party with respect to the issuance of any such shares. If, after reasonable efforts, the Company is unable to obtain the authority that counsel for the Company deems necessary for the lawful issuance and sale of shares upon exercise or vesting of an Option or Award under the Plan, the Company shall be relieved from any liability for failure to issue and sell shares upon exercise or vesting of an Option or Award unless and until such authority is obtained.

10.4 **INVESTMENT REPRESENTATION**. The Company may require any Participant, as a condition precedent to exercising any Option or otherwise acquiring Common Stock under the Plan, to provide a written representation providing assurances satisfactory to the Company (a) as to the Participant's knowledge and experience in financial and business matters and/or that the Participant has engaged a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters; (b) that the Participant is capable of evaluating, alone or together with the purchaser representative, the merits and risks of acquiring the Common Stock; and (c) that the Participant is acquiring the stock subject to the Award for such person's own account and not with any present intention of selling or otherwise distributing the stock. Such a representation shall not be required if (1) the issuance of the shares pursuant to an Award has been registered under a then currently effective registration statement under the Securities Act, or (2) as to any particular requirement, a determination is made by counsel for the Company that such representation is not required.

10.5 **LOCK-UP AGREEMENT**. Upon demand by the Company, the Participant shall execute and deliver to the Company a representation that, in connection with the first underwritten registered offering of any securities of the Company under the Securities Act of 1933, as amended, the Participant will not sell or otherwise transfer or dispose of any shares of Common Stock held by the Participant (other than those included in the registration) for the 180-day period or such other period specified by the representative of the underwriters prior to and following the effective date of the registration statement of the Company filed under the Act; provided, however, that such agreement shall apply only if all executive officers and Directors of the Company at the time of such initial public offering agree with the representative of the underwriters not to transfer shares of Common Stock owned by them for the same or greater period.

The obligations described in this section shall not apply to a registration solely to employee benefit plans on Form S-8 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said 180-day period.

10.6 **STOCK RESTRICTION AGREEMENT**. Upon demand by the Company, the Participant shall execute and deliver to the Company a Stock Restriction Agreement in such form as the Company may provide at the time of exercise of the Option or any other acquisition of Common Stock under the Plan. Such Agreement may include, without limitation, restrictions upon the Participant's right to transfer shares,

including the creation of an irrevocable right of first refusal in the Company and its designees, and provisions requiring the Participant to transfer the shares to the Company or the Company's designees upon or following a termination of Continuous Service. Upon such demand, execution of the Stock Restriction Agreement by the Participant prior to the transfer or delivery of any shares and prior to the expiration of the Option or other Award period shall be a condition precedent to the right to purchase or acquire such shares, unless such condition is expressly waived in writing by the Company.

ARTICLE 11.
AMENDMENT AND TERMINATION

11.1 **AMENDMENT OF THE PLAN**. The Board of Directors may at any time and from time to time alter, amend, suspend or terminate the Plan or any part thereof as it may deem proper, except that no such action shall diminish or impair the rights under an Award previously granted. Subject to the terms and conditions of the Plan, the Board of Directors may modify, extend or renew outstanding Awards granted under the Plan, or accept the surrender of outstanding Awards in substitution therefor, except that no such action shall diminish or impair the rights under an Award previously granted without the consent of the Participant.

11.2 **TERMINATION OF THE PLAN**. The Plan shall not have any fixed termination date. The Board of Directors may at any time suspend or terminate the Plan. No such suspension or termination shall diminish or impair the rights under an Award previously granted without the consent of the Participant. Notwithstanding the foregoing, no Incentive Stock Options may be granted any time after ten years after the adoption by the Board of any amendment to the Plan that constitutes the adoption of a new plan for purposes of Code Section 422.

ARTICLE 12.
GENERAL PROVISIONS

12.1 **WITHHOLDING OBLIGATIONS**.

(a) *General*. To the extent provided by the terms of an Award Agreement, the Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of Common Stock under an Award by any of the following means (in addition to the right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (i) tendering a cash payment; (ii) if and only if permitted by the Plan Administrator, authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of Common Stock under the Award; provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law (or such lower amount as may be necessary to avoid variable award accounting); or (iii) if and only if permitted by the Plan Administrator, delivering to the Company owned and unencumbered shares of Common Stock.

(b) *Code Section 409A*. To the extent required to avoid penalties under Code Section 409A, the Plan Administrator intends any Award issued under the Plan to comply in all respects with Code Section 409A and related regulations and intends to interpret and administer any Award issued under the Plan in accordance with Code Section 409A. Notwithstanding any provision to the contrary, all taxes associated with participation in the Plan, including any liability imposed under Code Section 409A, shall be borne by the Participant.

(c) *Notice of Disqualifying Disposition of ISO Shares*. If a Participant or a Participant's beneficiary sells or otherwise disposes of any of the Common Stock acquired pursuant to the exercise of an Incentive Stock Option on or before the later of (i) the date two years after the date of grant, or (ii) the date one year after the date of exercise, the Participant (or beneficiary) shall immediately notify the Company in writing of such disposition and may be subject to income tax withholding by the Company on the compensation income.

12.2 **NO EMPLOYMENT RIGHTS**. Nothing contained in this Plan or in any Award granted under the Plan shall confer upon any Participant any right with respect to the continuation of such Participant's Continuous Service by the Company or interfere in any way with the right of the Company, subject to the terms of any separate employment agreement to the contrary, at any time to terminate such Continuous Service or to increase or decrease the compensation of the Participant from the rate in existence at the time of the grant of the Award.

12.3 **OTHER EMPLOYEE BENEFITS**. Unless so provided by the applicable plan, the amount of compensation deemed to be received by a Participant as a result of the exercise of an Award shall not constitute earnings with respect to which any other employee benefits of the person are determined, including without limitation benefits under any pension, profit sharing, life insurance, or disability or other salary continuation plan.

12.4 **CONFIDENTIALITY OF INFORMATION**. Information obtained pursuant to participation in this Plan is confidential and may not be shared by the Participant with anyone other than the Participant's immediate family and personal financial advisor and other person(s) designated by Participant by power of attorney or assignment.

12.5 **SEVERABILITY**. If any provision of this Plan is held by any court or governmental authority to be illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions. Instead, each provision held to be illegal or invalid shall, if possible, be construed and enforced in a manner that will give effect to the terms of such provision to the fullest extent possible while remaining legal and valid.

12.6 **GOVERNING LAW AND VENUE**. This Agreement and the rights and obligations of the parties shall be governed by and construed in accordance with the laws of the State of Kansas, except with respect to matters of law concerning the internal corporate affairs of the Company, to which matters the General Corporation Law of the State

of Delaware shall govern. The parties agree that any action brought by either party to interpret or enforce any provision of this Agreement or of the Plan shall be brought in, and each party agrees to, and does hereby, submit to the jurisdiction and venue of, the appropriate state or federal court for the district encompassing the Company's principal place of business.

12.7 **USE OF PROCEEDS**. Any cash proceeds received by the Company from the sale of shares of Common Stock under the Plan shall be used for general corporate purposes.

Exhibit 10.54

SAVARA INC. STOCK OPTION PLAN
INCENTIVE STOCK OPTION AGREEMENT

OPTIONEE:

DATE OF GRANT:

AGREEMENT between Savara Inc. (the "Company"), and the above named Optionee ("Optionee"), an employee, consultant or director of the Company.

The Company and Optionee agree as follows:

1. **Precedence of Plan**. This Agreement is subject to and shall be construed in accordance with the terms and conditions of the Savara Inc. Stock Option Plan (the "Plan"), as now or hereinafter in effect. Any capitalized terms that are used in this Agreement without being defined and that are defined in the Plan shall have the meaning specified in the Plan.

2. **Grant of Option**. Optionee is hereby granted an Incentive Stock Option (the "Option") to purchase Common Stock of the Company pursuant to the Plan. In the event that Incentive Stock Option treatment is not available, this Option will be taxed as a Nonqualified Stock Option upon exercise. The number of shares as to which the Option is granted, the purchase price per share, and the expiration date of such Option are set forth below:

   Number of Shares Subject to Option:

   Purchase Price per Share:

   Expiration Date:*

   Vesting Date**:

   Exercisability:

* Unless sooner terminated as provided in the Plan, the Option shall expire and terminate on the expiration date, and in no event shall the Option be exercisable after that date.

** Unless vesting is accelerated as provided in the Plan or pursuant to an Addendum approved by the Board of Directors of the Company, the Option shall vest according to this schedule.

3. **Manner of Exercise**. Except as provided in this Agreement, the Option shall be exercisable, in whole or in part, in the manner provided in the Plan.

4. **Time of Exercise**. The Option granted hereby shall be immediately exercisable on the Date of Grant. The Option granted hereby shall become vested in Optionee subject to the vesting schedule above; provided, however, that Optionee must have been in Continuous Service from the date of grant of the Option until the date specified in the vesting schedule or until the conditions specified in the vesting schedule have been satisfied.

5. **[Reserved].**

6. **[Reserved]**.

7. **Stock Restriction Agreement**. Upon exercise of the Option, Optionee shall execute and deliver to the Company a Stock Restriction Agreement in substantially the form attached below as Exhibit A. Execution and delivery of the Stock Restriction Agreement prior to the transfer or delivery of any shares and prior to the expiration of the Option period shall be a condition precedent to the right to purchase such shares.

8. **Lock-Up**. If requested by the Company and the managing underwriter of the Company's initial public offering, Optionee, and all subsequent holders of the shares received under the Option from Optionee, shall not sell or otherwise transfer or dispose of any shares received under the Option or other securities of the Company (excluding securities acquired in the initial public offering or in the public market after such offering) held by Optionee for a period of 180 days following the effective date of the registration statement for the initial public offering or, if required by such managing underwriters, such longer period of time as is necessary to enable such underwriters to issue a research report or make a public appearance that relates to an earnings release or announcement by the Company within eighteen (18) days before or after the date that is one hundred eighty (180) days after the effective date of the registration statement relating to the initial public offering, but in any event not to exceed 210 days following the effective date of the registration statement relating to such offering, and the this provision shall in no event be applicable to any underwritten public offering effected more than two (2) years after the effective date of the Company's initial public offering; provided, that all shareholders of the Company then holding at least 1% of the outstanding Common Stock (on an as-converted basis) and all officers and directors of the Company enter into similar agreements. The Company may impose stop-transfer instructions with respect to the shares received under the Option or other securities subject to the foregoing restriction until the end of such 180-day period. Optionee shall treat any written notice from the Company regarding the Company's plans to file a registration statement confidentially and shall not disclose such information to any person. Any new, substituted or additional securities which are by reason of any Recapitalization or Reorganization distributed with respect to the shares received under this Option shall be immediately subject to this provision, to the same extent the shares received under this Option is at such time covered by such provisions. "Recapitalization" shall mean any of the following transactions affecting the Company's outstanding Common Stock as a class without the Company's receipt of consideration: any stock split, stock dividend, spin-off transaction, extraordinary distribution (whether in cash, securities or other property), recapitalization, combination of shares, exchange of shares or other similar transaction affecting the Common Stock without the Company's receipt of consideration.

9. **Incentive Stock Option Provisions**.

(a) The Option shall cease to qualify for favorable tax treatment as an Incentive Stock Option if (and to the extent) the Option is exercised for one or more Option shares (i) more than three (3) months after the date Optionee ceases to be an employee for any reason other than death or permanent disability; or (ii) more than twelve (12) months after the date Optionee ceases to be an employee by reason of permanent disability.

(b) No installment under this Option shall qualify for favorable tax treatment as an Incentive Stock Option if (and to the extent) the aggregate Fair Market Value (determined at the date of grant) of the Common Stock for which such installment first becomes exercisable hereunder would, when added to the aggregate value (determined as of the respective date or dates of grant) of any earlier installments of the Common Stock and any other securities for which this Option or any other Incentive Stock Options granted to Optionee prior to the date of grant (whether under the Plan or any other option plan of the Company or any Parent or Subsidiary) first become exercisable during the same calendar year, exceed One Hundred Thousand Dollars ($100,000) in the aggregate. Should such One Hundred Thousand Dollar ($100,000) limitation be exceeded in any calendar year, this Option shall nevertheless become exercisable for the excess shares in such calendar year as a Nonqualified Stock Option.

(c) Should Optionee hold, in addition to this Option, one or more other options to purchase Common Stock which become exercisable for the first time in the same calendar year as this Option, then for purposes of the foregoing limitations on the exercisability of such options as Incentive Stock Options, this Option and each of those other options shall be deemed to become first exercisable in that calendar year on the basis of the chronological order in which they were granted, except to the extent otherwise provided under applicable law or regulation.

10. **General Provisions**.

(a) *Withholding*. Optionee shall satisfy its obligation for any federal, state or local taxes required by law to be withheld with respect to the exercise of the Option pursuant to the Plan. The Company's obligation to deliver a certificate representing the Common Stock acquired upon exercise of the Option is subject to the payment by Optionee of any applicable federal, state and local withholding tax.

(b) *Amendment*. Subject to the terms and conditions of the Plan, the Plan Administrator may modify, extend or renew the Option, or accept the surrender of the Option to the extent not theretofore exercised and authorize the granting of new Options in substitution therefore, except that no such action shall diminish or impair the rights under the Option without the consent of Optionee.

(c) *Receipt of Plan*. By entering into this Agreement, Optionee acknowledges (i) that he or she has received and read a copy of the Plan and (ii) that this Agreement is subject to and shall be construed in accordance with the terms and conditions of the Plan, as now or hereinafter in effect.

(d) *Legends*. Certificates representing Common Stock acquired upon exercise of this Option may contain such legends and transfer restrictions as the Company shall deem reasonably necessary or desirable, including, without limitation, legends restricting transfer of the Common Stock until there has been compliance with federal and state securities laws.

(e) *Not an Employment Contract*. This Agreement is not an employment contract and nothing in this Agreement shall be deemed to create in any way whatsoever any obligation on the part of Optionee to remain in the Continuous Service of the Company, or of the Company to continue Optionee in the Continuous Service of the Company.

(f) *Effect on Employee Benefits*. Optionee agrees that the Option will constitute special incentive compensation that will not be taken into account as "salary" or "compensation" or "bonus" in determining the amount of any payment under any pension, retirement, profit sharing or other remuneration plan of the Company unless so provided in such plan.

(g) *Confidentiality of Information*. By entering into this Agreement, Optionee acknowledges that the information regarding the grant of Options contained herein is confidential and may not be shared with anyone other than Optionee's immediate family and personal financial advisor.

(h) *Specific Enforcement*. Because of the unique value of the Common Stock, in addition to any other remedies that the Company may have upon the breach of the agreements contained herein, the obligations of Optionee shall be specifically enforceable.

(i) *Costs of Enforcement*. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party of such litigation, as determined by any court of competent jurisdiction in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any action or proceeding, such costs, expenses and attorneys' fees shall be included as part of the judgment.

(j) *Further Action*. The parties agree to execute such further instruments and to take such further action as reasonably may be necessary to carry out the intent of this Agreement.

(k) *Interpretation*. The interpretations and constructions of any provision of and determinations on any question arising under the Plan or this Agreement shall be made by the Plan Administrator, and all such interpretations, constructions and determinations shall be final and conclusive as to all parties. This Agreement, as issued pursuant to the Plan, constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements, representations and understandings. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision hereof. This Agreement may be executed in counterparts, all of which shall be deemed to be one and the same instrument, and it shall be sufficient for each party to have executed at least one, but not necessarily the same, counterpart. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement in any way.

(l) *Assignment*. This Agreement shall be binding upon the parties and their respective legal representatives, beneficiaries, successors and assigns.

(m) *Notices*. All notices or other communications that are required to be given or may be given to either party pursuant to the terms of this Agreement shall be in writing and shall be delivered personally or by registered or certified mail, postage prepaid, to the address of the parties as set forth following the signature of such party. Notice shall be deemed given on the date of delivery in the case of personal delivery or on the delivery or refusal date as specified on the return receipt in the case of registered or certified mail. Either party may change its address for such communications by giving notice thereof to the other party in conformity with this section.

(n) *Code Section 409A Waiver and Release*. Optionee further agrees to be bound by the terms of the Code Section 409A Waiver and Release attached hereto as Exhibit A.

(o) *Governing Law*. This Agreement and the rights and obligations of the parties shall be governed by and construed in accordance with the laws of the State of Texas, except with respect to matters of law concerning the internal corporate affairs of the Company, to which matters the General Corporation Law of the State of Delaware shall govern. The parties agree that any action brought by either party to interpret or enforce any provision of this Agreement or of the Plan shall be brought in, and each party agrees to, and does hereby, submit to the jurisdiction and venue of, the appropriate state or federal court for the district encompassing the Company's principal place of business.

IN WITNESS WHEREOF, the Company by a duly authorized officer of the Company and Optionee have executed this Agreement on , effective as of the date of grant.

SAVARA INC.

By: _____

Title: _____

900 S. Capital of Texas Hwy. Ste. 150
Austin, Texas 78746

OPTIONEE

_____
Signature

_____
Name

Address: _____
_____

_____

Attachments:

Exhibit A - Code Section 409A Waiver and Release
Exhibit B - Notice of Exercise
Exhibit C - Stock Restriction Agreement
Exhibit D - Questions and Answers about Option Grants
Exhibit E - Savara Inc. Stock Option Plan

EXHIBIT A

CODE SECTION 409A WAIVER AND RELEASE

SAVARA INC.

CODE SECTION 409A WAIVER AND RELEASE

THIS WAIVER AND RELEASE (this "***Waiver***") made as of the day and year set forth below by the undersigned holder of a stock option under the Company's Stock Option Plan.

All capitalized terms in this Waiver not defined herein shall have the meaning assigned to them in the Notice of Grant to which this Waiver is attached or in the Plan.

Optionee hereby agrees and acknowledges that the Company's Board has taken reasonable steps to value the Common Stock and to set the Exercise Price at the Fair Market Value per share of Common Stock on the Grant Date so that the Option will not be treated as an item of deferred compensation subject to Code Section 409A. However, because the Common Stock is not readily tradable on an established securities market, there can be no assurance that the Exercise Price is at least equal to the Fair Market Value per share of Common Stock on the Grant Date. Were the Internal Revenue Service to conclude that the Exercise Price is in fact less than such Fair Market Value and that the Option is accordingly subject to Code Section 409A, then Optionee would be subject the following adverse tax consequences:

(1) As the Option vests in accordance with the Vesting Schedule, Optionee would immediately recognize taxable income for federal income tax purposes equal to the amount by which the Fair Market Value of the Option Shares which vest at that time exceeds the Exercise Price payable for those shares. The Company would also have to collect from Optionee the federal income and employment taxes which must be withheld on that income. Taxation would occur in this manner even though the Option remains unexercised.

(2) Optionee may also be subject to additional income taxation and withholding taxes on any subsequent increases to the Fair Market Value of the Option Shares purchasable under the vested Option until the Option is exercised or cancelled as to those Option Shares.

(3) In addition to normal income taxes payable as the Option vests, Optionee would also be subject to an additional tax penalty equal to 20% of the amount of income Optionee recognizes under Code Section 409A when the Option vests and may also be subject to such penalty as the underlying Option Shares subsequently increase in Fair Market Value over the period the Option continues to remain outstanding.

(4) There will also be interest penalties if the resulting taxes are not paid on a timely basis.

Optionee hereby further agrees and acknowledges that Optionee will incur the same tax consequences, including (without limitation) a second 20% penalty tax, under California income tax laws if Optionee is a resident of the State of California or is otherwise subject to California income taxation. If the Optionee is a resident of any other state, he or she accepts the risk of any unfavorable tax consequences under the laws of that state applicable to options granted with an Exercise Price less than the Fair Market Value of the Option Shares on the Grant Date.

Optionee hereby agrees to bear the entire risk of such adverse federal and state tax consequences in the event the Option is deemed to be subject to Code Section 409A and hereby knowingly and voluntarily, in consideration for the grant of the Option, waives and releases any and all claims or causes of action that Optionee might otherwise have against the Company and/or the Board, officers, employees or stockholders arising from or relating to the tax treatment of the Option under Code Section 409A and the corresponding provisions of any applicable state income tax laws (including, without limitation, California income tax laws) and shall not seek any indemnification or other recovery of damages against the Company and/or the Board, officers, employees or stockholders with respect to any adverse federal and state tax consequences or other related costs and expenses Optionee may in fact incur under Code Section 409A (or the corresponding provisions of state income tax laws) as a result of the Option.

IN WITNESS WHEREOF, the undersigned Optionee has executed this Waiver on the date and year set forth below.

OPTIONEE

Date: _____

Signature: _____

Print Name: _____

Address: _____

EXHIBIT B

SAVARA INC. STOCK OPTION PLAN
NOTICE OF EXERCISE

Savara Inc. Date of Exercise: _____

Dear Sir or Madam:

This constitutes notice under my stock option award agreement that I elect to purchase the number of shares for the price set forth below.

Type of Option (check one):	Incentive ☐	Nonqualified ☐
Stock Option dated:	_____	_____
Number of shares as to which Option is exercised:	_____	_____
Certificates to be issued in name of *: *(if entity other than Optionee, provide proof of transfer)	_____	_____
Total exercise price:	$_____	_____
Cash payment delivered herewith:	$_____	_____
Withheld Shares:	_____	_____

By this exercise, I agree (i) to provide such additional documents as you may require pursuant to the terms of the Savara Inc. Stock Option Plan, (ii) to provide for the payment by me to you (in the manner designated by you) of your withholding obligation, if any, relating to the exercise of this Option, and (iii) if this exercise relates to an incentive stock option, to notify you in writing within fifteen (15) days after the date of any disposition of any shares of Common Stock issued upon exercise of this Option that occurs within two (2) years after the date of grant of this Option or within one (1) year after such shares of Common Stock are issued upon exercise of this Option.

I hereby make the following certifications and representations with respect to the number of shares of Common Stock of the Company listed above (the "Shares"), which are being acquired by me for my own account upon exercise of the Option as set forth above:

I acknowledge that the Shares have not been registered under the Securities Act of 1933, as amended (the "Act"), and are deemed to constitute "restricted securities" under Rule 701 and "control securities" under Rule 144 promulgated under the Act. I warrant and represent to the Company that I have no present intention of distributing or selling said Shares, except as permitted under the Act and any applicable state securities laws;

I further acknowledge that I will not be able to resell the Shares for at least ninety days after the stock of the Company becomes publicly traded (i.e., subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934) under Rule 701 and that more restrictive conditions apply to affiliates of the Company under Rule 144;

I further acknowledge that all certificates representing any of the Shares subject to the provisions of the Option shall have endorsed thereon appropriate legends reflecting the foregoing limitations, as well as any legends reflecting restrictions pursuant to the Company's then current Certificate of Incorporation, Bylaws and/or applicable securities laws;

I further agree that, if requested by the Company or a representative of the underwriters in connection with the first underwritten registered offering of any securities of the Company under the Act, I will not sell or otherwise transfer or dispose of (a "transfer") any shares of Common Stock during such period following the effective date of the registration statement of the Company filed under the Act (the "Effective Date") as may be requested by the Company or the representative of the underwriters; provided, however, that such restriction shall apply only if, on the Effective Date, the officers and directors of the Company agree with the Company or a representative of the underwriters not to transfer securities of the Company owned by them for the same or greater period. I further agree that the Company may impose stop transfer instructions with respect to securities subject to the foregoing restrictions until the end of such period.

Very truly yours,

_____

_____, Optionee

Address: _____

_____

_____

EXHIBIT C

SAVARA INC. STOCK OPTION PLAN
STOCK RESTRICTION AGREEMENT

This Stock Restriction Agreement (the "Agreement") is entered into as of , 20 , by and between Savara Inc., a Delaware corporation (the "Company"), and (the "Awardee").

RECITALS:

The Company has previously granted the Awardee an Award (the "Award") of options to purchase shares of its Common Stock pursuant to the Savara Inc. Stock Option Plan, as amended, restated, supplemented or modified from time to time (the "Plan"), and the Awardee has exercised the option to purchase shares of Common Stock pursuant thereto.

The Company desires to impose restrictions in connection with the shares of Common Stock of the Company acquired by the Awardee pursuant to the Plan (collectively the "Shares"), and the Awardee agrees to accept these restrictions. The Awardee and any transferees of Awardee who acquire the Shares are referred to herein as "Shareholder."

AGREEMENT:

Now, therefore, the parties hereto agree as follows:

1. **Precedence of Plan**. This Agreement is subject to and shall be construed in accordance with the terms and conditions of the Plan, as now or hereinafter in effect, and any Option Agreement to which the Award relates. Any capitalized terms that are used in this Agreement without being defined and that are defined in the Plan shall have the meaning specified in the Plan.

2. **Issuance of Certificates**. The stock certificate or certificates representing the Shares shall be registered in the name of Shareholder, but shall remain in the custody of the Company. Shareholder shall deposit with the Company a Stock Assignment separate from Certificate, in substantially the form attached hereto as Exhibit B and endorsed in blank, as shall be required to permit retransfer to the Company of all or a portion of the Shares in accordance with this Agreement.

3. **Restriction on Transfer of Shares**. Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of the Shares, contrary to the provisions hereof, and levy of any attachment or similar process upon the Shares, shall be null and void. Furthermore, the Company shall not recognize or give effect to such transfer on its books and records or recognize the person or persons to whom such purported transfer has been made as the legal or beneficial owner of the Shares.

4. **Acceptance of Restrictions on Transfer**. No transfer or attempted transfer of any Shares shall be effective unless such Shares shall remain subject to the terms and conditions of this Agreement and unless and until the proposed transferee shall accept the terms and conditions of this Agreement by executing and delivering to the Company a Statement of Acceptance of Stock Restriction Agreement in substantially the form attached hereto as Attachment I. Upon the execution and delivery of the Statement of Acceptance of Stock Restriction Agreement, the transferee shall thereafter be deemed to be a signatory party to this Agreement in the position of a Shareholder.

5. **Company's Right of First Refusal**. The Company shall have the right of first refusal, as hereinafter provided, with respect to any proposed transfer of Shares.

(a) Stockholder shall, 60 days prior to a proposed transfer of Shares, deliver written notice to the Company stating the number of shares and the interest therein proposed to be transferred (the "Offered Shares"), the name of the proposed transferee(s) and the manner, time, terms and conditions of the proposed transfer. The Company shall, for a period of 60 days following such notice, have an irrevocable option to purchase all or part of the Offered Shares in accordance with the manner, time, terms and conditions specified in the notice of proposed transfer.

(b) The Company may elect to exercise its option to purchase all or part of the Offered Shares by giving written notice to Stockholder of such intention within the 60 day period following the Company's receipt of Stockholder's notice of proposed transfer. Upon receipt of such notice, Stockholder shall be bound to transfer the Offered Shares subject to such notice to the Company, free and clear of all liens and encumbrances, and in accordance with the terms set forth in the notice of proposed transfer.

(c) If the Company elects not to exercise its option to purchase all of the Offered Shares during the 60-day period, Stockholder may, within 30 days of the last day of such 60 day period, transfer to the proposed transferee(s) the part of the Offered Shares that the Company elected not to purchase, but only in accordance with the terms set forth in the notice of proposed transfer. Notwithstanding any provision herein to the contrary, all Shares transferred to such transferees in accordance with the provisions of this section shall remain subject to the provisions and restrictions of this Agreement and all such transferees shall execute and deliver to the Company a Statement of Acceptance as provided above. If Stockholder does not make the transfer to the proposed transferee(s) within the 30-day period provided in this section, Stockholder shall be required again to comply with the provisions of this Agreement before Stockholder may make any subsequent transfer of any part of the Offered Shares or of any other Shares.

(d) Notwithstanding any provision herein to the contrary, if the notice of proposed transfer specifies a consideration in other than United States money, the Company shall have the right to acquire the Offered Shares for the United States money equivalent of the specified consideration. If the notice of proposed transfer specifies any other manner, time, term or condition that cannot be complied with without unreasonable effort, the Company shall have the right to acquire the Offered Shares by complying with the reasonable equivalent of the specified manner, time, terms or conditions.

(e) If the notice of proposed transfer specifies that the Offered Shares are to be transferred without full consideration as a gift, the Company shall have the right to acquire the Offered Shares at a price per share equal to their then current value as determined below. The manner and time at which the purchase and sale of the Offered Shares shall take place shall be determined below.

6. **Company's Designee**. The Company shall have the right to designate one or more persons or entities, or a combination of both (the "Company's Designee"), to exercise all or any part of the Company's rights, assume all or any part of the Company's benefits, and bear all or any part of the

Company's burdens pursuant to this Agreement, and a reference to the Company shall mean the Company and/or the Company's Designee, as applicable. Notwithstanding any provision herein to the contrary, a designation by the Company shall not relieve the Company of the responsibility to pay any part of the purchase price for the Shares that is not paid by the Company's Designee.

7. **Adjustments to Stock**. If there is any change, increase or decrease, in the outstanding shares of the Company's Common Stock which is effected without receipt of additional consideration by the Company, by reason of a stock dividend, stock split, recapitalization, merger, consolidation, combination or exchange of stock, or other similar circumstances, or if there is a spin-off or other distribution of assets to the Company's shareholders, the Company shall make an appropriate adjustment in the aggregate number of the Shares. Such adjustment shall be identical to the adjustment made generally with respect to other outstanding shares of the Company's Common Stock. Any additional securities or other property issued to Shareholder as a result of any of the foregoing events shall continue to be subject to the terms of this Agreement to the same extent as the Shares giving rise to the right to receive such additional securities or other property.

8. **Indemnification**. Shareholder shall indemnify and hold harmless the Company and its officers, directors, shareholders and agents from and against all losses, claims, damages, liabilities, costs and expenses arising out of or related to any sale or transfer of the Shares by such person, whether or not permitted under this Agreement.

9. **Notices**. All notices or other communications required under this Agreement or given in connection herewith shall be in writing and shall either be delivered personally, in which event the effective date shall be the date of delivery, or shall be sent by United States mail addressed as hereinafter set forth, postage pre-paid, registered or certified, return receipt requested, in which event the effective date shall be the delivery date as specified on the return receipt. Unless otherwise directed by notice in writing, all notices shall be addressed as follows:

(a) To the Company at:

Savara Inc.
900 S. Capital of Texas Hwy. Ste. 150
Austin, Texas 78746

(b) To Shareholder, at the address of Shareholder set forth in the transfer records of the Company.

Shareholder generally consents to the delivery of any notice pursuant to the Delaware General Corporation Law (the "DGCL"), as amended or superseded from time to time, by electronic transmission pursuant to Section 232 of the DGCL ("Electronic Notice") at the electronic mail address or the facsimile number as set forth in the books of the Company. To the extent that any notice given via electronic transmission is returned or undeliverable for any reason, the foregoing consent shall be deemed to have been revoked until a new or corrected electronic mail address has been provided, and such attempted Electronic Notice shall be ineffective and deemed to not have been given. Shareholder agrees to promptly notify the Company of any change in Shareholder's electronic mail address, but failure to do so shall not affect the foregoing.

10. **Legends on Stock**.

(a) All certificates evidencing the Shares shall bear a legend that reads substantially as follows:

THIS CERTIFICATE AND THE SHARES OF STOCK REPRESENTED HEREBY ARE SUBJECT TO THE PROVISIONS OF AN AGREEMENT BETWEEN THE ISSUER AND THE REGISTERED HOLDER WHEREBY SUCH SHARES MAY BE REPURCHASED BY THE ISSUER UNDER CERTAIN CIRCUMSTANCES. A COPY OF THE AGREEMENT MAY BE INSPECTED AT THE PRINCIPAL OFFICE OF THE ISSUER.

(b) Certificates representing the Shares may contain such further legends and transfer restrictions as the Company shall deem reasonably necessary or desirable, including, without limitation, legends restricting transfer until there has been compliance with federal and state securities laws.

11. **Investment Representations**. Shareholder acknowledges that the Shares to be issued by the Company pursuant to this Agreement has not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or any applicable state securities laws, and is being offered and sold pursuant to exemptions from such registration requirements based in part upon Shareholder's representations and acknowledgments contained in this Agreement, including the following:

(a) Shareholder warrants and represents to the Company that Shareholder is acquiring the Shares on Shareholder's own account for investment and not with a view to or for sale in connection with any distribution of the Shares or with any present intention of distributing or selling the Shares and Shareholder does not presently have reason to anticipate any change in circumstances or any particular occasion or event which would cause Shareholder to sell the Shares;

(b) Shareholder acknowledges that Shareholder must bear the economic risk of this investment indefinitely unless the Shares is registered pursuant to the Securities Act and applicable state securities laws or an exemption from such registration is available;

(c) Shareholder acknowledges and understands that the Company has no present intention of registering the Shares, and understands there is no assurance that any exemption from registration under the Securities Act and applicable state securities laws will be available in the future; and

(d) Shareholder represents that, by reason of Awardee's relationship with the Company and Shareholder's business and financial expertise, Shareholder has the capacity to protect Shareholder's own interests in connection with the transactions contemplated by this Agreement.

12. **Withholding**. Shareholder shall reimburse the Company, in cash or by certified or bank cashier's check, or by any other method approved of by the Company, for any federal, state or local taxes required by law to be withheld with respect to the receipt or subsequent sale of the Shares. The Company shall have the right to deduct from any salary, severance or other payments to be made to Awardee any federal, state or local taxes required by law to be so withheld.

13. **Rights of Shareholder**. Subject to the terms and provisions of this Agreement, Shareholder shall have all the rights of a shareholder of the Company with respect to the Shares, including the right to vote the Shares and to receive all cash dividends or other distributions paid or made with respect to the Shares.

14. **General Provisions**.

(a) *Effect on Employee Benefits*. Awardee agrees that the Shares will constitute special incentive compensation that will not be taken into account as "salary" or "compensation" or "bonus" in determining the amount of any payment under any pension, retirement, profit sharing or other remuneration plan of the Company unless so provided in such plan.

(b) *Specific Enforcement*. Because of the unique value of the Shares, in addition to any other remedies that the Company may have upon the breach of the agreements contained herein, the obligations of Shareholder shall be specifically enforceable.

(c) *Modification*. This Agreement may only be altered or amended by a written instrument signed by the Company and Shareholder, setting forth such changes.

(d) *Costs of Enforcement*. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party of such litigation, as determined by any court of competent jurisdiction in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any action or proceeding, such costs, expenses and attorneys' fees shall be included as part of the judgment.

(e) *Severability*. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision hereof.

(f) *No Transfer Required*. The Company shall not be required (i) to transfer on its books any Shares that shall have been sold or transferred in violation of any of the provisions set forth in this Agreement or (ii) to treat as owner of such Shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such shares shall have been so transferred.

(g) *Further Action*. The parties agree to execute such further instruments and to take such further action as reasonably may be necessary to carry out the intent of this Agreement.

(h) *Not an Employment Contract*. This Agreement is not an employment contract and nothing in this Agreement shall be deemed to create in any way whatsoever any obligation on the part of Awardee to continue in the Continuous Service of the Company, or of the Company to continue Awardee in the Continuous Service of the Company.

(i) *Interpretation*. This Agreement constitute the entire agreement between the parties pertaining to the subject matter hereof and supersede all prior and contemporaneous agreements, representations and understandings. This Agreement may be executed in counterparts, all of which shall be deemed to be one and the same instrument, and it shall be sufficient for each party to have executed at least one, but not necessarily the same, counterpart. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement in any way.

(j) *Assignment*. This Agreement shall be binding upon the parties and their respective legal representatives, beneficiaries, successors and assigns.

(k) *Governing Law*. This Agreement and the rights and obligations of the parties shall be governed by and construed in accordance with the laws of the State of Texas, except with respect to matters of law concerning the internal corporate affairs of the Company, to which matters the General Corporation Law of the State of Delaware shall govern. The parties agree that any action brought by either party to interpret or enforce any provision of this Agreement or of the Plan shall be brought in, and each party agrees to, and does hereby, submit to the jurisdiction and venue of, the appropriate state or federal court for the district encompassing the Company's principal place of business.

IN WITNESS WHEREOF, the Company by a duly authorized officer of the Company and Awardee have executed this Agreement , , effective as of such date.

Savara Inc.

By: _____

Title: _____

900 S. Capital of Texas Hwy. Ste. 150
Austin, Texas 78746

AWARDEE

_____
Signature

_____
Name

Address: _____

_____

SPOUSAL ACKNOWLEDGMENT

The undersigned spouse of Awardee has read and hereby approves the foregoing Stock Restriction Agreement and the Plan and Award Agreement to which it relates. In consideration of the Company's granting Awardee the right to acquire the Shares in accordance with the terms of such Agreement, the undersigned hereby agrees to be irrevocably bound by all the terms of such Agreement.

_____
OPTIONEE'S SPOUSE

Address: _____

_____

ATTACHMENTS:

Attachment I: Statement of Acceptance of Stock Restriction Agreement

Attachment I

Statement Of Acceptance Of Stock Restriction Agreement

Reference is made to that certain Stock Restriction Agreement effective as of , 20 , by and between Savara Inc., a Delaware corporation (the "Company"), and . As a proposed recipient of certain shares covered by said Agreement, the undersigned hereby agrees that such shares, upon receipt, shall remain subject to all of the terms and conditions of said Agreement and all rights and obligations thereunder arising prior to such receipt, and that upon such receipt the undersigned shall be deemed automatically to have accepted all of the terms and conditions of said Agreement as therein provided, and that the undersigned shall thereafter be deemed to be a signatory party to said Agreement in the position of Shareholder. It is understood that upon execution of the Statement of Acceptance, the same shall be attached to said Agreement and shall thereupon form a part thereof without any further action.

By executing this Statement of Acceptance, the undersigned certifies to having been provided a copy of the Stock Restriction Agreement.

Dated:_____

_____
Signature

_____
Print Name

EXHIBIT D

QUESTIONS AND ANSWERS ABOUT OPTION GRANTS

EXHIBIT E

SAVARA INC. STOCK OPTION PLAN

Exhibit 10.55

STOCK ISSUANCE AGREEMENT

THIS STOCK ISSUANCE AGREEMENT (this "Agreement") is made as of the day of by and between Savara Inc., a Delaware corporation (the "Company"), and (the "Stockholder").

All capitalized terms in this Agreement shall have the meaning assigned to them in this Agreement or in the Savara Inc. Stock Option Plan (the "Plan"), a copy of which is attached hereto as Exhibit C.

RECITALS

A. Concurrently with entering into this Agreement, the Company is issuing shares (the "Stock") of common stock, par value $0.001 per share, of the Company (the "Common Stock") to Stockholder.

B. As a condition of Stockholder's receipt of the Stock, Stockholder is willing to agree to subject the Stock to the limitations and restrictions set forth below.

AGREEMENT

NOW, THEREFORE, in consideration for the mutual promises and covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Unvested Share Repurchase Option. The Company shall have the option (the "Unvested Share Repurchase Option") to repurchase the Stock to the extent not vested pursuant to subsection 1(a) ("Unvested Shares").

(a) Vesting of Unvested Shares. The Unvested Share Repurchase Option shall terminate and cease to be exercisable with respect to any and all Stock in which Stockholder vests in accordance with the following schedule:

[Vesting Schedule]

(b) Exercise of Unvested Share Repurchase Option. The Company may exercise the Unvested Share Repurchase Option by written notice to Stockholder or Stockholder's legal representative within ninety (90) days after the date of termination of Stockholder's service to the Company ("Termination Date") (including termination due to death or disability) or after the Company has received notice of an attempted disposition in violation of this Agreement. For the avoidance of doubt, shares of stock held by Stockholder will cease vesting immediately upon the Termination Date. The notice shall indicate the number of Unvested Shares to be repurchased, the repurchase price to be paid per share and the date on which the repurchase is to be effected, such date to be not more than thirty (30) days after the date of such notice.

(c) Payment for Stock and Return of Stock. Payment by the Company to Stockholder shall be made at the Company's offices (or, at the Company's election, by mailing such check to the Stockholder) in cash or by check within thirty (30) days after the date of the mailing of the written notice of exercise of the Unvested Share Repurchase Option. The purchase price for the Unvested Shares being repurchased by the Company shall be equal to $0.001 per share, as appropriately adjusted for any stock split, reverse stock split, stock dividend, recapitalization or the like. The certificates representing the Unvested Shares to be repurchased shall be delivered to the Company on the closing date specified for the repurchase. The Company shall cancel the Unvested Shares that the Company has repurchased.

(d) Restrictions on Transfer. Except for any Permitted Transfer, Stockholder shall not transfer, assign, encumber or otherwise dispose of any of the Stock which are subject to the Unvested Share Repurchase Option. In addition, Stock which is released from the Unvested Share Repurchase Option shall not be transferred, assigned, encumbered or otherwise disposed of in contravention of the First Refusal Right or the Market Stand-Off. "Permitted Transfer" shall mean (i) a gratuitous transfer of the Stock to one or more of the Stockholder's Family Members or to a trust established for Stockholder or one or more such Family Members, provided, and only if, Stockholder obtains the Company's prior written consent to such transfer; (ii) a transfer of title to the Stock effected pursuant to Stockholder's will or the laws of inheritance following Stockholder's death; or (iii) a transfer to the Company in pledge as security for any purchase-money indebtedness incurred by Stockholder in connection with the acquisition of the Stock. "Family Member" means, with respect to Stockholder, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law.

(e) Legends. The stock certificates for the Stock shall be endorsed with one or more of the following restrictive legends:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THE SHARES MAY NOT BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SHARES UNDER SUCH ACT, (B) A "NO ACTION" LETTER OF THE SECURITIES AND EXCHANGE COMMISSION WITH RESPECT TO SUCH SALE OR OFFER OR (C) SATISFACTORY ASSURANCES TO THE COMPANY THAT REGISTRATION UNDER SUCH ACT IS NOT REQUIRED WITH RESPECT TO SUCH SALE OR OFFER.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN REPURCHASE RIGHTS AND RIGHTS OF FIRST REFUSAL GRANTED TO THE COMPANY AND ACCORDINGLY MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED, OR IN ANY MANNER DISPOSED OF EXCEPT IN CONFORMITY WITH THE TERMS OF A STOCK ISSUANCE AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR THE PREDECESSOR IN INTEREST TO THE SHARES). A COPY OF SUCH AGREEMENT IS MAINTAINED AT THE COMPANY'S PRINCIPAL CORPORATE OFFICES.

(f) Assignment. The Company shall have the right to assign the Unvested Share Repurchase Option to such person or persons as it may select.

(g) Acceleration of Vesting.

(i) Notwithstanding the other provisions of this Section 1, and in addition to the shares of Stock that otherwise vest in accordance with Section 1(a), in the event of an Involuntary Termination within the 12 months following the occurrence of a Change in Control (as such term is defined in the Company's 2008 Stock Option Plan), provided that the Stockholder has executed a general release (in a form prescribed by the Company) of all known and unknown claims that he may then have against the Company or persons affiliated with the Company, the Unvested Shares shall become fully vested.

(ii) For purposes of this Agreement, the following definitions shall apply:

(A) "Cause" shall mean the occurrence of: (I) the willful misconduct or gross negligence in performance of Stockholder's duties, including Stockholder's refusal to comply in any material respect with the legal directives of the Board of Directors of the Company or Stockholder's immediate supervisor so long as such directives are not inconsistent with Stockholder's position and duties, and such refusal to comply is not remedied within ten (10) working days after written notice from the Company, which written notice shall state that failure to remedy such conduct may result in termination for Cause; (II) dishonest or fraudulent conduct, a deliberate attempt to do an injury to the Company or the conviction of a felony; or (III) a breach of the Proprietary Information and Inventions Agreement entered into with the Company.

(B) "Good Reason" shall be deemed to occur if: (I) there is a material adverse change in Stockholder's position of employment causing such position to be of materially less stature or of materially less responsibility without Stockholder's consent; (II) there is a reduction of more than ten percent (10%) of Stockholder's base compensation unless in connection with similar decreases of other similarly situated employees of the Company, or Stockholder refuses to relocate to a facility or location more than sixty (60) miles from such Stockholder's principal work site.

(C) "Involuntary Termination" shall mean either (I) involuntary discharge by the Company for reasons other than Cause or (II) voluntary resignation by Stockholder for a Good Reason.

2. Restrictions on Transfer. Stockholder may not sell, transfer, pledge or otherwise dispose of any Unvested Shares still subject to the Unvested Share Repurchase Option.

3. Stock Dividends, Etc. If, from time to time, there is any stock dividend, stock split or other change in the character or amount of any of the outstanding stock of the Company, then in such event any and all new substituted or additional securities to which Stockholder is entitled by reason of Stockholder's ownership of the Stock acquired pursuant to this Agreement shall be considered Stock and shall be immediately subject to the Unvested Share Repurchase Option and all other terms of this Agreement to the same extent as the Stock owned by Stockholder immediately before such event.

4. Escrow. As security for Stockholder's faithful performance of the terms of this Agreement and to insure the availability for delivery of the Unvested Shares upon exercise of the Unvested Share Repurchase Option herein provided for, and concurrently with the delivery of this Agreement, Stockholder agrees to deliver a Stock Assignment duly endorsed (with date and number of shares blank) in the form attached hereto as Exhibit A, together with the certificate evidencing the Unvested Shares; such documents are to be held by the Company. Stockholder does hereby irrevocably constitute and appoint the Company as Stockholder's attorney-in-fact and agent to execute with respect to the Stock all stock certificates, stock assignments or other documents necessary or appropriate to make such Stock negotiable and complete any transaction herein contemplated.

5. Transfers in Violation of Agreement. The Company shall not be required (a) to transfer on its books any shares of Unvested Shares of the Company which shall have been sold or transferred in violation of any of the provisions set forth in this Agreement or (b) to treat as owner of such shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such shares shall have been so transferred.

6. Rights as Stockholder. Subject to the provisions of this Agreement, Stockholder shall, during the term of this Agreement, exercise all rights and privileges of a stockholder of the Company with respect to the Stock prior to any repurchase of Unvested Shares.

7. Market Stand-Off Agreement. Stockholder, and all subsequent holders of the Stock who derive their chain of ownership through a Permitted Transfer from Stockholder, shall not (i) lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any securities of the Company, including (without limitation) shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (whether now owned or hereafter acquired) or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any securities of the Company, including (without limitation) shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (whether now owned or hereafter acquired), whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of securities, in cash or otherwise without the prior written consent of the Company or its underwriters. Such restriction (the "Market Stand-Off") shall be in effect for such period of time from and after the effective date of the final prospectus for the offering as may be requested by the Company or such underwriters. In no event, however, shall such period exceed one hundred eighty (180) days, or, if required by such managing underwriters, such longer period of time as is necessary to enable such underwriters to issue a research report or make a public appearance that relates to an earnings release or announcement by the Company within eighteen (18) days before or after the date that is one hundred eighty (180) days after the effective date of the registration statement relating to the initial public offering, but in any event not to exceed 210 days following the effective date of the registration statement relating to such offering, and the Market Stand-Off shall in no event be applicable to any underwritten public offering effected more than two (2) years after the effective date of the Company's initial public offering. Stockholder agrees to execute and deliver such other agreements as may be reasonably requested by the Company and/or the managing underwriter(s) which are consistent with the foregoing or which are necessary to give further effect thereto. In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Stock until the end of such period. The underwriters of the Company's stock are intended third party beneficiaries of this Section 7 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. Any new, substituted or additional securities which are by reason of any Recapitalization or Reorganization distributed with respect to the Stock shall be immediately subject to the Market Stand-Off, to the same extent the Stock is at such time covered by such provisions. "Recapitalization" shall mean any of the following transactions affecting the Company's outstanding Common Stock as a class without the Company's receipt of consideration: any stock split, stock dividend, spin-off transaction, extraordinary distribution (whether in cash, securities or other property), recapitalization, combination of shares, exchange of shares or other similar transaction affecting the Common Stock without the Company's receipt of consideration.

8. Right of First Refusal.

(a) Grant. The Company is hereby granted the right of first refusal (the "First Refusal Right"), exercisable in connection with any proposed transfer of Stock in which Stockholder has vested in accordance with the provisions of Section 1. For purposes of this Section 8, the term "transfer" shall include any sale, assignment, pledge, encumbrance or other disposition of Stock intended to be made by Owner, but shall not include any transfer of Stock permitted by Section 1(d).

(b) Notice of Intended Disposition. In the event Stockholder or any subsequent holder of the Stock who derive their chain of ownership through a transfer of Stock permitted by Section 1(d) (the "Owner") of Stock in which Stockholder has vested desires to accept a bona fide third-party offer for the transfer of any or all of such shares (the Stock subject to such offer to be hereinafter referred to as the "Target Shares"), Owner shall promptly (i) deliver to the Company written notice (the "Disposition Notice") of the terms of the offer, including the purchase price and the identity of the third-party offeror, and (ii) provide satisfactory proof that the disposition of the Target Shares to such third-party offeror would not be in contravention of the provisions set forth in Sections 1, 2 and 7.

(c) Exercise of the First Refusal Right. The Company shall, for a period of twenty-five (25) days following receipt of the Disposition Notice, have the right to repurchase any or all of the Target Shares subject to the Disposition Notice upon the same terms as those specified therein or upon such other terms (not materially different from those specified in the Disposition Notice) to which Owner consents. Such right shall be exercisable by delivery of written notice (the "Exercise Notice") to Owner prior to the expiration of the twenty-five (25)-day exercise period. If such right is exercised with respect to all the Target Shares, then the Company shall effect the repurchase of such shares, including payment of the purchase price, not more than five (5) business days after delivery of the Exercise Notice; and at such time the certificates representing the Target Shares shall be delivered to the Company.

Should the purchase price specified in the Disposition Notice be payable in property other than cash or evidences of indebtedness, the Company shall have the right to pay the purchase price in the form of cash equal in amount to the value of such property. If Owner and the Company cannot agree on such cash value within ten (10) days after the Company's receipt of the Disposition Notice, the valuation shall be made by an appraiser of recognized standing selected by Owner and the Company or, if they cannot agree on an appraiser within twenty (20) days after the Company's receipt of the Disposition Notice, each shall select an appraiser of recognized standing and the two (2) appraisers shall designate a third appraiser of recognized standing, whose appraisal shall be determinative of such value. The cost of such appraisal shall be shared equally by Owner and the Company. The closing shall then be held on the later of (i) the fifth (5th) business day following delivery of the Exercise Notice or (ii) the fifth (5th) business day after such valuation shall have been made.

(d) Non-Exercise of the First Refusal Right. In the event the Exercise Notice is not given to Owner prior to the expiration of the twenty-five (25) day exercise period, Owner shall have a period of thirty (30) days thereafter in which to sell or otherwise dispose of the Target Shares to the third-party offeror identified in the Disposition Notice upon terms (including the purchase price) no more favorable to such third-party offeror than those specified in the Disposition Notice; provided, however, that any such sale or disposition must not be effected in contravention of the provisions of Sections 1, 2 and 7. The third-party offeror shall acquire the Target Shares subject to the First Refusal Right and the provisions and restrictions of Sections 7 and 8, and any subsequent disposition of the acquired shares must be effected in compliance with the terms and conditions of such First Refusal Right and the provisions and restrictions of Sections 7 and 8. In the event Owner does not effect such sale or disposition of the Target Shares within the specified thirty (30)-day period, the First Refusal Right shall continue to be applicable to any subsequent disposition of the Target Shares by Owner until such right lapses.

(e) Partial Exercise of the First Refusal Right. In the event the Company makes a timely exercise of the First Refusal Right with respect to a portion, but not all, of the Target Shares specified in the Disposition Notice, Owner shall have the option, exercisable by written notice to the Company delivered within five (5) business days after Owner's receipt of the Exercise Notice, to effect the sale of the Target Shares pursuant to either of the following alternatives:

(i) sale or other disposition of all the Target Shares to the third-party offeror identified in the Disposition Notice, but in full compliance with the requirements of Section 8(d), as if the Company did not exercise the First Refusal Right; or

(ii) sale to the Company of the portion of the Target Shares which the Company has elected to purchase, such sale to be effected in substantial conformity with the provisions of Section 8(c). The First Refusal Right shall continue to be applicable to any subsequent disposition of the remaining Target Shares until such right lapses.

Owner's failure to deliver timely notification to the Company shall be deemed to be an election by Owner to sell the Target Shares pursuant to alternative (i) above.

(f) Recapitalization/Reorganization.

(i) Any new, substituted or additional securities or other property which is by reason of any Recapitalization distributed with respect to the Stock shall be immediately subject to the First Refusal Right, but only to the extent the Stock are at the time covered by such right.

(ii) In the event of Reorganization, the First Refusal Right shall remain in full force and effect and shall apply to the new capital stock or other property received in exchange for the Stock in consummation of the Reorganization, but only to the extent the Stock are at the time covered by such right.

(g) Lapse. The First Refusal Right shall lapse upon the earliest to occur of (i) the first date on which shares of the Common Stock are held of record by more than five hundred (500) persons, (ii) a determination made by the Board that a public market exists for the outstanding shares of Common Stock, (iii) a firm commitment underwritten public offering, pursuant to an effective registration statement under the 1933 Act, covering the offer and sale of the Common Stock in the aggregate amount of at least twenty million dollars ($20,000,000) or (iv) the closing of a Change in Control. However, the Market Stand Off shall continue to remain in full force and effect following the lapse of the First Refusal Right.

9. Special Tax Election.

(a) Section 83(b) Election. Stockholder understands that Section 83(a) of the Internal Revenue Code of 1986, as amended (the "Code"), taxes as ordinary income the difference between the amount paid for the Unvested Shares and the fair market value of the Unvested Shares as of the date any restrictions on the Unvested Shares lapse. In this context, "restriction" includes the right of the Company to buy back the Unvested Shares pursuant to the Unvested Share Repurchase Option set forth in Section 1 above. Stockholder understands that Stockholder may elect to be taxed at the time the Unvested Shares are purchased, rather than when and as the Unvested Share Repurchase Option expires, by filing an election under Section 83(b) (an "83(b) Election") of the Code with the Internal Revenue

Service within thirty (30) days from the date of purchase. Even if the fair market value of the Unvested Shares at the time of the execution of this Agreement equals the amount paid for the Unvested Shares, the 83(b) Election must be made to avoid income under Section 83(a) in the future. Stockholder understands that failure to file such an 83(b) Election in a timely manner may result in adverse tax consequences for Stockholder. Stockholder further understands that an additional copy of such 83(b) Election is required to be filed with his or her federal income tax return for the calendar year in which the date of this Agreement falls. Stockholder acknowledges that the foregoing is only a summary of the effect of United States federal income taxation with respect to the purchase of the Unvested Shares hereunder, and does not purport to be complete. Stockholder further acknowledges that the Company has directed Stockholder to seek independent advice regarding the applicable provisions of the Code, the income tax laws of any municipality, state or foreign country in which Stockholder may reside, and the tax consequences of Stockholder's death. Stockholder assumes all responsibility for filing an 83(b) Election and paying all taxes resulting from such election or non-election and the lapse of the restrictions on the Unvested Shares.

THE FORM FOR MAKING THIS ELECTION IS ATTACHED AS EXHIBIT B HERETO. PARTICIPANT UNDERSTANDS THAT FAILURE TO MAKE THIS FILING WITHIN THE APPLICABLE THIRTY (30) DAY PERIOD WILL RESULT IN THE RECOGNITION OF ORDINARY INCOME AS THE FORFEITURE RESTRICTIONS LAPSE.

(b) **FILING RESPONSIBILITY. PARTICIPANT ACKNOWLEDGES THAT IT IS PARTICIPANT'S SOLE RESPONSIBILITY, AND NOT THE COMPANY'S, TO FILE A TIMELY ELECTION UNDER CODE SECTION 83(b), EVEN IF PARTICIPANT REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON HIS OR HER BEHALF.**

10. No Employment Rights. This Agreement is not an employment contract and, and in the event that Stockholder is an employee of the Company, nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company (or a parent or subsidiary of the Company) to terminate Stockholder's employment for any reason at any time, with or without cause and with or without notice.

11. Miscellaneous.

(a) Further Instruments. Stockholder agrees to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

(b) Notice. All notices and other communications required or permitted hereunder shall be in writing and shall be deemed effectively given (i) upon personal delivery, (ii) when sent by confirmed facsimile, if sent during normal business hours of recipient, or if not, then on the next business day, or (iii) one day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All notices to (a) Stockholder shall be sent to the Stockholders' address as set forth in the Company's records and (b) the Company shall be sent to:

Savara Inc.
900 S. Capital of Texas Highway, Suite 150
Austin, TX 78746

or at such other address as the Company may designate by advance written notice to Stockholder.

Stockholder generally consents to the delivery of any notice pursuant to the Delaware General Corporation Law (the "DGCL"), as amended or superseded from time to time, by electronic transmission pursuant to Section 232 of the DGCL ("Electronic Notice") at the electronic mail address or

the facsimile number as set forth in the books of the Company. To the extent that any notice given via electronic transmission is returned or undeliverable for any reason, the foregoing consent shall be deemed to have been revoked until a new or corrected electronic mail address has been provided, and such attempted Electronic Notice shall be ineffective and deemed to not have been given. Stockholder agrees to promptly notify the Company of any change in Stockholder's electronic mail address, but failure to do so shall not affect the foregoing.

(c) Successors and Assigns. This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer herein set forth, be binding upon Stockholder, Stockholder's heirs, executors, administrators, successors and assigns.

(d) Applicable Law. This Agreement shall be governed by and construed under the laws of the State of Texas in all respects as such laws are applied to agreements among Texas residents entered into and performed entirely within Texas, except for matters of corporate law, which shall be governed by the laws of the State of Delaware. The parties agree that any action brought by either party under or in relation to this Agreement, including without limitation to interpret or enforce any provision of this Agreement, shall be brought in, and each party agrees to and does hereby submit to the jurisdiction and venue of, any state or federal court located in the County of Travis, Texas.

(e) Entire Agreement; Amendments. This Agreement, together with the exhibits hereto, constitutes the entire agreement of the parties with respect to the subject matter hereof superseding all prior written or oral agreements, and no amendment or addition hereto shall be deemed effective unless agreed to in writing by the parties hereto.

(f) Right to Specific Performance. Stockholder agrees that the Company shall be entitled to a decree of specific performance of the terms hereof or an injunction restraining violation of this Agreement, said right to be in addition to any other remedies available to the Company.

(g) Severability. If any provision of this Agreement is held by a court to be invalid, void or unenforceable, the remaining provisions shall nevertheless continue in full force and effect without being impaired or invalidated in any way and shall be construed in accordance with the purposes and tenor and effect of this Agreement.

(h) Counterparts. This Agreement may be executed in counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

[*signature page follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Stock Restriction Agreement as of the date first above written.

"STOCKHOLDER"

Signature

Address: _____

"COMPANY"

SAVARA INC.

By: _____

Name: _____

Title:

Address: 900 S. Capital of Texas Highway
Suite 150
Austin, TX 78746

SPOUSAL ACKNOWLEDGMENT

The undersigned spouse of Stockholder has read and hereby approves the foregoing Stock Restriction Agreement. In consideration of the Company's granting Stockholder the right to acquire the Common Stock in accordance with the terms of such Agreement, the undersigned hereby agrees to be irrevocably bound by all the terms of such Agreement, including (without limitation) the right of the Company (or its assigns) to purchase any Common Stock in which Participant is not vested at the time of his or her cessation of Service.

STOCKHOLDER'S SPOUSE

Address:

EXHIBIT A

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED, , hereby sells, assigns and transfers unto Savara Inc., a Delaware corporation (the "Company"), shares of the common stock of the Company, standing in the undersigned's name on the books of said Company represented by Certificate No. herewith, and does hereby irrevocably constitute and appoint the Company's Secretary as attorney to transfer such stock on the books of the Company with full power of substitution in the premises.

Dated: _____

_____

Name: _____

***Instruction**: Please sign but do not fill in any other blanks. The purpose of this assignment is to enable the Company to exercise its repurchase rights as set forth in the Agreement without requiring additional signatures on the part of Stockholder.*

EXHIBIT B

SECTION 83(B) TAX ELECTION

SECTION 83(B) ELECTION

This statement is being made under Section 83(b) of the Internal Revenue Code, pursuant to Treas. Reg. Section 1.83 2.

(I) The taxpayer who performed the services is:

Name:_____
Address:_____
Taxpayer Ident. No.:_____

(II) The property with respect to which the election is being made is shares of the common Stock of Savara Inc.

(III) The property was issued on , .

(IV) The taxable year in which the election is being made is the calendar year .

(V) The property is subject to a repurchase right pursuant to which the issuer has the right to acquire the property at the lower of the purchase price paid per share or the fair market value per share, if for any reason taxpayer's service with the issuer terminates. The issuer's repurchase right will lapse in a series of quarterly installments over a four (4) year period ending on December 15, 2019.

(VI) The fair market value at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse) is $ per share.

(VII) The amount paid for such property is $ per share.

(VIII) A copy of this statement was furnished to Savara Inc. for whom taxpayer rendered the services underlying the transfer of property.

(IX) This statement is executed on , 20 .

_____ _____

Spouse (if any) Taxpayer

This election must be filed with the Internal Revenue Service Center with which taxpayer files his or her federal income tax returns and must be made within thirty (30) days after the execution date of the Stock Purchase Agreement. This filing should be made by registered or certified mail, return receipt requested. Optionee must retain two (2) copies of the completed form for filing with his or her federal and state tax returns for the current tax year and an additional copy for his or her records.

EXHIBIT C

Savara Inc. Stock Option Plan

Exhibit 10.56

SAVARA INC.

March 19, 2012

Robert Neville
1601 Cabinwood Cove
Austin, TX 78746

Re: Terms of Employment

Dear Rob:

You have been a vital part of the early success of Savara Inc. ("***Savara***", the "***Company***" or "***we***"). In recognition of your past contributions and in connection with our contemplated Series B Financing, we wanted to set forth our mutual understanding of the terms of your employment with Savara.

1. ***Position and Benefits***. Your current position with Savara is Chief Executive Officer. You currently receive a base salary in the amount of $12,500.00 per month ($150,000.00 annualized), payable in accordance with our regular payroll practices. Your base salary is subject to statutory deductions and withholding. Your salary and compensation package will be reviewed from time to time by Savara's Board of Directors (the "***Board***") or its Compensation Committee with respect to performance or market-based adjustments. As an employee, you are eligible to participate in our bonus plans and benefit programs as they are established from time to time. We are an "at-will" employer, which means that your employment with Savara (and the terms thereof) is for no specific period of time and may be modified or terminated by Savara or you at any time and for any reason, with or without prior notice and with or without Cause. The at-will nature of your employment may only be altered by a written agreement signed on behalf of the Board.

2. Separation Benefits. Notwithstanding the foregoing, if you are terminated by Savara for any reason other than "Cause" (as defined below) , death or Disability (as defined below), or in the event of a Constructive Termination (defined below), the Company agrees to provide the separation benefits provided for in Sections 2(a)-(c) (the "***Separation Benefits***"). Your right to receive the Separation Benefits outlined below is conditioned upon (i) your execution of a release substantially in the form attached to this letter agreement and identified as Exhibit A (the "***Release***"), (ii) the non-revocation of the ADEA Release (as defined in the Release) and (iii) your continued compliance with the terms of this letter agreement and your PITA (as defined below). The Release must be delivered to the Company, in a non-revocable form, within fifty (50) days after the date of your termination of employment, or all Separation Benefits shall be forfeited. In addition, if the Board determines that you have failed to comply with the terms of this letter agreement, the Release, or the PIIA at any time, then Savara will be entitled to (i) cancel the remaining payments under Section 2(a) and be reimbursed for any prior payments made under Section 2(a), (ii) be reimbursed for the premiums paid pursuant to Section 2(b), and (iii) repurchase from you, at cost, any shares that vested pursuant to Section 2(c).

(a) ***Separation Payment***. In accordance with our normal payroll practices and subject to applicable deductions and withholdings, Savara will pay to you for a period of three (3) months following your termination date an amount equal to the base salary to which you would be entitled if your employment had not been so terminated; *provided*, *however*, that in no event shall the base salary be less than $150,000.00 on an annualized basis for purposes of computing any separation payments to which you are entitled pursuant to this paragraph.

(b) ***Continuation of Health Coverage***. If you elect to continue health coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("***COBRA***"), Savara will pay (i) your COBRA premiums in an amount sufficient to maintain the level of health benefits in effect on your last day of employment or (ii) a benefits allowance equal to five percent (5%) of your monthly base salary in the event that Savara does not provide health coverage programs as of the last day of your employment, throughout the six-month period in which you are entitled to receive the separation payments provided above or until you receive comparable benefits from any other source, whichever occurs first. Nothing contained herein shall interfere with your right to continuation coverage under COBRA.

(c) ***Stock Vesting***. Savara will provide you with accelerated vesting of certain of your restricted shares of Savara's Common Stock (the "***Shares***") as listed on **Schedule I** attached hereto that are unvested at the time of your termination date. The Shares have been granted pursuant to those certain Stock Restriction Agreements or Stock Issuance Agreements, as applicable, listed on **Schedule I**. The accelerated vesting of the Shares shall be subject to the terms set forth in greater detail in your Stock Restriction Agreements or Stock Issuance Agreements, as applicable.

(d) ***Certain Definitions***.

(i) "***Cause***" shall mean: (i) your act(s) of gross negligence or willful misconduct in the course of your employment hereunder, (ii) your continued failure to substantially perform the duties and obligations of your position with Savara (other than any such failure resulting from your Disability); (iii) the commission or attempted commission of any act of personal dishonesty, embezzlement, fraud or misrepresentation taken by you, or at your direction, which was intended to result in gain or personal enrichment for you or another at the expense of Savara; (iv) your violation of a federal or state law or regulation applicable to Savara's business which violation was or is reasonably likely to be injurious to Savara; (v) your conviction of, or plea of *nolo contendere* or guilty to, a felony under the laws of the United States or any State or any other criminal charge that has, or could be reasonably expected to have, an adverse impact on the performance of your duties to the Company or any of its affiliates or

otherwise result in material injury to the reputation of the business of the Company or any of its affiliates, as determined in good faith by the Board; (vi) any unauthorized use or disclosure by you of confidential information or trade secrets of Savara or your breach of the terms of your agreement(s) with Savara relating to proprietary information and inventions assignment, including your PIIA; (vii) any material violation by you of the policies of the Company or any of its affiliates, including, but not limited to, those relating to sexual harassment or business conduct, and those otherwise set forth in the manuals or statements of policy of the Company or any of its affiliates; or (viii) your material breach of the terms of this letter agreement; provided that each of clauses (ii), (vi), (vii) and (viii) shall require a reasonable notice and cure period not to exceed thirty (30) days (if such matter is capable of being cured); and *provided further* that the Company shall not be required to provide such written notice to you (and you shall not have the opportunity to cure) more than once in any six (6)-month rolling period. The foregoing definition shall not in any way preclude or restrict the right of Savara to discharge or dismiss you, in the employment of Savara for any other acts or omissions, but such other acts or omissions shall not be deemed, for purposes of this letter agreement, to constitute grounds for termination for Cause.

(ii) "***Constructive Termination***" shall mean your voluntary resignation following (i) a reduction in your Base Salary by more than 15%; or (ii) a relocation of your place of employment by more than fifty (50) miles, *provided*, and only if, in the case of items (i) or (ii), such change, reduction or relocation is effected without your consent (which consent shall be deemed to be given if no formal written objection is made by you within 90 days of the date such reduction or relocation is communicated to you); *provided*, *however*, that the Company shall have 30 business days after receipt of such written notice to correct any such issue (if one exists), in the case of items (i) or (ii). Notwithstanding the foregoing, during the term of your employment, in the event that the Board reasonably believes that you may have engaged in conduct that could constitute Cause hereunder, the Board may, in its sole and absolute discretion, suspend you with pay and benefits from performing your duties hereunder for a reasonable time period while it investigates the matter, and in no event shall any such suspension constitute an event pursuant to which you may terminate employment by reason of a Constructive Termination or otherwise constitute a breach hereunder; provided, that no such suspension shall alter the Company's obligations under this letter agreement during such period of suspension.

(iii) You shall be deemed to be disabled if the Board determines that you are unable to perform the essential functions of your duties, even with reasonable accommodation, for a period of more than 90 consecutive days or more than 75% of the business days in any 180 day period due to a mental or physical illness or incapacity ("***Disability***").

(e) ***Resignations***. Upon any termination of your employment for any reason, except as may otherwise be requested by the Company in writing and agreed upon in writing by you, you shall resign from any and all directorships, committee memberships, and any other positions you hold with the Company or any of its affiliates.

3. ***Re-Affirmation***. You agree and acknowledge that your fulfillment of the obligations contained in your Proprietary Information and Inventions Agreement (your "***PIIA***") are necessary to protect Savara's Intellectual Property Rights (as defined in your PIIA) and to preserve Savara's value and goodwill. You further acknowledge the time, geographic and scope limitations of your obligations not to compete and not to interfere under your PIIA are reasonable, especially in light of the Savara's desire to protect its Proprietary Information, and that you will not be precluded from gainful employment if you are obligated not to compete or interfere with Savara pursuant to the terms of your PIIA. Notwithstanding the foregoing, even if you fail to deliver this letter agreement, nothing shall be deemed to affect the validity of your PIIA or the obligations contained therein.

4. ***Tax and Legal Advice***. You acknowledge that you have been represented by counsel in connection herewith and have had an opportunity to consult with your legal counsel and tax and other advisors regarding the preparation of this letter agreement and the matters related thereto. You understand and acknowledge that Andrews Kurth LLP has acted solely as legal counsel for Savara with respect to the preparation of this letter agreement and the other matters related thereto, and has not acted as legal counsel for you.

5. ***Severability***. The parties intend all provisions of this letter agreement to be enforced to the fullest extent permitted by law. Accordingly, if a court of competent jurisdiction determines that the scope and/or operation of any provision of this letter agreement is too broad to be enforced as written, the parties intend that the court should reform such provision to such narrower scope and/or operation as it determines to be enforceable. If, however, any provision of this letter agreement is held to be illegal, invalid, or unenforceable under present or future law, and not subject to reformation, then (i) such provision shall be fully severable, (ii) this letter agreement shall be construed and enforced as if such provision was never a part of this letter agreement, and (iii) the remaining provisions of this letter agreement shall remain in full force and effect and shall not be affected by illegal, invalid or unenforceable provisions or by their severance.

6. ***General Creditor Status***. All cash payments and other benefits to which you may become entitled hereunder will be paid, when due, from the general assets of Savara, and no trust fund, escrow arrangement or other segregated account will be established as a funding vehicle for such payment. Accordingly, your right (or the right of the personal representatives or beneficiaries of your estate) to receive such cash payments hereunder will at all times be that of a general creditor of Savara and will have no priority over the claims of other general creditors.

7. ***Entire Agreement***. This letter agreement, the PIIA and your Stock Restriction Agreements or Stock Issuance Agreements together set forth the entire agreement between you and Savara regarding the terms of your employment and supersede any prior representations, agreements and understandings between you and any employee or representative Savara, whether written or oral.

8. ***Notices***. All notices, requests, and other communications hereunder must be in writing and will be deemed to have been duly given only if (i) delivered personally or by overnight courier, (ii) delivered by facsimile transmission with answer back confirmation, (iii) mailed (postage prepaid by certified or registered mail, return receipt requested) (effective upon actual receipt), or (iv) delivered by electronic communication to you at the address set forth on the signature page hereto or to Savara at the company's then-current principal executive office. An electronic communication ("***Electronic Notice***") shall be deemed written notice for purposes of this letter agreement if sent with return receipt requested to the electronic mail address specified by the receiving party. Electronic Notice shall be deemed received at the time the party sending Electronic Notice receives verification of receipt by the receiving party. Any party receiving Electronic Notice may request and shall be entitled to receive the notice on paper, in a nonelectronic form ("***Nonelectronic Notice***") which shall be sent to the requesting party within five (5) days after receipt of the written request for Nonelectronic Notice. Any party from time to time may change its address, facsimile number, electronic mail address, or other information for the purpose of notices to that party by giving written notice specifying such change to the other party hereto.

9. ***Governing Law; Venue***. THIS LETTER AGREEMENT SHALL BE CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS. EACH PARTY HERETO CONSENTS AND SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF TEXAS IN AND FOR THE COUNTY OF TRAVIS AND THE COURTS OF THE UNITED STATES LOCATED IN THE WESTERN DISTRICT OF TEXAS FOR THE ADJUDICATION OF ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF OR OTHERWISE RELATING TO THIS LETTER AGREEMENT.

10. ***Miscellaneous***. This letter agreement shall inure to the benefit of any successors or assigns of Savara; you shall not be entitled to assign any of your rights or obligations under this letter agreement. The terms and provisions of this letter agreement are intended solely for the benefit of each party hereto and Savara's successors or assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other person. This letter agreement may only be amended in a writing signed by you and Savara upon the written consent of the Board of Directors. The headings used in this letter agreement have been inserted for convenience of reference only and do not define or limit the provisions hereof. This letter agreement may be executed in any number of counterparts and by facsimile, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

12. ***Section 409A Compliance***. This letter agreement is intended to comply with the requirements of Section 409A of the Internal Revenue Code (the "***Code***") and, to the extent that adverse tax consequences thereunder may be avoided, this letter agreement (i) shall automatically be amended to the extent necessary to incorporate any provisions required to ensure such compliance (which the parties hereby agree are hereby adopted, approved, consented to, ratified and incorporated herein by reference) and (ii) shall be construed, interpreted and operated in a manner that will ensure such compliance.

For all purposes of this letter agreement, you shall be considered to have terminated employment with the Company when you incur a "separation from service" with the Company within the meaning of Section 409A(a)(2)(A)(i) of the Code and applicable administrative guidance issued hereunder.

For purposes of Section 409A of the Code and this letter agreement, each payment made under this letter agreement shall be designated as a "separate payment" within the meaning of the Section 409A of the Code.

If any payment under this letter agreement would be subject to additional taxes under Section 409A of the Code because the timing of such payment is not delayed as provided in Section 409A(a)(2)(B) of the Code, then such payment shall be paid on the date that is six (6) months after the date of your termination of employment with the Company (or if such payment date does not fall on a business day of the Company, the next following business day of the Company), or such earlier date upon which such payment can be paid under Section 409A of the Code without being subject to such additional taxes.

To the extent that any reimbursement or provision of in-kind benefits under this letter agreement would result in taxable income to you, such amounts shall be made in accordance with Treas. Reg. Section 1.409A-1(i)(1)(iv) such that the reimbursement or provision will be deemed payable at a specified time or on fixed schedule, provided:

(1) the amount of expenses eligible for reimbursement (or provision of in-kind benefits) during one (1) calendar year shall not affect the expenses eligible for reimbursement (or benefits provided) in any other calendar year, except as otherwise provided in the Treasury regulations and other applicable guidance issued under section 409A of the Code;

(2) your right to such reimbursement (or provision of in-kind benefit) shall not be subject to liquidation or exchange for any other benefit;

(3) such expenses (or provision of in-kind benefit) must be incurred within the applicable statute of limitations applicable to such claims; and

(4) the reimbursement of an eligible expense will be made on or before the last day of your tax year following the tax year in which the expense was incurred.

[Signature page follows]

If you agree to the terms contained in this letter agreement, please sign one of the originals of this letter agreement and return it to us. The second original is for your files. We look forward to your continued participation in the successes of Savara.

Sincerely,

SAVARA INC.

By: /s/ George Laurence
Name: George Laurence
Title: Director

I have read and acknowledge and agree to the terms of this letter agreement effective as of the date set forth above.

/s/ Robert Neville
Robert Neville

EXHIBIT A

FORM OF RELEASE AGREEMENT

TO: Savara Inc.

Employment Termination Date:_____

1. ***Introduction and General Information***. Signing this release (this "***Release***") is one condition to receiving certain benefits offered by Savara Inc. (the "***Company***") that are in addition to anything of value to which you already are entitled. Reference is made to that certain Letter Agreement dated March 19, 2012 (the "***Agreement***") between you and the Company. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Agreement.

The Agreement provides that the Company will provide certain consideration, if among other requirements, you execute and deliver this Release and do not revoke the ADEA Release (as defined below) following your termination date and within the periods specified in Section 2(b), as set forth below. You should thoroughly review and understand the effect of this Release before signing it. To the extent you have any claims covered by this Release, you will be waiving potentially valuable rights by signing this Release. You also are advised to discuss this Release with your attorney.

2. ***Releases***.

(a) General Release. You agree that the foregoing consideration (including the consideration to be provided pursuant to the Agreement) represents settlement in full of all outstanding obligations owed to you by the Company and its current and former officers, directors, employees, agents, investors, attorneys, stockholders, administrators, affiliates, divisions, subsidiaries, predecessor and successor corporations, and assigns (collectively, the "***Releasees***"). You (for yourself, your spouse, executors, heirs, beneficiaries, representatives, agents, attorneys, assigns, insurers and assurers, and anyone claiming by or through him) hereby and forever release the Releasees from any and all manner of actions, causes of action, suits, charges, claims, complaints, counterclaims, defenses, demands, damages or liabilities whatsoever, including, without limitation, attorneys' fees, known or unknown, accrued or which may ever accrue, whether based in contract or tort, statutory or common law, of every kind and nature whatsoever, arising from the beginning of time to the execution date of this Release, whether or not relating to or arising from your employment and termination of employment with the Company and any act that has occurred as of the date of the execution of this Release in connection with any service that you may have rendered or may have been requested to render to or on behalf of the Company at any time, other than the rights and obligations under this Release,

and except as to claims arising under the Age Discrimination in Employment Act ("***ADEA***"), which are addressed in subsection (b) below. Except as to claims arising under the ADEA, which are covered in subsection (b) below, and as provided for in subsection (c) below, this Release shall be construed as broadly as possible and shall include without limitation: (a) any contractual or other claims of employment, benefits, or payment you may have; (b) any claims arising out of or in connection with the initiation, termination or existence of your employment relationship with the Company or any service performed on behalf of the Company; (c) any claims regarding wages and/or compensation in any form whatsoever, vacation, leaves, bonuses, commissions, monies, perquisites, benefits, severance, or any other item attributable to or arising in connection with your employment with the Company; (d) any and all claims relating to the issuance of all outstanding shares of capital stock of the Company; and (e) without limitation, claims, if any, arising under the following:

- Title VII of the Civil Rights Act of 1964, as amended;
- The Americans with Disabilities Act of 1990, as amended;
- The Fair Labor Standards Act of 1938, as amended;
- The Family and Medical Leave Act of 1993;
- The Employee Retirement Income Security Act of 1974 (ERISA), as amended (non-vested rights);
- The Occupational Safety and Health Act of 1970 (OSHA), as amended;
- Texas Labor Code § 21.001, et seq. (Texas Employment Discrimination);
- Texas Labor Code § 61.001, et seq. (Texas Pay Day Act);
- Austin, Texas Code of Ordinance, Title V, Chapters 5-3, 5-5 and 5-6;
- any other federal, state or local civil or human rights law or other local, state or federal law, regulation or ordinance;
- any public policy, contract, tort, or common law (including, without limitation, those relating to fraud, whistleblower, retaliation, negligent or intentional conduct of any nature, constructive discharge, emotional distress, personal injury); or
- intentional conduct of any nature, breach of contract (including the Agreement), constructive discharge, emotional distress, personal injury).

(b) ADEA Release. For the good and valuable consideration provided for under the Agreement, the sufficiency of which is hereby acknowledged, and to which you acknowledge you are not otherwise entitled, and other valuable consideration, the sufficiency of which is hereby acknowledged, you hereby completely and forever release and irrevocably discharge each of the Releasees, of and from any and all liabilities, claims, actions, demands, and/or causes of action, arising under the ADEA on or before the date of this Release (the "***ADEA Release***"), and hereby acknowledge and agree that: the Agreement and this Release, including this ADEA Release, was negotiated at arms' length; the Agreement and this Release, including the ADEA Release, is worded in a manner that you fully understand; you specifically waive any rights or claims under the ADEA; you knowingly and voluntarily agree to all of the terms set forth in the Agreement and this Release,

including this ADEA Release; you acknowledge and understand that any claims under the ADEA that may arise after the date of this Release are not waived; the rights and claims waived in this Release and this ADEA Release are in exchange for consideration over and above anything to which you were already undisputedly entitled; you have been and hereby are advised in writing to consult with an attorney prior to executing the Agreement, this Release and the ADEA Release; you understand that you have been given a period of up to twenty-one (21) days to consider the ADEA Release prior to executing it; and you understand that you have been given a period of seven (7) days from the date of the execution of the ADEA Release to revoke the ADEA Release, and understand and acknowledge that the ADEA Release will not become effective or enforceable until the revocation period has expired. If you elect to revoke this ADEA Release, revocation must be in writing and presented to the Chairman of the Board, or his designee within seven (7) days from the date of the execution of the Release.

(c) Notwithstanding the foregoing, by executing this Release, you shall not be deemed to have waived any rights with respect to your ownership of vested capital stock of Savara Inc. (although pursuant to this subsection (c), you are expressly waiving and releasing any and all claims, including any stockholder derivative claims, that you may have had from the beginning of time through the date of this Release as a stockholder of Savara Inc.) or any rights pursuant to that certain Second Amended and Restated Investor Rights Agreement among the Company and certain of its stockholders (as the same may hereafter be amended or restated) or that certain Second Amended and Restated Right of First Refusal and Co-Sale Agreement among the Company and certain of its stockholders (as the same may hereafter be amended and restated), each dated December 10, 2009. Furthermore, nothing in this Release is intended to be construed as a release of your rights of indemnification and exculpation for actions as a director, employee or officer of the Company you have at law or under the governing documents (charter and bylaws) of the Company or any of its Affiliates (as defined below), any written indemnity agreement with regard to the foregoing, or any D&O insurance coverage under which you may be covered by in connection with the foregoing; provided that in no event shall you be entitled to make any claim thereunder, under the Company's or the Affiliates' governing documents or insurance policies, or otherwise in defense of, or for exculpation, indemnification or advancement with respect to your compliance with this Release or your breach or alleged breach of this Release.

3. ***Release of Unknown Claims***. You understand and agree, in compliance with any statute or ordinance which requires a specific release of unknown claims or benefits, that, except where expressly prohibited by law, this Release includes a release of unknown claims, and you hereby expressly waive and relinquish any and all claims, rights or benefits that you may have which are unknown to you at the time of the execution of this Release. You understand and agree that if, hereafter, you discover facts different from or in addition to those that you now know or believe to be true, that the waivers and releases of this Release shall be and remain effective in all respects notwithstanding such different or additional facts or the discovery of such facts.

4. ***No Other Claims; Ownership of Claims***. You represent and warrant that you do not presently have on file any lawsuits, claims, charges, grievances or complaints against the Company and/or any of the Releasees in or with any administrative, state, federal or governmental entity, agency, board or court, or before any other tribunal or panel or arbitrators, public or private, based upon any actions or omissions by the Company and/or any of the Releasees occurring prior to the date of this Release. To the extent that you are still entitled to file any administrative charge with any governmental agency, you hereby release any personal entitlement to reinstatement, back pay, or any other types of damages or injunctive relief in connection with any civil action brought on his behalf after your filing of any administrative charge. Finally, you represent and agree that you are the sole and lawful owner of all rights, title and interest in and to all released matters, claims and demands arising out of or in any way related to your employment with the Company and/or the termination thereof.

5. ***Company's Remedies for Breach***. You acknowledge and agree that any breach by you of this Release or of your obligations under the Agreement, shall constitute a material breach of the Agreement, and shall entitle the Company immediately to recover the consideration provided to you in connection with the Agreement, except as provided by law. Except as provided by law, you shall also be responsible to the Company for all costs, attorneys' fees and any and all damages incurred by the Company in: (a) enforcing your obligations under this Release and the Agreement, including the bringing of any action to recover the consideration, and (b) defending against a claim brought or pursued by you in violation of the terms of this Release.

6. ***Non-Disparagement***. (i) You agree that you will not, directly or indirectly, disclose, communicate or publish any disparaging or critical information concerning the Company or any parent or subsidiary of the Company, or any company controlled by the Company, or any other entity or organization wholly or partially, directly or indirectly, owned or controlled by the Company (each, an "***Affiliate***"), their business, financial condition, professional skills or expertise, suppliers, customers or clients, products or services, operations, market position, performance, technology, employees, officers, directors, consultants, representatives, agents or investors, or proprietary or technical information whatsoever, or directly or indirectly cause or encourage others to disclose, communicate, or publish any disparaging or critical information concerning the same and (ii) nothing contained in this paragraph is intended to prevent any person from testifying truthfully in any legal proceeding in which such person is under a subpoena or other court order to do so.

7. ***No Interference***. You agree that you will not act in any manner that might damage the business of the Company or its Affiliates or the Company's investors or their respective affiliates. You agree that you will not, directly or indirectly, 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 or its Affiliates or the Company's investors or their respective affiliates and/or any officer, director, employee, agent, representative, stockholder or attorney of any of the foregoing, provided that nothing herein shall prohibit you from testifying truthfully in any legal proceeding in which you are under a subpoena or other court order to do so. However, nothing in this Release shall prohibit you from participating in any proceeding before a governmental agency, provided that you agree to waive any relief available with respect to such proceeding.

8. ***Cooperation***. You agree to cooperate with the Company and its Affiliates, at the Company's reasonable request and without further consideration, in all respects concerning any matters which require your assistance, cooperation or knowledge, including communicating with persons inside or outside the Company and any Affiliate and assistance/availability for any agency, board and legal investigations and proceedings.

9. ***Re-Affirmation***. You agree and acknowledge that your fulfillment of the obligations contained in your Proprietary Information and Inventions Agreement (your "***PIIA***") are necessary to protect the Company's Intellectual Property Rights (as defined in your PIIA) and to preserve the Company's value and goodwill. You further acknowledge the time, geographic and scope limitations of your obligations not to compete and not to interfere under your PIIA are reasonable, especially in light of the Company's desire to protect its Proprietary Information, and that you will not be precluded from gainful employment if you are obligated not to compete or interfere with the Company pursuant to the terms of your PIIA. Notwithstanding the foregoing, even if you fail to deliver or if you validly revoke the ADEA Release, nothing shall be deemed to affect the validity of your PIIA or the obligations contained therein.

10. ***Voluntary Agreement***. YOU UNDERSTAND AND AGREE THAT YOU MAY BE WAIVING SIGNIFICANT LEGAL RIGHTS BY SIGNING THIS RELEASE, AND REPRESENT THAT YOU HAVE ENTERED INTO THIS RELEASE VOLUNTARILY, AFTER HAVING THE OPPORTUNITY TO CONSULT WITH AN ATTORNEY OF YOUR OWN CHOOSING, WITH A FULL UNDERSTANDING OF THE RELEASE AND ALL OF ITS TERMS.

[Signature page follows]

I HAVE READ AND FULLY CONSIDERED THE RELEASE LANGUAGE HEREIN AND DESIRE TO ENTER INTO THIS RELEASE. I ALSO HAVE BEEN ADVISED HEREIN IN WRITING TO CONSULT WITH AN ATTORNEY PRIOR TO SIGNING THIS RELEASE. HAVING ELECTED TO SIGN THIS RELEASE AND RECEIVE THE CONSIDERATION IN THE AGREEMENT, I FREELY AND KNOWINGLY, AND AFTER DUE CONSIDERATION, ENTER INTO THIS RELEASE INTENDING TO WAIVE, SETTLE AND RELEASE ALL CLAIMS I HAVE OR MIGHT HAVE AGAINST THE COMPANY AND THE OTHER RELEASED PARTIES AS OF THE DATE I SIGN THIS RELEASE.

_____
Robert Neville

Date: _____

ACKNOWLEDGED AND ACCEPTED:
SAVARA INC.

By: _____
Name: _____
Title: _____
Date: _____

SCHEDULE I

SCHEDULE OF EQUITY OWNED BY MR. ROBERT NEVILLE
As of March 19, 2012

Certificate Number	Number of Shares	Date of Issuance	Agreement
C-07	370,333	July 31, 2008	Stock Restriction Agreement dated July 31, 2008
C-14	2,267	December 11, 2009	Stock Restriction Agreement dated December 11, 2009
C-16	2,400	January 14, 2010	Stock Restriction Agreement dated January 14, 2010
C-20	74,000	December 17, 2010	Stock Restriction Agreement dated December 17, 2010
C-32	3,907	August 30, 2011	Stock Issuance Agreement dated August 30, 2011
C-33	20,000	October 14, 2011	Stock Issuance Agreement dated October 14, 2011
C-36	39,000	December 16, 2011	Stock Issuance Agreement dated December 16, 2011
TOTAL	**511,907**		

Exhibit 10.57

October 1st, 2009

EMPLOYMENT AGREEMENT

Parties:

Taneli Jouhikainen
8852 Chalk Knoll Dr
Austin, TX 78735

and

Savara Inc.
3925 West Braker Lane
Austin TX 78759-5321

Savara Inc. ("Company") is pleased to offer you the position of Executive Vice President initially reporting to me Robert Neville, Executive Chairman. Your anticipated starting date will be October 1st, 2009. Your employment relationship will be subject to the terms and conditions of this agreement.

1. Compensation. Your initial salary will be $175,000 per year, less applicable withholdings, paid in accordance with Company's normal payroll practices. The salary will be increased to $225,000 per year upon the earlier of (a) a cash flow event providing the Company with $100,000 or more in additional funding from a third-party source other than (i) as contemplated by the Company's currently approved budget, (ii) as a result of the sale of the Series A-2 Preferred Stock of the Company, and (iii) as a result of a loan or other investment in the Company by the Texas Emerging Technology Fund, or (b) 9 months after the date of this agreement. Future adjustments in compensation, if any, will be made by Company in its sole and absolute discretion. This position is an exempt position, which means you are paid for the job and not by the hour. Accordingly, you will not receive overtime pay if you work more than 8 hours in a work day or 40 hours in a workweek. You will be entitled to 15 days of annual paid vacation, during which you will have the responsibility to be reasonably reachable by phone and/or e-mail in order to ensure smooth execution of the Company's business.

2. Benefits. You will be eligible for all fringe benefits available to other full-time Company employees, in accordance with Company's benefit plans. This includes health care benefits provided by the Company, which you will be eligible for on January 1st, 2010. Company reserves the right to change or eliminate these benefits, if any, on a prospective basis at any time.

3. Stock Grant. In addition, subject to Company's Board of Directors' approval, you will be granted the right to purchase 83,703 shares of Company's common stock in accordance with a Stock Restriction Agreement in a form prescribed by us (the "Stock Restriction Agreement"). You will be required to sign the Stock Restriction Agreement and the stock will be subject to the terms and conditions of the Stock Restriction Agreement. The stock will vest 1/4th each quarter over the 4-year period beginning on your starting date. You will also be eligible to participate in any incentive compensation plan that may be established for your position by Company during your employment.

4. No Violation of Rights of Third Parties. By accepting this offer, you represent that you are not a party to any other agreement which will interfere with your ability to fully and satisfactorily provide the services for which you are being employed by Company. During your employment with Company, you will not breach any agreement between you and any third party to keep in confidence proprietary information, knowledge or data belonging to that third party that was acquired by you prior to your employment with Company. In addition, you agree that you will not disclose to Company, or induce Company to use, any confidential or proprietary information or material belonging to any previous employer or others. You agree not to enter into any agreement, whether written or oral, in conflict with your promises in this provision.

5. Term and Termination. Your employment with Company will be “at will”. Your employment is not for any specific period of time and can be terminated by you by giving 3 months advance notice at any time for any reason. Your employment may be terminated by the Company: (a) (i) upon 6 months notice within the first month of your employment, (ii) upon 5 months notice within the second month of your employment, (iii) upon 4 months notice within the third month of your employment or (iv) upon 3 months notice at any time after the completion of the third month of your employment, or (b) immediately, without notice or severance, for cause. Notwithstanding the foregoing, the Company may, in lieu of any notice period required by the prior sentence, pay you an amount equal to (x) your then current monthly salary times (y) the applicable number of months of notice to which you would have been entitled, as severance. In addition, Company reserves the right to modify your position, duties and reporting relationship to meet business needs and to use its managerial discretion in deciding on appropriate discipline.

6. Contingencies. This agreement is contingent upon the following:

- Signing Company’s Proprietary Information and Inventions Agreement (See enclosed);
- Compliance with federal I-9 requirements (please bring suitable documentation with you on your first day of work verifying your identity and legal authorization to work in the United States); and
- Execution of an acknowledgement indicating that you have read our Employee Handbook.

7. Arbitration. In the event of any dispute or claim relating to or arising out of our employment relationship or the termination of that relationship (including, but not limited to, any claims of wrongful termination or age, sex, race, disability or other discrimination), you and Company agree that all such disputes shall be fully and finally resolved by binding arbitration conducted before a single neutral arbitrator pursuant to the rules for arbitration of employment disputes by the American Arbitration Association (available at www.adr.orq or from Human Resources) in Austin, Texas. The arbitrator shall permit adequate discovery and is empowered to award all remedies otherwise available in a court of competent jurisdiction and any judgment rendered by the arbitrator may be entered by any court of competent jurisdiction. The arbitrator shall issue an award in writing and state the essential findings and conclusions on which the award is based. By executing this letter, you and the Company are both waiving the right to a jury trial with respect to any such disputes. Company shall bear the costs of the arbitrator, forum and filing fees. Each party shall bear its own respective attorney fees and all other costs, unless otherwise provided by law and awarded by the arbitrator.

8. Complete Agreement. This letter, including the enclosed Proprietary Information and Inventions Agreement, and the Stock Restriction Agreement and any related stock granting documents, constitutes the entire agreement between you and Company relating to this subject matter and supersedes all prior or contemporaneous agreements, understandings, negotiations or representations, whether oral or written, express or implied, on this subject. This agreement may not be modified or amended except by a specific, written agreement signed by you and the Company's authorized representative.

Savara Inc.

/s/ Rob Neville
Rob Neville Executive Chairman

* * *

I have read this agreement in its entirety, and agree to and accept the terms and conditions of employment stated above.

Date: 1/10/2009

/s/ Taneli Jouhikainen
Taneli Jouhikainen

DAVID LOWRANCE

Transmitted via email to: via Brian Riley

Dear Dave,

Savara Inc. ("Savara" or "Company") is extremely pleased to extend to you an offer of employment with our Company as Chief Financial Officer (CFO). This offer letter and the terms contained herein supersede all other communications verbal or written. Subject to your acceptance of the terms herein, we would expect that your employment with the Company start on November 1st, 2016 or as soon as reasonably practicable prior to that date. Your actual first date of employment will be referred to as "Start Date" hereafter.

As CFO, you will report directly to the CEO, and you will be charged with managing and leading all aspects of the financial operations and be an important member of the leadership team. Performance of the duties will require travel, as necessary, to vendors and international offices of Savara. Your responsibilities may be adjusted from time to time in line with your performance, and growth of the company.

As a valued Savara employee, you will receive a salary and other benefits specified below where Savara is your primary employer.

Salary: Upon the commencement of your employment and your completion of requisite compliance and payroll documents, you will receive an annual salary of $302,500 (before applicable withholding and taxes) to be paid in semimonthly installments on the Company's regular paydays by direct deposit.

Annual Bonus: Currently, Savara has a cash based incentive plan (the "Bonus Award") in place for executives and employees. You will be eligible for the Bonus Award which is currently targeted at 25% of your base salary beginning 2017. You may also be eligible for other cash or equity bonuses from time to time as determined by the CEO and Savara's Board of Directors, at their sole discretion. You will also be eligible to participate in bonus programs related to non-dilutive/favorable financings (e.g. NIH) for activities initiated after your start date and where you are a significant contributor.

Grant of Stock Options: At your option, effective on your hire date, you will either be granted Incentive Stock Options to purchase 217,710 shares of Company common stock or restricted common stock, vesting quarterly over four years based on your continued employment with the Company, subject to Board of Directors approval and updated pricing via a 409(a) analysis.

The granting of any options will be governed by the Company's Stock Option Plan and option agreement, which the Company will provide you if you choose to receive stock options. These documents will govern and control such options and any stock issued upon exercise of such options. These documents will contain a complete description of the option's terms, but, to summarize, the exercise price of your options will be equal to the fair market value per share of Company's Common Stock on the date of grant, as determined by Company's Board of Directors. If you choose

Restricted Common Stock, you will be required to enter into a Restricted Stock Agreement governing your rights to the Restricted Stock. You will be eligible for additional equity incentives from time to time, based on performance, and as determined by the CEO and Savara's Board of Directors, at their sole discretion.

Vacation: You will be eligible for the Company's vacation/PTO plan and will be provided with three weeks of vacation time per calendar year (accumulating based on full-time employment). See Savara's Employee Handbook for complete policies on vacation/PTO.

Health Care Plan and Other Benefits: You will be entitled to participate in the Company's health care, vision and dental plans, 401K, short term and long term disability as well as holidays common to all employees as established by Savara policy. Note some programs require employment at Savara for up to three months prior to eligibility (401k) or be employed on January 1st (HSA contribution).

Travel and Other Expenses: You will be entitled to reimbursement of typical business expenses associated with pre-approved travel that are incurred in connection with the performance of your duties, against receipts or other appropriate written evidence of such expenditures as required by the appropriate United States Internal Revenue Service regulations and the Company's standard policies and practices. In addition, you will be reimbursed for a Savara-approved cell phone plan and device, against receipts that are to be submitted monthly. See Company's Employee Handbook for complete details. Savara will also reimburse you for reasonable Continuing Professional Education (CPE) and related costs (annual state fee, society dues). CPE programs, selected in consultation with the CEO, will be necessary to maintain your CPA license or improve your effectiveness as CFO.

Your employment relationship with Savara is on an *at-will* basis as governed by Texas law. That is, even after accepting this employment offer, you will have the right to resign at any time, and the Company will have the right to end your employment relationship with the Company for any reason, with or without cause, or for no reason subject to the below provisos. Of course we hope everything works out for the best, but the Company wants to make sure that you understand that nothing in this letter or in any Company policy or statement (including any other written or verbal statements made to you during negotiations about working at Savara) is intended to or does create anything but an at-will employment relationship. Only the Company's CEO in collaboration with the Board of Directors may modify your at-will employment status, or guarantee that you will be employed for a specific period of time. Such modification must be in writing, signed by the CEO, and approved by the Board of Directors. If for any reason you are terminated by the Company without Cause (defined below), Savara will compensate you (1) three-months of your then current base salary less applicable taxes, (2) your portion of the Bonus Award, for attained goals established by the CEO as of the last day of employment, (3) reimbursement of any outstanding and reasonable business related expenses, and (4) any accrued base salary as of the Termination Date, (5) Bonus payment equal to the cost of three (3) months of health, vision, and dental benefits via State Continuation following the termination date, all upon execution of a release of any and all claims against the company. Also, Savara requires 30-day notice period should you decide to terminate your employment. The amount of compensation for termination without Cause will be reviewed by a compensation expert during the FY 2017 compensation planning and may be adjusted based on industry comparisons at the Board of Directors sole discretion.

For purposes of this letter, “Cause” shall mean: (i) your continued failure to substantially perform the duties and obligations of your position with Savara (other than any such failure resulting from your total and permanent disability as defined in Section 22(e)(3) of the Internal Revenue Code); (ii) any act of personal dishonesty, fraud or misrepresentation taken by you which was intended to result in substantial gain or personal enrichment for you at the expense of Savara; (iii) your violation of a federal or state law or regulation applicable to Savara’s business which violation was or is reasonably likely to be injurious to Savara; (iv) your conviction of, or plea of nolo contendere or guilty to, a felony under the laws of the United States or any State; or (v) your breach of the terms of your agreement(s) with Savara relating to proprietary information and inventions assignment, including your PIIA.

In addition, you agree that you will not use in the performance of your duties, nor disclose to any Savara employee, any confidential information or trade secrets of any former employer or other person which would violate your legal obligations to those parties. Performance of your duties at Savara will only require information and knowledge which is generally known and used by persons with training and experience comparable to your own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by Savara.

For this offer to be effective, you will be required to agree to a background check, provide required documentation to support your identity and eligibility to work in the United States, execute the Company’s *Proprietary Information and Inventions Agreement* and *Employee Handbook* as amended in the form of the documents attached hereto. In addition, this offer of employment is contingent upon approval by the Board of Directors.

Upon execution, this letter, together with the Proprietary Information and Inventions Agreement contains the entire agreement among the parties relating to your proposed employment with the Company and supersedes any previous agreements, including consulting agreements, communications or offers of any kind, written or verbal, between the parties.

I have very much enjoyed speaking with you at length about this opportunity, and I am excited about you joining the Savara team. We all believe that you can make a significant contribution to the success of the Company and are eager to have you join us.

To signify your acceptance of this offer and the terms cited herein, please sign the letter below and return a copy to me along with the other employment documents described above.

With kind regards,

/s/ Robert Neville
Rob Neville
Date: September 30th, 2016

Accepted and agreed:

/s/ David Lowrance

David Lowrance
Date: September 29, 2016

Execution version

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

API SUPPLY AGREEMENT
(Vancomycin hydrochloride)

This SUPPLY AGREEMENT (the "Agreement") is entered into as of September 26, 2016 (the "Effective Date") by and between

(A) Savara Inc. (doing business as Savara Pharmaceuticals), Reg. No. 4317464, a corporation duly organized and incorporated under the laws of Delaware having its principal place of business at 900 S. Capital of Texas Highway, Suite 150, Austin, TX 78746, United States ("Buyer"), and

(B) Xellia Pharmaceuticals ApS, Reg. No. 61094628, a corporation duly organized and incorporated under the laws of Denmark having its registered office at Dalslandsgade 11, DK-2300 Copenhagen S., Denmark ("Seller")

Buyer and Seller are together collectively referred to as the "Parties" and each individually as a "Party".

Capitalized terms not otherwise defined herein shall have the meanings set forth in Section 1 hereof.

WHEREAS, Seller is in the business of manufacturing and supplying the active pharmaceutical ingredient vancomycin hydrochloride (the "API" as defined below) for use by third parties in finished pharmaceutical products; and

WHEREAS, Buyer desires to have Seller supply Buyer with the API to be used in Buyer's manufacture of certain finished pharmaceutical products (the "Finished Product" as defined below), pursuant to the terms and conditions set forth in this Agreement; and

WHEREAS, Seller desires to supply Buyer with the API pursuant to the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of these premises and the covenants, agreements and stipulations hereinafter set forth, the Parties hereto agree as follows:

1 Definitions

In this Agreement, the following terms shall have the following respective meanings:

"Affiliate" shall mean with respect to each Party, any corporation, firm, partnership or other entity which directly or indirectly controls or is controlled by or is under common control with that Party. For purposes of this definition, "control" shall be presumed to exist if one of the following conditions is met: (a) in the case of corporate entities, direct or indirect ownership of at least fifty percent (50%) of the stock or shares having the right to vote for the election of directors, and (b) in the case of non-corporate entities, direct or indirect ownership of at least fifty percent (50%) of the equity interest with the power to direct the management and policies of such non-corporate entities. For the purposes of this Agreement, Xellia's Affiliates shall only include Xellia's parent company New Xellia Group A/S (Danish Reg. no. 35235299) and the companies under its direct or indirect control.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

"Agreement Quarters" shall mean for the Term (as defined below), each of the three (3) month periods ending March 31, June 30, September 30 and December 31, respectively.

"API" shall mean vancomycin hydrochloride, non-sterile, micronized.

"cGMP" shall mean the current good manufacturing practices as required by the regulations and requirements of the FDA (as defined below).

"Calendar Year" shall mean the twelve (12) month period between 1 January and 31 December, inclusive.

"Commercial Launch" shall mean, for the Finished Product (as defined below), Buyer's first sale of the Finished Product in the Territory (as defined below), for which payment is received for use or consumption by the general public of the Finished Product after all required marketing authorizations have been granted. Commercial Launch shall not include sale of the Finished Product for use in clinical studies or for compassionate use prior to regulatory approval.

"Confidential Information" shall mean any documents and information relating to the API, the business of the Parties or this Agreement which is communicated by the one Party to the other Party before or during the Term, whether in written, oral, graphic, electronic, website-based, or other form, including without limitation, proprietary product information, technical, financial, employment related, regulatory or legally sensitive information, trade secrets, business methods, practices and plans, and pricing, cost, supplier, customer and manufacturing information, including but not limited to specifications, compounds, ingredients, formulae, recipes, samples, reports, methods, plans, drawings, know-how, inventions and patent disclosures as well as reports made in connection with inspections according to Section 5.6.

"Facility" shall mean Seller's Affiliate's facility located in Taizhou, China, and Seller's facility located in Copenhagen, Denmark, or such other facilities designated in writing from time to time by Seller and accepted in writing by Buyer in accordance with this Agreement.

"FDA" shall mean the United States Food and Drug Administration.

"Finished Product" shall mean all finished pharmaceutical products for which Buyer will utilize the API.

"Firm Commitment" shall have the meaning specified in Section 3.1.

"Force Majeure" shall have the meaning specified in Section 9.1.

"Forecasts" shall have the meaning specified in Section 3.1

"Other Party" shall have the meaning specified in Section 9.2.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

"Purchase Price" shall have the meaning specified in Section 4.1.

"Purchase Order" shall have the meaning specified in Section 3.3.

"Specifications" shall mean the specifications in Exhibit B (as amended in writing from time to time in accordance with this Agreement).

"Term," "Initial Term," and "Renewal Term" shall have the respective meanings specified in Section 7.1 hereof.

"Territory" shall mean worldwide.

2 Supply of API

2.1 Agreement to Purchase and Supply. During the Term, Seller will supply the API to Buyer for the Territory in accordance with the Agreement, and Buyer agrees to purchase from Seller one hundred percent (100%) of Buyer's and Buyer's Affiliates' requirements of the API for Finished Products that are to be sold in the Territory. Seller does not have any obligation to sell the API exclusively to Buyer.

2.2 Sale by Affiliates. Notwithstanding anything in this Agreement to the contrary, Seller has the right to cause one or more of its Affiliates to sell the API to Buyer on the terms set forth herein, provided that such action shall not limit or diminish Seller's duties pursuant to this Agreement. Seller will decide which Facility will manufacture the API supplied under the Agreement in the reasonable exercise of its own discretion. Buyer undertakes to assess the comparability of API from the Copenhagen Facility with API from the Taizhou Facility. In the event that both APIs are comparable and would not require additional toxicology or clinical studies, Buyer undertakes to complete the qualification and registration process of API from both Facilities as soon as commercially reasonable and practicable after the execution and delivery of this Agreement.

2.3 No resale, use of API. Buyer warrants and undertakes not to resell the API to any third party until such time as the API has been incorporated in the Finished Product, and to use the API only for Buyer's manufacture of Buyer's Finished Product to be sold in the Territory.

2.4 Regulatory Clearance. Buyer shall be responsible for submitting, obtaining and maintaining regulatory approvals and clearance for the marketing of the Finished Product. Seller will assist and cooperate with Buyer as reasonably required to obtain such regulatory clearance including pre-approval inspections and technical assistance to the extent within Seller's control.

3 Forecasts, Purchase Orders, Shipping

3.1 Following Commercial Launch of the Finished Products Buyer shall provide Seller with a rolling [***] forecast for its purchases of the API from Seller for the following Calendar Year on or before [***] of each year ("Forecast"). The first Agreement Quarter of such Forecasts shall be binding on Buyer with respect to the quantities of API specified therein (a "Firm Commitment"), whereas the remaining [***] shall constitute a non-binding best estimate at such time of its requirements of the API; *provided*,

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however, that no change to a Firm commitment of any Forecast shall be made in any subsequent Forecast. Not less than [***] prior to the date of anticipated Commercial Launch, Buyer shall provide Seller with a Forecast as set out in this Section 3.1 for its estimated purchases of the API. Such Forecasts shall constitute Buyer's best estimate at such time of its requirements of the API.

3.2 Seller shall within [***] of receipt of each Forecast inform Buyer of any anticipated inability to supply any quantities of the API set out in a Forecast and, in such event, Seller and Buyer shall discuss in good faith a revised delivery schedule and/or Forecast for any such quantities. In the event the Parties are not able to agree on such revisions, Buyer shall be entitled to manufacture itself or purchase from a third party the quantities of API that Seller informs Buyer that it anticipates it will be unable to supply.

3.3 Firm ordering of quantities of API specified in the Firm Commitment in a Forecast provided by Buyer to Seller, and which is not previously covered by an order accepted by Seller, will be performed in writing by Buyer (each, a "Purchase Order"). All Purchase Orders shall include (a) the quantity of the API to be purchased; (b) the requested delivery date(s) which shall not be earlier than [***] from the date on which the Purchase Order is provided to Seller; (c) any other information dictated by the circumstances of the order; and (d) description of the purchased API.

3.4 Seller shall within [***] from receipt confirm whether it is possible to supply the API in the Purchase Order. The quantities in a Purchase Order shall be for no less than [***] of the quantities pursuant to the most recent Forecast. Xellia shall accept supply of quantities in the Purchase Order which are up to [***] of the quantities pursuant to the most recent Forecast, and shall use commercially reasonable efforts to meet Buyer's requirements for API in excess thereof. In the event that Seller is not able to supply the amount of API within the Forecast provided by Buyer according to Section 3.1 and confirmed by Seller, Buyer shall be entitled to obtain the difference from a third party to fulfill the Forecast for that period regardless of the purchase requirements in Section 2.1.

3.5 In the event that Seller fails to deliver the API on or before the delivery date specified in the accepted Purchase Order, Seller shall notify Buyer of such delay and provide Buyer with the expected date of of arrival for the shipment. If Buyer, in good faith, cannot accept the new date specified for delivery by Seller, or if the shipment fails to arrive within 10 days after the newly specified date, then Buyer may cancel the order. In such case, Buyer shall be entitled to purchase the quantities of API set forth in the cancelled order from a third party regardless of the purchase requirements in Section 2.1. This is Buyer's sole and exclusive remedy in respect of late delivery.

3.6 Minimum Order Quantity. The total quantity of API ordered by Buyer in a Purchase Order shall be in multiples of Seller's standard pack sizes.

3.7 Shipping Instructions/Risk of Loss. Seller shall ship API ordered by Buyer, CIP (Carriage and Insurance Paid) to Buyer's destination or facility within the United States as designated in writing by Buyer prior to Commercial Launch (as defined in the current version of INCOTERMS). Title to and risk of loss of all API shipped hereunder shall pass to Buyer at the time of delivery by Seller in accordance with the specified INCOTERMS.

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3.8 Standard Forms. In ordering and delivering the API pursuant hereto, Buyer and Seller may employ their standard form, but nothing in those forms shall be construed to modify, amend or supplement the terms of this Agreement and, in the case of any conflict or inconsistency herewith, the terms of this Agreement shall prevail.

4 Purchase Price; Payments

4.1 Purchase Price. Buyer shall pay to Seller the purchase price for the API set forth on Exhibit A (the "Purchase Price").

4.2 Invoices for API. All invoices hereunder shall be payable by Buyer net thirty (30) days of receipt by Buyer of such invoice, which invoice shall be issued by Seller and dated no earlier than the date of shipment of the API invoiced. The currency of invoice and payment shall be in United States Dollars. On any late payments, an interest of 1.5% per commenced month shall automatically and without further notice be due.

4.3 Taxes. The payments hereunder do not include use, consumption, sales or excise taxes of any taxing authority. The amount of any applicable taxes, if any, will be added to the Price of the API in effect at the time of shipment thereof and shall be reflected and detailed in the invoices submitted to Buyer by Seller. In any event, Seller shall use commercially reasonable efforts to minimize the amount of applicable taxes, if any.

5 Quality; Acceptance, Inspection

5.1 Quality. Seller will manufacture and supply the API to Buyer in accordance with the Specifications, cGMP and applicable law in the country of manufacture.

5.2 Modifications. In case Seller makes a change to the Specifications or the manufacturing process for the API that will result in a change in the quality, potency or stability of the API, Seller will notify Buyer in writing with reasonable lead time before implementing the change.

5.3 Certificate of Analysis. Seller will test and inspect each lot of API for compliance with Specifications prior to the release and shipment thereof to Buyer. Seller will provide a certificate of analysis with each shipment of each lot of API signed by the responsible quality official of Seller.

5.4 Rejection of API; Dispute Resolution.

5.4.1 Buyer shall promptly test and inspect the API upon receipt for compliance with Specifications and either accept or reject it. API may be rejected if it does not comply with the Specifications. Buyer will be deemed to have accepted the API if Buyer does not give written notice of rejection of the API within forty-five (45) calendar days after receipt of the API in question. The written notice of rejection shall be given to Seller and shall include identification of the lot number and description of the Specification failure, and Buyer shall simultaneously send samples of defective API to Seller.

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5.4.2 In the event that Seller does not agree with Buyer's claim of non-compliance with the Specifications, the Parties shall endeavour to settle such disagreement amicably and constructively between themselves. In the event that they fail to agree within four (4) weeks after receipt of the notice of rejection, the Parties shall designate an independent, reputable laboratory, acceptable to both Parties, which shall examine representative samples taken from such consignment for compliance with the Specifications, and the result shall be binding on both Parties. The cost of the assessment shall be borne by (i) Buyer if the findings indicate the API met Specifications, (ii) Seller if the findings indicate the API failed to meet Specifications, or (iii) both, in proportion to each Party's error or oversight.

5.4.3 In cases of justified and properly notified notice of rejections of a particular lot of API, Buyer shall return the rejected API to Seller at Seller's expense, and at Buyer's option (i) such API shall be replaced by Seller as soon as commercially reasonable and practicable at Seller's expense (and the payment in respect of such quantities postponed until such replacement quantities are received by Buyer), or (ii) Seller shall provide a credit or refund in respect of such quantities to Buyer. This is Buyer's sole and exclusive remedy in respect of defective API.

5.5 Rejected API. API rejected pursuant to Section 5.4 shall be properly tagged and isolated and shall not be released by Buyer without the prior written approval of Seller. Buyer shall not dispose of such API. All API rejected pursuant to Section 5.4 shall be removed (if applicable) and disposed of by Seller, at Seller's expense, in a manner consistent with applicable laws.

5.6 Inspection Rights. Buyer shall be entitled to inspect the Facilities to the extent relevant for the manufacture of the API per compliance with the terms of this Agreement during Seller's regular business hours at the Facility, provided that (i) Buyer provide Seller with at least six (6) weeks prior written notice of its intent to inspect such manufacturing operations for routine reasons; (ii) only up to two (2) representatives of Buyer may be present at any given inspection; (iii) the inspection shall preferably only last one (1) day; and (iv) no more than one (1) such inspection may occur in every second calendar year. Notwithstanding the aforementioned, Buyer shall be entitled as soon as commercially reasonable and practicable and within two (2) weeks of prior written notice of its intent to inspect such Facility for cause. In the event of such written notice of intent to inspect for cause, such as discovering of a major quality defect of the API, priority access will occur, however timing of such inspection for cause shall still be commercially reasonable for both Parties. Seller is entitled to make any access to the Facility conditioned upon Buyer's representatives signing a confidentiality agreement in a commercially reasonable form provided by Seller.

6 Representations and Warranties and Covenants

6.1 Seller's Representations, Warranties and Covenants. Seller hereby represents, warrants and covenants to Buyer that:

6.1.1 The API supplied by Seller under this Agreement shall be in conformity with the Specifications and will be manufactured in accordance with relevant cGMP and all other regulatory requirements under any applicable laws in the Territory.

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6.1.2 As of the Effective Date Seller holds, and shall continue during the Term to hold, all licenses and permits of regulatory authorities necessary and appropriate for Seller to manufacture and supply the API as contemplated herein.

6.1.3 Seller is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite corporate power to execute and deliver this Agreement and to perform its obligations hereunder. The execution and delivery by Seller of this Agreement and its performance of its obligations hereunder have been duly and validly authorized. This Agreement constitutes a legal, valid and binding obligation of Seller, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, and other laws of general application limiting the enforcement of creditor's rights.

6.2 Disclaimer of Warranties. Seller makes no other warranties, express or implied then those stated specifically in Section 6.1. Seller disclaims and Buyer waives any and all implied warranties, including but not limited to, implied warranties or merchantability or fitness for a particular purpose.

6.3 Buyer's Representations, Warranties and Covenants. Buyer hereby represents, warrants and covenants to Seller that:

6.3.1 Buyer will manufacture and market the Finished Product in accordance with relevant cGMP and all other regulatory requirements under any applicable laws in the Territory.

6.3.2 Buyer is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite corporate power to execute and deliver this Agreement and to perform its obligations hereunder. The execution and delivery by Buyer of this Agreement and its performance of its obligations hereunder have been duly and validly authorized. This Agreement constitutes a legal, valid and binding obligation of Buyer, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, and other laws of general application limiting the enforcement of creditor's rights.

7 Term, Termination

7.1 Term. Unless terminated in accordance with the provisions of this Agreement, the initial term of this Agreement shall commence on the Effective Date and shall continue until [***] (the "Initial Term"). Following the Initial Term, this Agreement shall automatically renew for consecutive periods of one (1) year (the "Renewal Term") unless and until either Party hereto submits to the other Party hereto written notice of its intention not to renew at least twelve (12) months prior to the end of the Initial Term or any Renewal Term, as the case may be. The Initial Term and any Renewal Term(s) are together called the "Term".

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7.2 Termination. This Agreement may be terminated in the following circumstances:

7.2.1 By either Party, upon notice to the other Party, with immediate effect, in the event of an assignment by the other Party for the benefit of creditors; the admitted insolvency of the other Party; the institution of voluntary or involuntary proceedings by or against the other Party in bankruptcy, insolvency, moratorium or for a receivership, or for a winding-up or for the dissolution or reorganization of the other Party; or the taking of any action by the other Party under an act for relief from creditors; to the extent permitted by applicable Law; or

7.2.2 By either Party upon sixty (60) days' written notice to the other Party (30 days' notice in the event of a failure to timely pay the Price) in the event of a failure of such other Party to perform or observe a material obligation imposed by this Agreement, unless such failure is cured or the Parties have reached agreement on a plan to achieve a cure of such failure prior to the end of such period; or

7.2.3 By Seller, if Seller should decide to transfer ownership of the API to a third party or to discontinue manufacturing and marketing the API. Termination pursuant to this Section 7.2.3 shall require twelve (12) months' prior written notice to Buyer; or

7.2.4 As provided elsewhere in the Agreement, including but not limited to Section 9.3 below.

7.3 Accrued Liabilities. Expiration or termination of this Agreement for any reason shall not discharge either Party's liability for obligations incurred hereunder.

7.4 Effect of Termination. Upon termination of this Agreement for any reason the following shall apply: (i) Each Party shall return to the other Party or destroy all copies of documents containing Confidential Information of the other Party; and (ii) All Purchase Orders (whether or not confirmed by Seller) shall be cancelled.

7.5 Survival. Sections 2.3, 2.4, 6, and 8 , together with other terms and conditions under this Agreement that by their intent or meaning have continuing validity, shall survive the termination of this Agreement.

8 Confidentiality

8.1 Both Parties shall keep confidential any and all Confidential Information disclosed by the other Party, whether prior to or during the term of this Agreement. Both Parties shall (i) use the Confidential Information only for performance under this Agreement, (ii) not disclose such Confidential Information obtained from the other Party to any third party other than to the regulatory authorities to which the receiving Party will need to make disclosure as legally required for the purpose of registration of the API as contemplated by this Agreement, (iii) limit disclosure to those of its employees as are considered necessary for the manufacture of the Finished Product or the API as contemplated by this Agreement, and (iv) to impose upon such employees obligations of confidentiality, non-disclosure, and non-use at least as restrictive as the obligations set forth herein.

8.2 The obligations according to Section 8.1 shall not apply to the extent that (i) the information has become public knowledge prior to or after its disclosure otherwise than through acts or omissions attributable to the receiving Party or its employees, (ii) the information has come into the receiving Party's possession without restriction on confidentiality, disclosure, or use from a third party who had the lawful right to disclose the information, or (iii) was known to the receiving Party as demonstrated by competent written evidence prior to the receipt of such confidential information from disclosing Party.

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8.3 Except as otherwise expressly set forth herein, nothing contained in this Agreement shall be construed as granting to the receiving Party any right, title or interest in or to, or any license under, (i) Confidential Information provided by the disclosing Party or (ii) intellectual property of other proprietary rights belonging to the disclosing Party.

8.4 In the event of any conflict or inconsistency between the provisions of this Section 8 and the provisions of that certain Confidentiality Agreement between Seller and Buyer dated as of June 30, 2011, the provisions affording the highest degree of confidentiality protection shall apply and take precedence.

9 Force Majeure

9.1 The occurrence of an event which materially interferes with the ability of a Party to perform its obligations or duties hereunder which is not within the reasonable control of the Party affected, and which could not with the exercise of due diligence have been avoided (a "Force Majeure"), including, but not limited to, fire, accident, breakdown of machinery, labor difficulty (other than on the part of employees of the Party), strike (other than on the part of employees of the Party), riot, civil commotion, act of God, or change in Law shall suspend such performance during the continuation of Force Majeure.

9.2 The Party prevented from performing its obligations or duties because of Force Majeure shall promptly notify in writing the other Party hereto (the "Other Party") of the occurrence and particulars of such Force Majeure and shall provide the Other Party, from time to time, with its best estimate of the duration of such Force Majeure and with written notice of the termination thereof. The Party so affected shall use its best efforts to avoid or remove such causes of nonperformance. Upon termination of Force Majeure, the performance of any suspended obligation or duty shall promptly recommence. Neither Party shall be liable to the other Party for any damages arising out of or relating to the suspension or termination of any of its obligations or duties under this Agreement by reason of the occurrence of Force Majeure.

9.3 In the event that Force Majeure has occurred and is continuing for a period of at least six (6) months, the Other Party shall have the right to terminate this Agreement upon thirty (30) days' prior written notice.

10 Insurance

10.1 Each Party shall obtain and keep in force during the Term, Commercial General Liability insurance (including product liability) coverage in an amount of not less than USD 5,000,000*; provided, however*, that the obligations of Buyer shall commence with Commercial Launch. As of the Effective Date and prior to Commercial Launch Buyer shall obtain and keep in force Commercial General Liability insurance (including product liability) coverage in an amount of not less than USD 1,000,000. If such insurances are provided on a claims-made basis, such coverage must be maintained for a period of not less than five (5) years after termination of this Agreement. Each Party shall provide the

other Party proof of such insurance upon request. Each Party shall endeavor to give written notice to the other Party of any cancellation, termination or change in such insurance. Each Party may substitute a self-insurance program on written notice to the other Party with information demonstrating the adequacy of such program.

11 Indemnification

11.1 Seller shall indemnify, defend and hold harmless Buyer, its Affiliates, officers, directors, employees, agents, and their respective successors and assigns from and against any and all loss, damage, claim, injury, cost or expenses (including without limitation reasonable attorney's fees), incurred in connection with third party claims of any kind that arise out of or are attributable to: (i) Seller's breach of any of its warranties, representations, covenants or obligations set forth herein; or (ii) the negligent act or omission of Seller.

11.2 Buyer shall indemnify, defend and hold harmless Seller, its Affiliates, officers, directors, employees, agents, and their respective successors and assigns, from and against any and all loss, damage, claim, injury, cost or expenses (including without limitation reasonable attorney's fees), incurred in connection with third party claims of any kind that arise out of or are attributable to (i) Buyer's breach of any of its warranties, representations, covenants or obligations set forth herein or (ii) the negligent act or omission of Buyer.

11.3 Any demand or claim made under this Section 11 shall be subject to written notification forthwith. Neither Party shall be entitled to settle any claims, demands, liabilities, suits or expenses as mentioned under this Section 11 without the other Party's prior written consent if it seeks indemnification from the other Party, which consent shall not be unreasonably conditioned, delayed, or withheld.

11.4 IN NO EVENT WILL EITHER PARTY BE LIABLE FOR ANY INDIRECT, SPECIAL, CONSEQUENTIAL OR INCIDENTAL DAMAGES, INCLUDING LOSS OF PROFIT AND LOSS OF GOODWILL, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY, ARISING IN ANY WAY OUT OF THIS AGREEMENT.

12 Governing Law and Venue

12.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of New York, without regard to the conflicts of law principles thereof.

12.2 Dispute Resolution. Except as specified in Section 5.4.2, all disputes arising out of, or in relation to, this Agreement shall be resolved amicably and, if necessary and appropriate, shall be referred for decision forthwith to a senior executive of each Party. If no agreement can be reached through this process within thirty (30) days of request by one Party to the other Party to nominate a senior executive for dispute resolution, then either Party hereto shall be entitled to refer such dispute to arbitration or mediation in accordance with the "Commercial Arbitration Rules and Mediation Procedures" of the American Arbitration Association("AAA") then pertaining (available at www.adr.org), except where those rules conflict with this provision, in which case this provision controls. Any court with jurisdiction shall enforce this clause and enter judgment on any

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award. The arbitrator shall be selected within twenty (20) business days from commencement of the arbitration from the AAA's National Roster of Arbitrators pursuant to agreement or through selection procedures administered by the AAA. Within forty-five (45) days of initiation of arbitration, the Parties shall reach agreement upon and thereafter follow procedures, including limits on discovery, assuring that the arbitration will be concluded and the award rendered within no more than eight (8) months from selection of the arbitrator or, failing agreement, procedures meeting such time limits will be designed by the AAA and adhered to by the Parties. The arbitration shall be held in New York and the arbitrator shall apply the substantive law of New York, except that the interpretation and enforcement of this arbitration provision shall be governed by the Federal Arbitration Act. Prior to appointment of the arbitrator or thereafter if he is unavailable, emergency relief is available from any court to avoid irreparable harm. The arbitrator shall not award either party punitive, exemplary, multiplied or consequential damages, or attorneys' fees or costs.

13 Miscellaneous

13.1 Assignment. Except as provided for in Section 2.2 above, this Agreement shall not be assignable or transferable by either Party hereto except with the prior consent in writing of the other Party, such consent not to be unreasonably conditioned, delayed, or withheld, *provided*, *however*, that Buyer may assign this Agreement without consent of Seller to a successor by merger, acquisition, sale, or other transfer of Buyer or of all or substantially all of Buyer's business assets to which this Agreement relates. In event of the aforementioned, Buyer shall without undue delay give notice in accordance with Section 13.3 to Seller of any such assignment.

13.2 Severability. In the event that any one or more of the agreements, provisions or terms contained herein shall be declared invalid, illegal or unenforceable in any respect, the validity of the remaining agreements, provisions of terms contained herein shall in no way be affected, prejudiced or invalidated thereby.

13.3 Notices. All notices, reports and other communications required by this Agreement shall be transmitted by overnight courier service or by facsimile transmission with confirmed answer back to the other Party at its address set forth below, or such other address as shall be specified by the Parties hereto by written notice given in accordance with this section and shall be effective upon receipt thereof.

If to Seller:

Xellia Pharmaceuticals ApS
Dalslandsgade 11
DK-2300 Copenhagen S.
Denmark
Att: Vice President, Sales and Marketing
Telefax: +45 32 64 55 01

with a copy to:

Xellia Pharmaceuticals ApS
Dalslandsgade 11
DK-2300 Copenhagen S.
Denmark
Attention: Vice President, Legal Dep.
Telefax: +45 32 64 55 01

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If to Buyer:

Savara Inc.
900 S. Capital of Texas Highway
Suite 150
Austin, Texas 78746
USA
Attention: Head of Business Operations
Telefax: +1 (855) 298-2020

with a copy to:

Savara Inc.
900 S. Capital of Texas Highway
Suite 150
Austin, Texas 78746
USA
Attention: Legal Affairs
Telefax: +1 (855) 298-2020

13.4 Entire Agreement. This Agreement, including the Exhibits attached hereto, constitute the entire understanding of the Parties, superseding in all respects any and all prior oral or written agreements or understandings pertaining to the subject matter hereof. This Agreement may be amended or modified only by written agreement executed by the Parties hereto.

13.5 Public Disclosure. Except for such disclosure as is deemed necessary, in the reasonable judgment of a Party, to comply with applicable laws, no announcement, news release, public statement, publication, or presentation relating to the existence of this Agreement, the subject matter hereof, or either Party's performance hereunder will be made without the other Party's prior written approval, which approval shall not be unreasonably withheld. The Parties agree that they will coordinate and allow the other Party to comment before any disclosure which is deemed necessary in order to comply with applicable law.

13.6 Waiver. Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the Party or Parties waiving such term or condition. No waiver by any Party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by Law or otherwise afforded, will be cumulative and not alternative.

13.7 Independent Contractors. Buyer and Seller are independent of each other and nothing contained herein shall be construed to create a joint venture, partnership, or an association of any kind. Neither Party is authorized to, nor shall it, incur any liability whatsoever for which the other may become directly, indirectly or contingently liable. Furthermore neither of the Parties shall act or represent or hold itself out as having authority to act as an agent or a partner of the other Party, or in any way bind or commit the other Party to any obligations.

13.8 Interpretation. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The word "including" shall not limit a more general preceding phrase and the word "hereof" shall refer to this Agreement as a whole. The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent and no rule of strict construction against either Party shall apply to any term or condition of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed and delivered as of the Effective Date.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Xellia Pharmaceuticals ApS

/s/ Gael Bernard
By:
Name: Gael Bernard
Title: VP of Sales and Marketing

Savara Inc.

/s/ Rob Neville
By:
Name: Rob Neville
Title: CEO

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

EXHIBIT A – PRICES AND ADJUSTMENTS

API	Purchase Price
Vancomycin Hydrochloride:	[***]

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

EXHIBIT B – SPECIFICATIONS

As per copy attached of

- Revision No. 00 having effect as of the Effective Date.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

EXHIBIT B — SPECIFICATIONS

Here is the specification for Vancomycin HCI, Non Sterile, USP (A433) from Xellia Copenhagen. The below specifications reflect the current Xellia Specification 6333.10 as of September 22nd, 2016. The current version of Xellia Specification 6333.10 supersedes the specification detailed in Exhibit B.

Appearance: A white or almost white powder.

Identification

a. Vancomycin hydrochloride (HPLC): Must comply with the standard.

b. Vancomycin hydrochloride (IR): Must comply with the standard.

Purity Tests

[***]

Assay

[***]

Complies with current edition of USP.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Here is the specification for Vancomycin HCI, Non Sterile, USP (C433). The below specifications reflect the current Xellia Specification 1-1473 as of September 22nd, 2016. The current version of Xellia Specification T-1473 supersedes the specification detailed in Exhibit B.

Storage condition: 2-8°C.
Shelf life: 36 months

Appearance: A white or almost white powder.

Identification

a. Vancomycin hydrochloride (IR): Must comply with the standard.

b. Vancomycin hydrochloride (HPLC): Must comply with the standard.

Purity Tests

[***]

Assay

[***]

Complies with current edition of USP.

Exhibit 10.60

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Supply Agreement

Parties

1. Savara Inc. (doing business as Savara Pharmaceuticals) of 5900 Shepherd Mountain Cove, Suite 2-205, Austin, Texas 78730 USA facsimile +1 855 298 2020 email info@savarapharma.com (**Savara**)

2. Plastiape SpA of 23875 Osnago (Lecco) - Via 1 Maggio, 8, Italy facsimile +39 039 587805 email info.plastiape@plastiape.it (**Plastiape**)

Introduction

A. Plastiape is in the business of manufacturing the Products (as defined below).

B. Savara is a specialty pharmaceutical company.

C. Savara wishes to acquire the Products from Plastiape and Plastiape agrees to supply the Products to Savara on the terms and conditions set out in this agreement.

Operative clauses

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1. Definitions and Interpretation

1.1 **Definitions**

In this agreement:

Affiliate means:

(a) a holding company of the party;

(b) a subsidiary of the party or a subsidiary of the holding company of the party;

(c) any entity controlled by the party;

(d) persons or entities who directly or indirectly have the capacity to control the party (including persons or entities who individually or collectively have the capacity to control more than 50% of the membership of the board of directors of the party or who control more than 50% of the equity securities of the party or a related party) or directors of the party;

Change of Control occurs, in relation to Plastiape, if any person or persons, other than the persons entitled on the date this agreement, becomes entitled to the power, whether held directly or indirectly (such as through interposed entities) and by whatever means (whether or not enforceable at law or in equity) to:

(a) exercise, or control the exercise of, more than 50% of the voting power in Plastiape;

(b) dispose of, or control the disposal of, more than 50% (by value) of the equity securities in Plastiape;

(c) appoint, or control the appointment of, directors of that Plastiape having more than 50% of the votes at board meetings; or

(d) determine, or control the determination of, the substantial conduct of that Plastiape’s affairs, business activities or decisions;

Confidential Information means the confidential, proprietary, or other similar information of a party which relates to the subject matter of this agreement and includes without limitation:

(a) information relating to personnel, policies, clientele, suppliers or business strategies;

(b) information relating to the terms upon which the Products are to manufactured and sold pursuant to this agreement,

but does not include information:

(c) which the receiving party can establish that the receiving party was aware of prior to its receipt from the disclosing party;

(d) which the receiving party can establish is in the public domain (other than through a breach of this agreement or a breach of confidence by any person);

and

(e) which the receiving party is compelled by law, regulations or the listing rules of a recognised stock exchange to disclose (and then only to the extent of such compelled disclosure and with reasonable prior written notice to the disclosing party);

Effective Date means Sept 1, 2012;

Exclusive Field of Use means any use of the Product with Vancomycin for the diagnosis, management, prevention, or treatment of lung diseases;

Force Majeure means, to the extent beyond the reasonable control of the party whose performance is adversely affected by the event:

(a) any act of God, war, revolution or any other unlawful act against public order or authority;

(b) government restraint, restriction, prohibition, intervention, embargo, reduction, unavailability or delay in obtaining governmental approvals, consents, permits, quota allocations, licences, authorisations;

(c) industrial dispute, shortage of raw material or production capacity, failure to supply by Plastiape’s suppliers; or

(d) other event which is not within the reasonable control of a party;

Insolvency Event, in relation to a party, means any of the following events:

(a) the party ceases to (or is unable to) pay its creditors (or any class of them) in the ordinary course of business, or announces its intention to do so;

(b) a receiver, manager, receiver and manager, administrative receiver or similar officer is appointed to that party or any of its assets;

(c) such party enters into, or resolves to enter into, a scheme or arrangement, compromise or composition with any class of creditors;

(d) a resolution is passed or an application to a court is taken for the winding up, dissolution, official management or administration of that party; or

(e) anything having a substantially similar effect to any of the events specified above happens under the law of any applicable jurisdiction;

Product(s) means dry powder inhalers known as “Monodose Inhaler Model 7” (product code 239700001AB) and “Monodose Inhaler Model 7 High Resistance” (product code 239700002AA) as described on Plastiape’s Type III Drug Master File (DMF), filed at the United States Food and Drug Administration (FDA) with # 17864, manufactured and packaged in accordance with the Specifications (as defined below), along with any improvements which might be agreed in writing between the parties and any other Plastiape inhaler models that are functionally or structurally equivalent or that possess substantially similar characteristics and performance;

Specifications means the specifications for the design, composition, product safety assurance, manufacture, packaging, and/or quality control of the Product, as described onto Plastiape’s DMF referenced above, as the same may be modified by mutual agreement of the parties in writing; and

Term has a meaning ascribed to it in clause 16.

1.2 **Interpretation**

In this agreement, unless the context otherwise requires:

(a) singular includes plural and plural includes singular;

(b) reference to a person includes a corporation, firm and any other entity;

(c) reference to a party includes that party’s personal representatives, successors and permitted assigns;

(d) headings do not affect interpretation;

(e) a provision must be read down to the extent necessary to be valid. If it cannot be read down to that extent, it must be severed;

(f) no rule of construction applies to the disadvantage of a party because that party put forward this document or any portion of it;

(g) the schedules and annexures to this agreement form part of this agreement; and

(h) terms defined in Incoterms 2000 have the same meaning when used in this agreement

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2. Supply of Product

During the Term, Plastiape must manufacture, sell, and deliver to Savara and its Affiliates such quantities of Product as ordered by Savara and its Affiliates pursuant to this agreement. Each Product sold under this agreement must conform to the Specifications for such Product and otherwise be supplied in accordance with this agreement. At the date of signature of this Agreement the free capacity of Plastiape is up to [***] units of Product per annum.

Savara and Plastiape will regularly communicate the respective market forecasts aiming to prevent any capacity issue. Savara is aware that a significant capacity upgrade at Plastiape site will involve an eighteen (18) months lead time for the construction of a new assembly line and a new clean room. Notwithstanding the foregoing, forecasts are non binding on Savara.

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3. Prices for Supply of Product

3.1 The prices for the Products will be as set out in Schedule 1 to this agreement.

3.2 Payment terms on all orders shall be thirty (30) days from the later of delivery and quality acceptance of the Product or invoicing.

4. Forecasts and ordering

4.1 *Forecasts*

(a) At least two (2) months prior to the beginning of each calendar year during the term of this agreement, Savara will provide Plastiape with a non-binding written forecast of Savara's expected requirements for Product during the following twelve (12) months.

4.2 *Orders*

(a) Savara is not required to buy any specific amount of Product under this agreement, except for the quantities which Savara actually orders through binding purchase orders.

(b) Savara may place binding orders for Product by written or electronic purchase order to Plastiape, which shall be placed at least ten (10) weeks prior to the desired date of delivery.

(c) Plastiape must provide Savara with written confirmation of receipt of the purchase order within three (3) days of receiving a receipt.

(d) Savara may cancel or vary an order at any time prior to dispatch of the Product. Savara will be responsible for all reasonable raw material costs, moulded components costs, finished product costs incurred as a consequence of the cancellation or variation of such order. Plastiape must mitigate Savara's loss with respect to such costs, including by utilising the raw materials to manufacture Product for other customers or by retaining the raw materials for use with respect to any future order made by Savara. Other than as set out in this sub-clause, Savara will have no other liability with respect to the cancellation or variation of a purchase order.

4.3 To the extent of any conflict or inconsistency between this agreement and any purchase order documentation, the terms of this agreement prevail.

5. Payment and invoicing

5.1 Payment terms on all invoices are thirty (30) days from the later of invoicing or delivery and quality acceptance of the Product.

5.2 If any portion of an invoice is disputed by Savara, Savara will notify Plastiape within twenty (20) days of receipt of the invoice and shall pay all the undisputed amounts when due and the parties shall use good faith efforts to reconcile the disputed amount as soon as possible.

6. Delivery

6.1 Plastiape will deliver the Product, at the direction of Savara, either:

(a) ex-works at the point of manufacture in Italy (EXW); or

(b) duty delivered paid (DDP) to the location specified in Savara's purchase order, in this latter case the extra-cost for transport are to be quoted and added on top of the EXW price quoted at Schedule 1

on or before the date specified in the purchase order.

6.2 Plastiape must pack all Product ordered in accordance with the agreed Specifications included into the Drug Master File or as otherwise agreed in writing between Savara and Plastiape.

6.3 The following will apply if Savara elects for the Product to be delivered on an ex-works basis (EXW):

(a) Plastiape must make all the relevant Product the subject of the purchase order available for collection not more than ten (10) weeks from the date of the order;

(b) Savara will select the carrier and organise for collection of the Product;

(c) Savara will bear all applicable taxes, duties, export or import charges and similar charges and similar imposts associated with the collection and shipping of the Products;

(d) Savara is responsible for all export and importation processes and costs.

(e) Savara will be responsible for obtaining applicable transport insurance; and

(f) all risk of loss or damage in transportation passes ex works to Savara at the time of delivery which is taken to be when the Product is collected from Plastiape's facilities.

6.4 The following will apply if Savara elects for the Product to be delivered on a delivered duty paid basis (DDP):

(a) Plastiape will engage the carrier and organise the delivery of the Product to the facilities nominated by Savara in the purchase order. Savara accepts no liability for either the choice of the carrier or the carrier's conduct or any loss or damage that may occur while the Products are being transported;

(b) Plastiape must deliver the Product the subject of the purchase order to the location nominated by Savara not more than twelve (12) weeks from the date of the order

(c) Plastiape will bear all applicable taxes, duties, export charges, delivery charges and similar charges and imposts associated with the delivery of the Product;

(d) Plastiape must obtain applicable transport insurance;

(e) Plastiape is responsible for all export and importation processes and costs; and

(f) all risk of loss or damage to the Products passes to the Savara upon delivery of the Product to Savara at the specified location.

7. Additional obligations of Plastiape

Plastiape must:

(a) manufacture and supply the Products in accordance with all applicable laws, regulations and standards;

(b) ensure the Products conform with all applicable laws, regulations and standards;

(c) inform Savara promptly of any adverse events (including without limitation fires, explosions, accidental discharges) occurring in the manufacture of the Product;

(d) inform Savara promptly of any allegations or findings of violations of applicable laws, regulations or standards which relate to the Products or may impact on the supply of the Products;

(e) allow Savara to inspect Plastiape's facilities, such inspections to be at reasonable times and upon reasonable notice, and

(f) implement promptly any corrective action which may be reasonably requested by Savara;

(g) supply all tools, equipment and materials necessary for the supply of the Products in accordance with this agreement;

(h) maintain Conformité Européene (CE) marking for the Products and any improvements; and

(i) it will maintain the Drug Master File as required by the FDA or such other requirements under the FDA.

8. Defective Product

8.1 Plastiape represents and warrants that any Product sold and delivered to Savara complies in all respects with the Specifications and this agreement and is free from defects in design, material and workmanship.

8.2 Savara shall notify Plastiape of the existence and nature of any non-compliance or defect and Plastiape shall have a reasonable opportunity, not to exceed twenty (20) days from receipt of notification, to inspect such defective Product and provide Savara with detailed written instructions to return or dispose of such defective Product.

8.3 Without prejudice to any other remedy which Savara may have, Plastiape shall at Savara's option:

(a) replace at Plastiape 's own cost and expense, including reimbursement of freight and costs incurred by Savara, Product that is not as warranted or otherwise fails to comply with the requirements of this agreement; or

(b) repay Savara any amounts paid with respect to the relevant Product and for the disposal or return of defective Product.

8.4 Savara has no obligation to pay for any Product that is subject to such a claim of non-compliance or defect. If Plastiape fails to so inspect and instruct Savara as to the return of disposal of such defective Product, Savara may dispose of such defective Product. Plastiape must promptly reimburse Savara for all direct, out-of-pocket costs incurred by Savara in such disposition, and replace such defective Product at its own cost and expense.

8.5 If, after Plastiape's inspections of such Product, the parties disagree as to the Product's conformance to the Specifications or whether the Product has such a defect, either party may deliver the Product to an independent third-party laboratory, reasonably acceptable to both parties, for testing to confirm the Product's conformance to the Specifications or the presence or absence of defects. All costs associated with such third-party testing shall be at Savara's expense unless the tested Product is deemed by such third-party to be defective or not in compliance with the Specifications or this agreement, in which case all such costs must be promptly paid by Plastiape . This clause in no way reduces Plastiape 's own obligations for testing, inspection and quality control as provided in the Specifications or under applicable laws, regulations, standards or codes.

8.6 In the event any governmental agency having jurisdiction shall request or order, or if Savara shall determine to undertake, any corrective action with respect to any Product (or any finished product containing or contained in any Product), including any recall, corrective action or market action, and the cause or basis of such recall or action is attributable to a breach by Plastiape of any of its warranties, guarantees, representations, obligations or covenants contained in this agreement, then Plastiape shall be liable, and shall reimburse Savara for the reasonable costs of such action including the cost of any Product (or any finished product containing or contained in any Product) which is affected.

9. Exclusive Supply and Use of the Products

9.1 During the Term, Plastiape will supply the Product (or any improvement or product line extensions or successors) to Savara on an exclusive basis in the Exclusive Field of Use. Plastiape and its Affiliates will not supply the Product to any third parties other than Savara and its Affiliates if their intended use is in the Exclusive Field of Use. This exclusivity limitation does not include third-parties that have executed supply agreements with Plastiape that do not limit the compound of use with the Product prior to the execution of this supply agreement.

9.2 In the event that Savara does not order at least **[***]** units of Products in an consecutive twelve (12) months by **[***]** after the Effective Date or **[***]** units of Products in any consecutive twelve (12) month period by **[***]** after the Effective Date, clause 9.1 will cease to apply but all of Savara's other rights and benefits under this agreement shall continue in full force and effect. For purposes of computing the total number of Product units ordered by Savara for purposes of this clause, the quantity of Product units ordered shall be combined with the total quantity of all units of other products ordered by Savara from Plastiape during the relevant timeframe under all agreements then in effect.

9.3 Savara may use the Products for any lawful purpose, whether inside or outside of the Exclusive Field of Use except Savara agrees not to use Product in combination with Mannitol, Recombinant Human IL-4 Variant, Inhibitor of the IL-4 and IL-13 Receptors and Tiotropium Bromide.

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10. Improvements and Changes to the Product

10.1 Plastiape will notify Savara of any new products, product ideas or inventions made by Plastiape which may have applicability to Savara's products.

10.2 From time to time, either party may submit to the other written proposals for the adoption, implementation or development of changes, improvements or modifications to the Product. Any such changes may not be implemented without the prior written agreement of the parties.

10.3 Plastiape agrees that:

10.4 no changes or modifications to the method or process of manufacture or production of the Product or the raw materials; or

10.5 no change in location of the facility used to supply Product to Savara under this agreement,

can be made without prior written notification to and approval of Savara. Any such change or modification approved by Savara shall be made at Plastiape"s sole cost and expense.

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11. Labelling and Artwork

11.1 Plastiape acknowledges that Savara is the exclusive owner of and has all rights to the trademarks, copyrights, brand names, artwork and all other intellectual property that appear on or are otherwise used in connection with the sale and use of Savara's finished product containing or contained in any Product.

11.2 The Product may be sold under such brand name as may be determined by Savara from time to time. All use of the brand names, including any goodwill generated in connection therewith, inures to the benefit of Savara. Plastiape is not authorized to use any brand name used by Savara.

11.3 Plastiape must not do any act which endangers, destroys, or similarly affects, in any material respects, the value of the goodwill pertaining to any brand name adopted by Savara with respect to the Savara product. Plastiape will not register or use any names or marks that are similar to the Brand Name or might be confused by them. The obligations in this sub-clause survive termination or expiration of this agreement.

11.4 Each party must promptly advise the other party of any suspected or actual infringement of any of the intellectual property rights in or relating to the Product.

12. Records and Access

12.1 Plastiape must maintain and preserve full and accurate books and records of all matters relating to the Product.

12.2 Savara and its authorised representatives have the right to inspect and examine all such books and records and to access any facilities at which the Product is manufactured or stored at any time during normal business hours after giving reasonable prior notice to Plastiape.

12.3 Plastiape shall maintain and preserve full and accurate records and files which Plastiape is required to maintain in connection with the Product by law or any regulatory authority. Plastiape must retain all such records for the longer of the period required by law or regulations or seven (7) years. In case of longer periods required by regulatory authorities Savara will advise Plastiape in writing of the time required.

13. Communication

13.1 Plastiape and Savara will each appoint an individual who will act as the primary liaison point between the parties. The parties agree to discuss regularly any issues arising in relation to the Products. If requested by Savara, Plastiape must advise Savara of the stock of Product or raw materials held by Plastiape at any particular time.

13.2 Plastiape agrees to provide Savara with prompt written notice if:

(a) there is a Change of Control of Plastiape;

(b) Plastiape is in breach of this agreement; or

(c) Plastiape becomes aware of any issues or non conformances with respect of any Product or any other matter which may adversely affect the supply or use of the Products.

13.3 Plastiape agrees to cooperate with Savara in doing any act or thing which is necessary or desirable to facilitate Savara's compliance with any regulatory requirements.

13.4 Plastiape agrees that, unless specifically authorized in writing by Savara, Savara will be responsible for all communications with regulatory authorities with respect to Savara's products (which contains or is contained in any Product).

13.5 Plastiape agrees to forward any such communications (whether oral or written) received by Plastiape from a regulatory authority in relation to the Product to Savara within two (2) business days of receipt.

14. Audit

14.1 Savara shall have the right, upon reasonable notice to Plastiape and during regular business hours, to inspect and audit the facilities being used by Plastiape (or any third-party supplier approved by Savara) for production and storage of the Product to assure compliance by Plastiape (and its approved suppliers) with Good Manufacturing Practices (GMP) and other applicable rules and regulations and with other provisions of this agreement.

14.2 Plastiape will within seven days remedy or cause the remedy of any deficiencies which may be noted in any such audit or, if any such deficiencies cannot reasonably be remedied within such seven day period, present to Savara a written plan to remedy such deficiencies as soon as possible. The failure by Plastiape to remedy or cause the remedy of any such deficiencies within such seven day period or to present such a plan within such seven day period and then use its best efforts to remedy or cause the remedy of such deficiencies in accordance with such written plan, constitutes a material breach of this agreement.

14.3 The granting to Savara of certain audit rights shall in no way relieve Plastiape of any of its obligations under this agreement, nor does such provision require Savara to conduct any such audits.

15. Insurance

15.1 Plastiape must maintain or cause to be maintained adequate such insurances as are usual for a prudent Plastiape in the Territory in respect of the manufacture and sale of the Product including product liability insurances.

15.2 Plastiape must, upon request of Savara, produce evidence of the currency of the insurance policy and any failure by Plastiape to produce such evidence of currency within one month from the date of notice of the request may be treated by Savara as a breach of this agreement.

16. Term

The term of this agreement commences on the Effective Date and continues for **[***]**, unless sooner terminated or further extended in accordance with the terms of this agreement.

17. Termination

17.1 This agreement may be terminated:

(a) by one party upon thirty (30) days written notice to the other party if the other party is in default in performing or observing any material terms or representation, warranty, guarantee, covenant or obligation of this agreement or the GMP Agreement and that default is not remedied within a period of thirty (30) days after written notice has been given to the party in default;

(b) by one party if the other party has suffered an Insolvency Event, in which case, the party not suffering the Insolvency Event may immediately by written notice terminate this agreement;

(c) by Savara upon thirty (30) days written notice to Plastiape if there is a Change of Control of Plastiape.

17.2 Savara may also immediately terminate this agreement upon written notice to Plastiape:

(a) if complete orders of Product are not received within the time period required by this agreement in fulfilment of three (3) purchase orders in any twelve (12) month period;

(b) if Savara receives Product that does not meet Plastiape's warranty contained in this agreement in connection with three (3) deliveries of Product in any twelve (12)-month period.

17.3 Upon termination or expiration of this agreement for any reason the accrued rights and obligations of each party as at the date of termination shall not be affected. In the event of termination by Savara pursuant to clause 17.1 or clause 17.2, then:

(a) Plastiape shall deliver to and make available for use by Savara copies of all regulatory filings, associated data, and related supporting and other materials and shall, to the extent legally permissible, take all additional actions reasonably necessary to assign all of its right, title, and interest in and transfer possession and control to Savara regulatory filings and all regulatory approvals to the extent that they relate to Product containing or contained in a Savara product;

(b) Plastiape promptly (i) shall return to Savara all relevant materials belonging to Savara which are in Plastiape's possession, or, if instructed by Savara, Plastiape shall destroy such materials and provide written confirmation to Savara of their destruction, (ii) shall deliver to Savara all Product, Product molds, forms, and the like, and all associated items, including without limitation related ingredients, inventories, materials, and supplies, and (iii) shall, unless otherwise restricted, transfer to Savara all third-party license rights to the extent that they relate to the Product; *provided, however*, that Savara shall reimburse Plastiape for reasonable expenses related to each transfer; and

(c) Plastiape promptly shall transfer to Savara at Savara's request any and all know-how, assistance, and expertise necessary or useful for manufacturing Product; *provided*, *however*, that Savara shall reimburse Plastiape for reasonable expenses related to the transfer.

17.4 Clauses 12, 14, 18, 19, 20, 21, 22, 25, 27, and 34, together with other terms and conditions that by their intent or meaning have continuing validity, survive termination or expiration of this agreement.

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18. Confidentiality

18.1 A party must not, without the prior written approval of the other party, disclose the other party's Confidential Information. Confidential Information of the other party may only be used in a manner contemplated by this agreement solely for the express purposes of this agreement.

18.2 A party will not be in breach of clause 18.1 in circumstances where it is legally compelled to disclose the other party's Confidential Information or is required to disclose the information by as a result of the listing rules of any stock exchange on which the party is listed.

18.3 Confidential Information shall be maintained in strict confidence and otherwise may only be disclosed to employees, agents or subcontractors of either party with a need to know and engaged in the performance of this agreement and must be bound by the terms of their employment agreements (or otherwise) to keep all Confidential Information of the other party confidential.

18.4 Plastiape will on demand return to Savara all Confidential Information supplied by Savara to Plastiape in connection with this agreement.

18.5 This clause survives termination or expiration of this agreement.

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19. Representations and Warranties

19.1 Savara and Plastiape each respectively represents and warrants to each other that:

(a) it is duly incorporated in the jurisdiction in which it is incorporated;

(b) it has the power to enter into and perform this agreement and has obtained all necessary consents and authorisations to enable it to do so;

(c) the entry into and the performance of this agreement does not constitute a breach of any obligation (including without limitation, any statutory, contractual or fiduciary obligation) or default under any agreement or undertaking by which it is bound; and

(d) this agreement constitutes the valid and binding obligations of such party, enforceable against it in accordance with its terms.

19.2 Plastiape represents and warrants to Savara that:

(a) all Product supplied in connection with this agreement shall be:

(1) of merchantable quality, fit for the purpose intended by this agreement and free from defects in design, material and workmanship; and

(2) manufactured and supplied in conformity with the Specifications and this agreement.

(b) it shall comply with all present and future statutes, laws, ordinances and regulations relating to the manufacture and supply of the Product, including, without limitation, those enforced by the Australian Therapeutics Goods Administration, Good Manufacturing Practice and other applicable regulatory requirements and international standards specified in the Specifications;

(c) it has right and title to sell the Products and the Products will be free from all encumbrances;

(d) the Products will correspond with all samples used by Plastiape and conform to the Specifications;

(e) the Products will conform to the Good Manufacturing Practice Agreement;

(f) it has title or interest in the intellectual property in the Products sufficient to authorise use of it by Savara and the grant of rights, in the manner contemplated by this agreement; and

(g) technical information, product data sheets and material safety data sheets are complete, current and accurate and suitable and sufficient for use by Savara to use, process, sell or otherwise make use of the Products.

20. Indemnification

20.1 Plastiape indemnifies and holds harmless Savara, its Affiliates and each of their officers, employees and agents (each a **Savara Indemnitee**) from and against any and all damages, liabilities, claims, costs, charges, judgments and expenses (including reasonable attorneys' fees) (collectively **Damages**) that may be sustained, suffered or incurred by a Savara Indemnitee, arising from or in connection with:

(a) personal injury, death, loss or damage to any property to the extent caused by the negligent or reckless act or omission of Plastiape, provided that Plastiape shall not be liable for any product liability or personal injury claims by third parties arising from the sale, distribution or use of any Product which meets the Specifications and is not otherwise defective;

(b) a breach by Plastiape of any warranty, representation, covenant or agreement made by Plastiape in this agreement;

(c) any claim that any Product purchased from Plastiape or the use or sale of such Product infringes any intellectual property rights of any third party;

20.2 Savara indemnifies and holds harmless Plastiape, its Affiliates and each of their officers, employees and agents (each a **Plastiape Indemnitee**) from and against any and all Damages, that may be sustained, suffered or incurred by a Plastiape Indemnitee arising from or in connection with the breach by Savara of any warranty, representation, covenant or agreement made by Savara in this agreement.

20.3 Upon assertion of any third party claim against a party that might give rise to indemnification under this Agreement, the party claiming the right of indemnification (**Indemnified Party**) must give prompt written notice to the party alleged to have the duty to indemnify (**Indemnifying Party**) of the existence of such a claim and will give the Indemnifying Party a reasonable opportunity to control, defend and/ or settle such claim at its own expense and with counsel of its own selection. The Indemnified Party has the right to participate in such defence at its own expense and with separate counsel. Provided that the parties are not contractually or legally excluded, or are not otherwise prejudiced in their legal position by doing so, the parties will co-operate with each other and their respective insurers in relation to the defence of such third party claim. In the event that the Indemnifying Party elects to defend such a claim, the Indemnifying Party may not settle the claim without the prior written consent of the Indemnified Party (which consent shall not be unreasonably delayed or withheld). Notwithstanding the foregoing, in the event of a dispute with respect to the indemnity, each party is entitled to participate in the defence of such claim and to join the other in any such action.

20.4 Except with respect to any breach of confidentiality obligation or intellectual property claims, Savara and Plastiape agree that, to the maximum extent permitted by law, neither party will be liable for special, indirect, punitive or consequential damages arising in connection with this agreement.

21. Failure to Supply

21.1 If during the Term, Plastiape ceases to manufacture the Product or is unable or unwilling or fails to supply any Product in such quantities as Savara shall order and in compliance with the required delivery periods (whether due to the occurrence of a Force Majeure or otherwise), then, without limiting Savara's right of termination, Savara shall be entitled (with no obligation or liability to Plastiape) to obtain such Product from another supplier, and, to use, sell, make and have made Product pursuant to the license granted in clause 22 until such time as Plastiape fully resumes its supply obligations. Upon the occurrence of any such a failure to supply and through and until such time as Plastiape fully resumes its supply obligations:

(a) Plastiape shall make available to Savara or its designee access to all intellectual property rights and any other technical and proprietary materials, information and techniques necessary or helpful for Savara to procure required raw materials and manufacture the Product;

(b) Savara shall be permitted to disclose to any third party any Confidential Information as is reasonably necessary in connection with such activities (subject to such third party agreeing in writing to be bound by comparable obligations of confidentiality as set out in this agreement);

(c) Plastiape shall provide advice and consultation in connection such procurement and manufacture;

(d) Savara shall have no obligation to purchase Products from Plastiape until any contractual obligations that Savara has assumed in connection with producing the Products or obtaining such substitute source of supply shall have terminated. Savara will have no obligation to terminate these obligations prematurely;

22. License

22.1 Plastiape grants to Savara, and Savara hereby accepts, a perpetual, worldwide, royalty-free, non-exclusive right and license to resell the Product as part of or in connection with the Savara end or finished product, which right and license are irrevocable during the Term.

22.2 Plastiape grants to Savara a fully paid up worldwide license, to use, sell, make and have made the Products and to use the intellectual property, trade secrets, know-how, technology and information, whether or not protected by patents, that are required in order to make such Products. This license is only effective during the period of time commencing upon:

(a) the occurrence of a failure to supply in accordance with clause 21 and continuing through and until such time as Plastiape fully resumes its supply obligations under this agreement; or

(b) upon the occurrence of an Insolvency Event with respect to Plastiape.

23. Use of Name

Unless required by law or the listing rules of a recognised stock exchange, neither party may use the name of the other party without the other party's prior written consent.

24. Force Majeure

24.1 If by reason of Force Majeure, either party is unable to carry out any of its obligations under this agreement, that obligation is suspended during the continuance of the Force Majeure. Such non-performing party shall exercise all reasonable efforts to eliminate the Force Majeure Event and to resume performance of its affected obligations as soon as practicable.

24.2 Such non-performance will be excused for three (3) months or as long as such event shall be continuing (whichever occurs sooner), provided that the non-performing party gives immediate written notice to the other party of the Force Majeure.

25. Rights Upon Insolvency Event

Plastiape agrees during the Term to create and maintain current copies or, if not able to be copied, detailed descriptions or other appropriate embodiments, of all intellectual property rights in the Products and the process for the manufacture of the Products. If an Insolvency Event occurs with respect to Plastiape, Plastiape must provide Savara all such information and intellectual property rights to enable for Savara to procure the continued manufacture of Product.

26. Notices

26.1 Any notice, report or other instrument provided for in this agreement will be deemed sufficiently given or delivered pursuant to this agreement if directed to the party for whom it is intended at the following addresses or such different address as that party may have specified for the purpose by notice in writing to the other party:

(a) if to Savara, at the address, facsimile number or email address specified on page 1:

(b) if to Plastiape, at the address, facsimile number or email address specified on page 1,

or as otherwise notified in writing to the other party. Notice is to be regarded as given by the sender and received by the addressee:

(c) if by delivery in person, when delivered to the addressee;

(d) if by post, five (5) business days from and including the date of posting;

(e) if by facsimile transmission, when the sender's machine generates a correct facsimile transmission report;

(f) if by email, one (1) Business Day after sending to the correct email address.

27. Dispute Resolution

27.1 If a dispute arises between the parties out of or in relation to this agreement (**Dispute**), either party seeking to resolve the Dispute must do so strictly in accordance with the provisions of this clause. Compliance with the provisions of this clause is a condition precedent to seeking relief in any court in respect of the Dispute except as provided in clause 27.2.

27.2 A party seeking to resolve a Dispute must notify the existence and nature of the Dispute to the other party (**Notification**). Upon receipt of a Notification the parties must refer resolution of the dispute to their respective chief executive officers or nominees appointed by the chief executive officers.

27.3 If the Dispute has not resolved within thirty (30) days of receipt of the Notification, then either party may refer the Dispute to mediation and must do so before initiating proceedings in a court to resolve the Dispute. Any Dispute which is referred to mediation shall be settled by arbitration in accordance with the Rules of Conciliation and Arbitration of the International Chamber of Commerce of Geneva (Switzerland). If the Dispute has not been resolved within sixty (60) days of referral, either party is free to initiate proceedings in a court.

27.4 Nothing in this clause shall prevent either party from seeking interlocutory relief or equitable relief through any court of competent jurisdiction.

28. Relationship

28.1 Plastiape is a contractor independent of the control of Savara.

28.2 The parties are not principal and agent, partners, joint venturers, trustee and beneficiary, or employer and employee.

28.3 Neither party may:

(a) hold out their agents, contractors or employees as the agents, contractors or employees of the other party;

(b) pledge the credit of the other party;

(c) contract for or on behalf of the other party.

28.4 For the avoidance of doubt, Plastiape's dealings with its customers are in no way binding on Savara.

29. Assignment

29.1 Plastiape must not:

(a) assign the benefits of this agreement;

(b) mortgage, charge or otherwise encumber to the benefit of this agreement; or

(c) cause its obligations under this agreement to be assumed by a third party,

without the prior written consent of Savara.

29.2 The parties acknowledge that Savara may assign its rights to any Affiliate of Savara or to any third party that acquires Savara, substantially all the assets or business of Savara, or any products of Savara containing or contained in a Product.

30. No Waiver

30.1 A party only waives a breach of this agreement if the waiver is given in writing signed by that party or its authorised representative.

30.2 A waiver is limited to the instance referred to in writing (or if no instance is referred to in the writing, to past breaches).

30.3 Failure or omission by any party to enforce compliance with any provision of this agreement will not affect the rights of that party to use any remedy available to it in respect of the breach of any such provision.

31. Costs

Each party must pay its own costs in respect of the costs of the negotiating, preparation and examination of this agreement and any document required by this agreement.

32. Entire Agreement

When signed, this agreement constitutes the entire agreement between the parties in relation to its subject matter.

33. Amendment

This agreement can only be amended by written agreement of all the parties.

34. Governing law

34.1 This agreement is governed by the laws of (a) Switzerland in the event of any action initiated by Savara and (b) the State of Texas, USA, excluding its conflict of laws provisions, in the event of any action initiated by Plastiape. The parties irrevocably submit to the non-exclusive jurisdiction of the courts of (a) Lugano, Switzerland and (b) Travis County, Texas, USA, respectively, in relation to any such action, and the respective courts of appeal from them.

34.2 A party may not object to the jurisdiction of any of those courts on the ground that it is an inconvenient forum or that it does not have jurisdiction.

35. Counterparts

This agreement may be executed in any number of counterparts. A counterpart may be a facsimile. Together all counterparts make up one instrument.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK;

THE SIGNATURE PAGE IMMEDIATELY FOLLOWS]

Execution

Executed as an agreement as of the Effective Date.

Executed by **Savara Inc.**:

/s/ Rob Neville	/s/ Chris Marich
Director	Director/Company Secretary
CEO Rob Neville	Chris Marich
Name (please print)	Name (please print)

Executed by **Plastiape SpA**:

/s/ Alfredo Masuello	
Managing Director	
Alfredo Masuello	

SCHEDULE 1 of Supply Agreement between Savara Inc. and Plastiape S.p.A.

(A) MONODOSE DRY POWDER INHALER RS01 Mod. 7 - code 239700001AB

(B) MONODOSE DRY POWDER INHALER RS01 Mod. 7 - code 239700002AA

Prices valid at the date of Signature of Supply Agreement

General terms

- the prices quoted hereunder are including the cost of the packing (double PE bag into carton outers + pallet)

- packing details: no. 400 devices per carton box
no. 24 boxes = no. 9.600 devices per pallet
carton box size: mm. 385x285x287 (height)
loaded pallet size : mm. 800x1200x1.026 (height)
pallet type: fumigated ISPM 15 - mm. 800x1200

- terms of delivery The prices quoted at the below tables are Ex Works Plastiape factory in Osnago - Italy (EXW)

a DDP price may be quoted and agreed upon request and depending on quantity to be shipped and delivery location, by adding the transport fee to the EXW prices which are quoted below

- a Certificate of Analysis will be supplied to Savara for each batch of delivered inhalers

- Purchase Orders should always be placed for quantities which are multiples of 9.600 units (= quantity of 1 pallet)

- device quality in accordance with Type III Drug Master File - filed by Plastiape at the FDA with # 17864

PRICES VALIDITY AND PRICE REVISION CLAUSE

- the device prices quoted at the below tables are based on the costs of ABS Raw Material, other starting materials, packing materials, Labour, Energy at the date of signature of this Supply Agreement

- from the date of signature of Supply Agreement until 31st December 2013 the prices will remain unchanged just provided that the cost of the ABS Raw Material (Elix M203FC) does not exceed the cost of EUR 3,30 / kg, that is to say 10% higher than the year 2012 average cost i.e. EUR 3,00 / kg

- as from 1st January 2014 each party will have the right to ask for a price negotiation based on the evolution of the costs of ABS raw material, other starting materials, packing materials, Labour and Energy costs. The party asking for a price revision will support its request by appropriate documentation of the cost evolution and of its objective impact on the device price.
Every price change will be agreed in writing by both Parties prior to be implemented.

PRICE TABLE ref. "A" : MOULDING OF COMPONENTS IN NON-CLASSIFIED ENVIRONMENT - DEVICE ASSEMBLY IN CLASS 10.000

annual quantity	clinical & tests	48.000 to 100.000	100.001 to 500.000	500.001 to 1.000.000	1.000.001 to 1.500.000	more than 1.500.001
batch size (units)	9.600 to 38.400	min. 48.000	min. 96.000	min. 192.000	min. 384.000	min. 384.000
EXW price (€/1.000 units)	[***]	[***]	[***]	[***]	[***]	[***]

PRICE TABLE ref. "B" : MOULDING OF BODY, MOUTHPIECE, CAP IN CLASS 100.000 - DEVICE ASSEMBLY IN CLASS 10.000

annual quantity	clinical & tests	48.000 to 100.000	100.001 to 500.000	500.001 to 1.000.000	1.000.001 to 1.500.000	more than 1.500.001
batch size (units)	9.600 to 38.400	min. 48.000	min. 96.000	min. 192.000	min. 384.000	min. 384.000
EXW price (€/1.000 units)	[***]	[***]	[***]	[***]	[***]	[***]

SUPPLY AGREEMENT
AMENDMENT NO. 1

THIS AMENDMENT (the "Amendment") is made effective as of June 1, 2016 (the "Amendment Effective Date") by and between **SAVARA INC.** (doing business as Savara Pharmaceuticals), a Delaware corporation with a principal place of business at 900 South Capital of Texas Highway, Suite 150, Austin, Texas 78746 USA ("Savara"), and **PLASTIAPE SPA,** an Italy public limited company with a principal place of business at 23875 Osnago (Lecco), Via 1 Maggio, 8, Italy ("Plastiape").

BACKGROUND

Savara and Plastiape are parties to that certain Supply Agreement dated as of September 1, 2012 (the "Agreement"). Savara and Plastiape now desire to amend the Agreement in accordance with the terms of its Clause 33 (regarding Amendment) in order to amend certain provisions regarding exclusive supply and use of the products under the Agreement, under the following terms and conditions:

AGREEMENT AMENDMENT

1. Definitions.

For the purposes of this Amendment, defined terms not specifically defined in this Amendment shall have the meanings set forth in the Agreement.

2. Exclusive Supply and Use of the Products.

Clause 9.2 of the Agreement is hereby amended and restated in its entirety to read as follows:

9.2 In the event that Savara does not order at least **[***]** units of Products in an consecutive twelve (12) months by **[***]** after the Effective Date or **[***]** units of Products in any consecutive twelve (12) month period by **[***]** after the Effective Date, clause 9.1 will cease to apply but all of Savara's other rights and benefits under this agreement shall continue in full force and effect. For purposes of computing the total number of Product units ordered by Savara for purposes of this clause, the quantity of Product units ordered shall be combined with the total quantity of all units of other products ordered by Savara from Plastiape during the relevant timeframe under all agreements then in effect.

3. Effect of Amendment.

Except as set forth in this Amendment, all of the other terms and conditions of the Agreement shall continue in full force and effect from and after the Amendment Effective Date.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed in multiple counterparts, constituting the same legal instrument, and to be delivered by their respective duly authorized representatives as of the Amendment Effective Date.

SAVARA INC.

By: /s/ Rob Neville
Name: Rob Neville
Title: CEO
Date: 8/15/16

PLASTIAPE SPA

By: /s/ Alfredo Masuello
Name: Alfredo Masuello
Title: CEO
Date: 2nd August 2016

Exhibit 10.61

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

SUPPLY AND LICENSE AGREEMENT

BETWEEN

GEMA Biotech S.A.
San Vladimiro 3056, San Isidro,
Province of Buenos Aires, Argentina

AND

Serendex ApS
CVR 3053 2228
Slotsmarken 12,1
2970 Horsholm
Denmark

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

CONTENTS

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SUPPLY AND LICENSE AGREEMENT

BETWEEN

GEMA Biotech S.A.
San Vladimiro 3056, San Isidro,
Province of Buenos Aires, Argentina
(hereinafter referred to as “GEMA”)

AND

Serendex ApS
CVR 3053 2228
Slotsmarken 12,1
2970 Horsholm
Denmark
(hereinafter referred to as “Serendex”)

GEMA and Serendex are referred to herein as a “Party” and collectively as the “Parties”.

PREAMBLE

Whereas:

- GEMA is a highly experienced company within the area of production of biopharmaceutical products including the Active Pharmaceutical Ingredients (API), and
- GEMA is also producing finished product from the Active Pharmaceutical Ingredient
- Serendex is in the business of research and development, distribution, commercialization and marketing of medicinal products, and
- Serendex is interested in purchasing supplies of an Active Pharmaceutical Ingredient for the research and development, distribution, commercialization and marketing thereof, in the Territory, of the potentially Final Product developed by Serendex from de API, and potentially exploit a license to manufacture API.

The Parties have decided to enter into this Supply and License Agreement concerning the Active Pharmaceutical Ingredient on the terms set out below:

1. DEFINITIONS

“**Affiliate**” of a Party shall mean any company or legal entity, which is owned or controlled directly or indirectly by such Party. For the purpose of this clause, “control” shall mean ownership of more than fifty percent (50%) of the equity ownership and/or the power to direct, to cause the direction of the management and policies of such legal entity.

“**Agreement**” shall mean this Supply and License Agreement, including its appendices.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

"**Active Pharmaceutical Ingredient**" or "**API**" shall mean GEMA recombinant human Granulocyte-Macrophage Colony-Stimulating Factor (rhGM-CSF) obtained from the [***] meeting all the API Specifications mutual agreed by the parties. The amino acid sequence of rhGM-CSF is identical to the natural molecule but it is non-glycosylated. The molecular weight is 14.5 kD, and the API is formulated as a concentrated solution as set out in Appendix 1.

"**Applicable Law**" shall mean the law set out in Article 19.5.

"**API Specifications**" shall mean the specifications set out in Appendix 2.

"**Batch Records**" shall mean the formal set of instructions for the cGMP production of each Lot of API.

"**Certificate of Analysis**" shall mean an authenticated document, issued by an appropriate authority that certifies the quality and purity of pharmaceutical APIs.

"**Confidential Information**" shall mean any and all technical or commercial information which is now or at any time hereafter during the term of this Agreement in the possession of either Party or its Affiliates and is derived from the other Party or that other Party's Affiliates which is of a confidential nature or is received under circumstances which the receiving Party knows or should know that the information is confidential, including without limitations any data, know-how, formulae, processes, designs, photographs, drawings, specifications and samples and any other material bearing or incorporating any such information together with any financial or commercial information relating to the business of a Party.

"**CMC Biologics**" shall mean the biopharmaceutical manufacturing and development organization registered under ttle laws of Denmark under company registration number (CVR): 2595 0941.

"**CMO**" shall mean GEMA or a Contract Manufacturing Organisation appointed by either party that is able to produce recombinant proteins of cGMP quality according to the API specifications.

"**Current Good Manufacturing Practices**" or "**cGMP**" shall mean the current Good Manufacturing Practices and standards for the manufacture, testing, filling and or preparation for delivery of the API pursuant to the Guidelines accepted, recognized and issued by Argentina's Health Authorities for good manufacturing practices for medicinal products for human use and the ICH Q7A guidelines as formally included into the EU GMP regulations as "Part II - Basic Requirements for Active Substances used as Starting Materials".

GEMA's current site of API manufacturing has been audited by an international recognized Qualified Person on April 24th, 2012 and April 25th, 2012 and found, that GEMA's site currently complies with ICH Q7A guidelines as formally included into the EU GMP regulations as "Part II - Basic Requirements for Active Substances used as Starting Materials".

"**Delivery Date**" shall mean the date of handing over ordered API or Finished Product to the first carrier as chosen by Serendex.

"**Effective Date**" shall mean the date of signature of the last of the Parties hereto.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

"**Field**" shall mean any disease /diagnosis to be treated by inhalation and/or local pulmonary administration and/or parenteral administration and/or local administration with the agreed API / FP.

"**Finished Product**" (FP) shall mean any pharmaceutical formulation of the API in a defined embodiment (vial, syringe or other devises including stoppers, liners and caps as applied). See Appendix 3.

"**GEMA Know-How**" shall mean any and all know-how directly relating to the specific manufacture of the API and Finished Product listed in Appendix 4 including the Master Cell Bank and the Working Cell Bank.

"**Lot**" shall mean a "**Bulk Lot**", "**Filling Lot**" or "**Packaging Lot**". A Bulk Lot shall mean the quantity of uniform API material identified by GEMA as having been manufactured in one batch fermentation. A Filling Lot shall mean the group of final containers identical in all respects, which have been filled with the same Finished Product from the same Bulk Lot without changes that will affect the integrity of the filling assembly. Packaging Lot shall mean the uniform quantity of final containers derived from a single Filling Lot.

"**Master Cell Bank**" shall mean the cell bank from which the Working Cell Bank has been derived, manufactured a d characterized and stored as described in ICH guideline Q5B and as set out in Appendix 5.

"**Net Sales**" shall mean, for the purposes of calculating royalties, in any case where a Product is sold or commercially disposed of for value by Company or its Affiliate in an arm's length transaction with a third party (other than an Affiliate of Company) in the Territory, the gross invoice price for such Product:

less the following:

- discounts, coupons, rebates, and co-operative advertising allowances, directly identifiable to the Product, to purchasers actually taken or allowed, which are consistent with the normal business practices of Company across its product line;
- credits or allowances given or made for rejections or return of any previously sold Products (for which a royalty has already been paid) actually taken or allowed, which are consistent with the normal business practices of Company across its product line;
- to the extent included in such gross invoice price and actually paid by Company, any tax or government charge imposed on the production, import, export, sale, delivery or use of such Products, including, without limitation, any value added or similar tax or government charge, but not including any tax levied with respect to income;
- to the extent included in such gross invoice price, any shipping or freight charges for delivery to the third-party purchaser, to the extent that such shipping charges are consistent with the normal business practices of Company across its product line; and
- notwithstanding any other provision in this Agreement, Net Sales shall not include the transfer/use without consideration of any Product by Company:

  for use in any clinical trial or in any pre-clinical or other research;

as samples or other use to promote additional Net Sales in amounts consistent with the normal business practices of Company across its product line; or

for compassionate use.

The sale of a single unit of Product may be considered only once in calculating Net Sales.

"**Process Change Request**" shall mean a document that describes any proposed change or modification to one or more of the API Specifications, excipients, a process or equipment but not limited to use during the manufacturing process.

"**Regulatory Information**" shall mean without limitation any and all data relating to the quality and safety of the API including pharmaceutical/technical information (including description of facilities, equipment and processes, process and methods validation data, stability programs and stability data, analytical methods, etc.), and pharmacological, data.

"**Serendex IP**" shall mean the know-how and intellectual property rights described and listed in Appendix 11 as amended by the sole discretion of Serendex from time to time.

"**Term and Termination**" shall for the purpose of this Agreement have the meaning set out in Article 18.

"**Territory**" shall mean the entire world except Latin America, Mexico and Central America.

"**Working Cell Bank**" shall mean the cell bank as set out in Appendix 6 from which the API is manufactured.

2. LICENSES

2.1 Subject to the terms of this Agreement, GEMA hereby grants Serendex exclusive license for free with and unlimited right to sublicense within the Field to use and in any way exploit GEMA Know-How and to market, distribute and sell Finished Products and medicinal products based upon the Active Pharmaceutical Ingredient in the Territory.

2.2 The information related to the API is and will always be the property of GEMA. All relevant information requested from any authorities shall be provided without undue delay by GEMA to Serendex without any cost for Serendex.

3. LICENSE FOR A TECHNICAL TRANSFER AND SELLING OF THE MASTER CELL BANK

3.1 No later than 6 month after the effective date GEMA Biotech is obliged to make a deposit of a copy of the Master Cell Bank (here and after "the Back-up Master Cell Bank") at CMC Biologics in Herlev, Denmark (www.cmcbio.com) who on their site offer cGMP Cell Banking. The scope is for CMC only to serve as back up for both parties. The deposit will be in the name of GEMA Biotech. Serendex shall bear the maintenance and stock costs.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

3.2 If for any reason whatsoever GEMA cannot fulfil the obligations set forth in the present Agreement and Serendex is forced to establish its own production, the ownership of the Back-up Master Cell Bank is transferred free of charge to Serendex and Serendex will have the right to produce GM-CSF API on the following conditions:

a. Serendex pays to GEMA [***] for the Technology transfer, Technical information and Technical support ensuring that Serendex is able to set up its own cGMP GM-CSF production. [***] is due when the first batch has been successfully produced (cGMP - GM-CSF).

b. GEMA continues to receive the royalties according to the present contract and keep the agreed geographically territory. GEMA shall buy FDF from Serendex.

3.3 If for any reason whatsoever GEMA after the period set out in Article 18.3 does not want to produce cGMP GM-CSF or GEMA and Serendex agree that Serendex can set up a parallel production and Serendex shall have right to take over the Back-up Master Cell Bank on the following conditions:

a. The ownership of the Back-up Master Cell Bank is transferred to Serendex. For this Serendex pays to GEMA [***] whereof [***] is paid upfront and [***] when the first batch has been successfully produced (cGMP - GM-CSF).

b. Serendex pays to GEMA [***] for the Technology transfer, Technical information and Technical support ensuring that Serendex is able to set up the cGMP GM-CSF production. The amount is due when the first batch has been successfully produced (cGMP - GM-CSF).

c. GEMA continues to receive the royalties according to the present contract and keep the agreed geographically territory. GEMA shall buy FDF from Serendex.

4. RIGHT OF FIRST REFUSAL

4.1 Serendex is granted first right of refusal for all the FP products that GEMA might produce from the cGMP GM-CSF API and a firm contract will be outlined and signed accordingly.

5. EXCLUSIVITY

5.1 The Parties have agreed that GEMA or a company appointed by GEMA shall be the exclusive supplier of the Active Pharmaceutical Ingredient to Serendex for research, development, use, distribution and marketing within the Field and within the Territory, and Serendex undertakes only to purchase Active Pharmaceutical Ingredient from GEMA.

5.2 Furthermore the Parties have agreed that GEMA undertakes within the Field and within the Territory to supply the Active Pharmaceutical Ingredient exclusively to Serendex. If GEMA produces Finished Product containing the Active Pharmaceutical Ingredient, as pointed out in the previous paragraph, GEMA shall only supply Finished Product containing the Active Pharmaceutical Ingredient exclusively to Serendex, for which a specific contract will be entered into by both Parties.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

6. SUPPLY OF PRODUCTS

6.1 GEMA undertakes to supply Serendex with its entire need for the Active Pharmaceutical Ingredient for research, development, sales, marketing, distribution, import and export.

6.2 Each shipment of the Active Pharmaceutical Ingredient shall be accompanied by a Certificate of Analysis documenting that the Active Pharmaceutical Ingredient is meeting the Specifications and has been manufactured in accordance with cGMP and the Batch Records. All Active Pharmaceutical Ingredient shipped to Serendex must have a residual shelf life of at least [***] at the time of delivery.

6.3 It will be Serendex's exclusive obligation to obtain the necessary import permits for the Active Pharmaceutical Ingredient before the relevant health and customs authorities and/or any other relevant authority. GEMA undertakes to do its outmost within its power and in any way cooperate in order to obtain such permits.

6.4 The Active Pharmaceutical Ingredient will be delivered ex works Inco Terms.

7. FORECAST

7.1 The Parties agree that Serendex, shall submit a forecast to GEMA for its need of the Active Pharmaceutical Ingredient no later than 8 weeks from effective date valid for the rest of the year. Thereafter, Serendex shall submit a forecast every year in the month of October covering Serendex's need of the Active Pharmaceutical Ingredient in the following calendar year.

7.2 The forecast may be amended from time to time by mutual agreement.

7.3 The forecast as set out in Appendix 9 and which shall be updated each year in October constitutes Serendex's minimum purchase obligation of the Active Pharmaceutical Ingredient according to this Agreement.

8. PURCHASE ORDER

8.1 Serendex undertakes to place its purchase orders for the Active Pharmaceutical Ingredient in writing no later than 120 days prior to the desired Delivery Date. All purchase orders shall be confirmed in writing by GEMA within 10 working days of receipt.

8.2 GEMA undertakes to fulfil the orders of Serendex for the Active Pharmaceutical Ingredient within 120 days of confirmation of an order. Products shall be delivered to a Serendex appointed facility in Denmark or such other place as instructed by Serendex.

9. PRICING AND ROYALTY

9.1 Serendex is entitled to order the Active Pharmaceutical Ingredient for research and clinical studies and compassionate use. Such material shall be provided at a mutual agreed net price. Payment shall take place no later than 180 days after Delivery Date.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

9.2 As regards orders for the Active Pharmaceutical Ingredient for commercial sales and use in approved medicinal products Serendex shall pay GEMA a mutual agreed net price per vial of 1 gram as set forth in Appendix 12. Delivered ex works inco terms. The price for vials containing other amounts of the Active Pharmaceutical Ingredient than 1 gram shall be adjusted in proportion hereto.

9.3 If Serendex successfully develops and registers within the proper Health Authorities in any Country of the Territory a Final Product for human use with the API, Serendex will pay a royalty covering Finished Products for commercial sales and use in approved medicinal products, which is established below from its annual Net Sales in the Territory. The parties have agreed that there shall be no minimum royalty, no signing fee or milestones included in the royalty payments:

Net Sales US $	Royalty of Net Sales
< 100 million	[***]
100 million - 250 million	[***]
250 million - 500 million	[***]
> 500 million	[***]

9.4 Within 60 days after the expiry of a calendar year, Serendex shall report the Net Sales of the previous year and pay the royalties on Net Sales as set out in article 9.3.

GEMA will have the right to audit Serendex's selling numbers, figures and books.

This Royalty shall not be applicable if the present Agreement is terminated and Serendex decides not to exercise its right under Article 3, above (License of Technical Transfer and Selling of Master Cell Bank).

10. MANUFACTURE, RESEARCH AND DEVELOPMENT

10.1 GEMA undertakes to notify Serendex of Process Change Requests or changes to the facilities or equipment etc. with 60 days prior written notice. If such changes may influence on the regulatory status of the Active Pharmaceutical Ingredient GEMA is not entitled to implement the changes without the prior written acceptance from Serendex.

11. INTELLECTUAL PROPERTY RIGHTS

11.1 Serendex IP includes know-how related to the Active Pharmaceutical Ingredient and Finished Product and the Field, and will therefore to some extent be overlapping with GEMA Know-How. The Parties have acknowledged and accepted this.

11.2 Serendex IP remains the sole and exclusive property of Serendex and nothing in this Agreement shall be construed as a grant of license or any other rights over Serendex IP. Serendex is solely responsible for filing, prosecuting, maintaining and defending the Serendex IP. Consequently, Serendex is liable to pay any costs and expenses relating to prosecuting, maintaining and defending Serendex IP.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

11.3 The Parties agree that to the extent possible any and all know-how, patents and other intellectual property rights generated during this Agreement shall be solely owned by Serendex and Serendex shall be solely responsible for filing, prosecuting, maintaining and defending such developed intellectual property rights at its own cost.

11.4 GEMA undertakes to refrain from taking actions of any nature whatsoever that might damage Serendex reputation, name or jeopardize Serendex IP.

12. TRADEMARK AND DESIGN

12.1 In respect of trademarks and designs it is separately noted that Serendex shall perform, research, development, distribution, commercialization and marketing of Finished Products and medicinal products based on the Active Pharmaceutical Ingredient with its own registered or unregistered trademarks as well as with Serendex's own packaging design. Nothing in this clause prevents Serendex from selling the developed FP in white labelling.

12.2 Any such trademarks and/or design used by Serendex are and remain the exclusive property of Serendex. GEMA acknowledges that any use of such trademarks and designs require the prior written approval of Serendex.

13. REGULATORY DOCUMENTATION

13.1 Regulatory update shall take place at least every year with a copy of the API batch records and release documentation in the form of Certificate of Analysis according to specifications shall be delivered no later than 1 month after release of batch.

13.2 GEMA undertakes to provide Serendex with all reasonable assistance in Serendex's efforts to obtain regulatory approval/marketing authorizations for Finished Products/medicinal products based on the Active Pharmaceutical Ingredient with the relevant national and international regulatory authorities. GEMA shall provide Serendex with access to ifs biologic license applications and other relevant files including site master files as may be amended from time to time.

13.3 GEMA shall support Serendex in developing an Investigator Brochure (IB) for the API and Finished Product and at all times keep Serendex current of any changes and revisions. Serendex shall keep GEMA informed of any studies that is to be incorporated into the 1B and supply the appropriate information to GEMA. GEMA is only entitled to use the results of any such studies performed by Serendex or third parties on behalf of Serendex with Serendex prior written consent. If required for obtaining regulatory approval or otherwise satisfy demands from public authorities, Serendex shall upon request have access to all underlying raw data, analysis and reports from CMC development, preclinical and clinical studies.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

14. QUALITY AGREEMENT

14.1 The manufacturing of Active Pharmaceutical Ingredient and Finished Products shall take place in full compliance with the Active Pharmaceutical Ingredient Specifications, the Quality Agreement set out in Appendix 10 and the cGMP rules and other applicable local regulations (environmental, safety regulations etc.), including any and all amendments to these regulations which are effective during the term of the Agreement.

14.2 All Active Pharmaceutical Ingredient and Finished products supplied under this Agreement is subject to Serendex release testing and Serendex inspection prior to acceptance. Serendex shall use best effort to complete such inspection within thirty (30) days from date of receipt of Active Pharmaceutical Ingredient. Serendex reserves the right to reject any Lot of Active Pharmaceutical Ingredient or subdivision thereof by reason of the failure of such Lot to meet any applicable specification or standard as set forth in the this Agreement, including but not limited to the Active Pharmaceutical Ingredient Specifications.

14.3 GEMA must retain samples of Active Pharmaceutical Ingredient under storage conditions appropriate to assure stability and quality of the Active Pharmaceutical Ingredient for a period of at least [***] from the manufacturing date.

14.4 The Parties undertake to notify each other in writing of any reports of adverse drug events with respect to the API/finished products or medicinal products based on the Active Pharmaceutical Ingredient which comes to either Party's knowledge, regardless of the origin of such reports.

14.5 In order to ensure continued compliance with the provisions of this Agreement and cGMP, Serendex reserves the right to perform inspections and audits of GEMA's documentation, procedures, capabilities and facilities anywhere in the world at any time with 90 (ninety) days' prior written notice. GEMA undertakes to use its best efforts to facilitate such audits and to provide any relevant and necessary information and documentation.

15. CONFIDENTIAL INFORMATION

15.1 During the term of this Agreement, and for five (5) years thereafter, each Party shall maintain in strict confidence any and all Confidential Information disclosed to it by the other Party pursuant to this Agreement. Each Party agrees that it shall not use for any purpose other than the purposes expressly contemplated under this Agreement and shall not disclose to any third party the Confidential Information of the other Party. A Party's employees shall sign a confidentiality statement, which wording must be approved by the other Party, before such employees get access to Confidential Information of the other Party.

15.2 The confidentiality obligations of Article 15.1 shall not apply to:

1) information which is or becomes known publicly through no fault of the Receiving Party;

2) information learned by the Receiving Party from a third party entitled to disclose it;

3) Information already known to the Receiving Party before the Disclosing Party disclosed the Confidential Information as shown and documented by written records.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

15.3 Confidential Information which is required to be disclosed by law or any regulatory or government authority, provided however, if a Party becomes legally compelled to disclose any Confidential Information, that the Receiving Party promptly consult with the Disclosing Party as to the reasons for such disclosure, and attempt to afford the Disclosing Party a reasonable opportunity to obtain a protective order as to such Confidential Information, and will use reasonable efforts to obtain reliable assurance that such Confidential Information will be treated confidentially.

16. REPRESENTATIONS AND WARRANTIES

Each Party warrants to the other that:

16.1 it is a corporation duly organised, validly existing and in good standing under the laws of their respective constitution;

16.2 it has the full and unrestricted power and authority to enter into this Agreement, to perform the activities under this Agreement and to disclose Confidential Information for the purpose of this Agreement; and

16.3 as of the Effective Date of this Agreement, it has no conflicting third-party agreements, and it shall not enter into any third-party agreements during the term of this Agreement that would prevent or interfere with its performance of its obligations hereunder.

17. LIABILITY AND INDEMNIFICATION

17.1 Serendex agrees to defend, indemnify, and hold harmless GEMA and its respective employees, officers, directors (collectively “GEMA’s Indemnities”) against and from any damages or losses resulting from third party claims, proceedings or investigations caused by (a) any negligent actions or wilful misconduct of Serendex or its Affiliates or (b) any violation of law or regulation by Serendex or its Affiliates, provided that Serendex shall have no obligation to indemnify any GEMA Indemnities for any damages or loss to the extent that such damages or loss is caused by (a) any gross negligent actions or wilful misconduct of any GEMA Indemnities or (b) any violation of law or regulation by any GEMA Indemnities.

17.2 GEMA agrees to defend, indemnify, and hold harmless Serendex and its respective employees, officers, directors (collectively “Serendex Indemnities”) against and from any damages or losses resulting from third party claims, proceedings or investigations caused by (a) any negligent actions or wilful misconduct of GEMA or its Affiliates or (b) any violation of law or regulation by GEMA or its Affiliates, provided that GEMA shall have no obligation to indemnify any Serendex Indemnities for any damages or loss to the extent that such damages or loss is caused by (a) any gross negligent actions or wilful misconduct of any Serendex Indemnities or (b) any violation of law or regulation by any Serendex Indemnities.

17.3 For the avoidance of doubt neither Party shall be liable for any indirect or consequential loss or damages suffered by the other Party or its Affiliates.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

18. TERM AND TERMINATION

18.1 This Agreement shall be effective as of the Effective Date and continue in force until [***] from the Effective Date, whichever is longer.

18.2 6 months before termination of the initial period set out in Article 18.1 the Parties agree in good faith to negotiate a potential continuation of this Agreement.

18.3 Upon a material breach of this Agreement by a Party, the non-breaching Party shall provide a written notice to the Party in breach describing the material breach and stating its intention to terminate this Agreement if the material breach is not remedied within fourteen (14) days after receipt of such notice. If the breaching Party does not remedy the breach within forty five (45) days after receipt of the notice, the non-breaching Party is entitled to terminate this Agreement with immediate effect and without further notice.

18.4 Five (5) years after the effective Date GEMA can, at its sole discretion, with a 18 months prior written notice to Serendex terminate its obligation to produce and deliver GM-CSF (cGMP Standard) to Serendex (for the avoidance of doubt the obligation to produce and deliver according to cGMP standard can in no event end prior to 6 1/2 years after the Effective Date). In this event Serendex can without extra cost other than those set out in Article 3.3 take possession of - and use for cGMP production - the Back-up Master Cell Bank stored according to Appendix 7. GEMA shall assist Serendex in setting up the production after the guidelines set up by Serendex.

19. MISCELLANEOUS

19.1 Each Party shall do all such acts and execute all such documents as may be necessary in order to give effect to the provisions of this Agreement.

19.2 A party is not liable for a failure to perform any of his obligations if he proves that the failure was due to an impediment beyond his control and that he could not reasonably be expected to have taken the impediment into account at the time of the conclusion of the agreement or to have avoided or overcome it or its consequences.

19.3 If the party’s failure is due to the failure by a third person whom he has engaged to perform the whole or a part of the contract, that party is exempt from liability only if:

a. the is exempt under the preceding paragraph; and

b. the person whom he has so engaged would be so exempt if the provisions of that paragraph were applied to him.

c. the exemption provided by this paragraph has effect for the period during which the impediment exists.

d. the party who fails to perform must give notice to the other party of the impediment and its effect on his ability to perform. If the notice is not received by the other party within a reasonable time after the party who fails to perform knew or ought to have known of the impediment, he is liable for damages resulting from such non-receipt.

e. nothing in this article prevents either party from exercising any right other than to claim damages under this Agreement.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

19.4 Neither Party is entitled to assign any or all of its rights and transfer any or all of its obligations hereunder without the prior written consent of the other Party.

19.5 This Agreement shall be governed by and interpreted in accordance with Spanish Law, as practiced in the Kingdom of Spain, exclusive of choice of law provisions.

19.6 Any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination, shall be referred to international arbitration and finally resolved by Madrid Arbitration in accordance with the rules of arbitration procedures adopted by International Chamber of Commerce Arbitration and in force at the time when such proceedings are commenced. The rules of arbitration are deemed to be incorporated by reference in this Clause. The arbitration tribunal shall consist of three (3) arbitrators. Each Party shall appoint one (1) arbitrator and the Chairman of Madrid Arbitration shall appoint a third arbitrator who shall be the chairman of the arbitration tribunal. If within twenty-one (21) days after the receipt of a Party's notification of the appointment of an arbitrator, the other Party has not notified the first Party of the arbitrator he has appointed, the first Party may request the Chairman of London Arbitration to appoint the arbitrator. The language of the arbitration shall be English.

This arbitration clause does not prevent the Parties to seek intermediate relief according to relevant national law.

19.7 In case any one or more of the provisions of this Agreement shall be determined to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

19.8 This Agreement contains the entire agreement between the Parties concerning the subject matter hereof and supersedes all prior representations, arrangements and understandings, oral or written, with respect to such subject matter, including the CDA executed on 12 December 2007. Any amendment to this Agreement must be in writing and signed by an authorized representative of each Party.

19.9 The Parties are acting as independent contractors and shall not be deemed to be partners, joint ventures or each other's agent or otherwise related. The Parties shall have no right to act on behalf of the other, except as expressly set forth in this Agreement.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

19.10 All notices required or provided for use in this Agreement shall be in English and in writing and shall be given by registered mail, courier and properly addressed to the address of the Party to be served as shown below:

GEMA Biotech

San Vladimiro 30256, 1st. Floor
B1642GMB San Isidro, Buenos Aires,
Argentina
Att.: The CEO

Serendex ApS

Slotsmarken 12, 1 th
2970 Hoersholm
Denmark
Att.: The CEO

This Agreement will be executed in 2 (two) counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Facsimile signatures are acceptable to be followed by original signatures.

Date:

For GEMA Biotech:

/s/ Carlos Dupetit
CEO

Date:

For Serendex Aps:

/s/ Lasse Lindblad
CEO

Lars Heslet
Chairman

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

APPENDICES

Appendix 1	API Formulation
Appendix 2	API Specifications
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Appendix 9	Forecast
Appendix 10	Quality Agreement
Appendix 11	Serendex IP
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[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 1

API Formulation

"**Active Pharmaceutical Ingredient**" or "**API**" shall mean Amega recombinant human Granulocyte-Macrodphage Colony-Stimulating Factor (rhGM-CSF) obtained from [***] meeting all the API Specifications mutual agreed by the parties. The amino acid sequence of rhGM-CSF is identical to the natural molecule but it is non-glycosylated. The molecular weight is 14.5 kD, and the API is formulated as a concentrated solution.

Serendex shall be offered as right of first refusal any new formulations and/or modifications of API on terms comparable to the terms of the Supply and License Agreement, including but not limited to e.g. pegylated forms of rhGM-CSF.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 2

API Specifications

Description: Human Recombinant Molgramostin (rhGM-CSF) Concentrated Solution

Exipients: [***]

Storage: Below -20°C, protected from light

[***]

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 3

Finished Product

"**Finished Product**" (FP) shall mean any pharmaceutical formulation of the API in a defined embodiment (vial, syringe or other devises including stoppers, liners and caps as applied) produced by Amega.

The amino acid sequence of rhGM-CSF is identical to the natural molecule but it is non-glycosylated. The molecular weight is 14.5 kD. The API is formulated in a concentration of 300 µg/ml.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 4

Amega Know-How

"**Amega Know-How**" shall mean any and all know-how directly relating to the specific manufacture of the API and Finished Product, including the Master Cell Bank and the Working Cell Bank.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 5

Master Cell Bank

"**Master Cell Bank**" shall mean the cell bank from which the Working Cell Bank has been derived, manufactured and characterized and stored as described in ICH guideline Q5B.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 6

Working Cell Bank

"**Working Cell Bank**" shall mean the cell bank from which the API is manufactured.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 7

Back-up Master Cell Bank

"**Back-up Master Cell Bank**" shall be a copy of the defined Master Cell Bank, and shall be deposited at CMC Biologics in Herlev, Denmark (www.cmcbio.com).

The Back-up Master Cell Bank shall be stored as described in ICH guidline Q5B.

The cell lines in the Back-up Master Cell Bank shall ensure that Serendex is able to set up its own production and produce cGMP GM-CSF if forced to do so according to Article 3 of the Supply and License Agreement.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 9

Forecast

Serendex order forecast in GRAMS

2012	[***]	Confirmed
2013	[***]	Confirmed
2014	[***]	Preliminary
2015	[***]	Preliminary
2016	[***]	Preliminary

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 11

Serendex IP

Strategy

Serendex is pursuing an aggressive intellectual property (IP) protection strategy. This encompasses claims-to-use patents as well as claims on methods of treating diseases, pharmaceutical formulations, and methods to manufacture.

GM-CSF (PCT/PCT/DK2007/050161)

The invention provides a method for enhancing pulmonary host defense in a subject suffering from, for example, but not limited to, lung cancer, pneumonia, pneumocystis carinii or cystic fibrosis with bacterial, fungal and/or viral infection and/or bacterial, fungal and/or viral colonization by administering to the subject an effective amount of granulocyte-macrophage colony stimulating factor (GM-CSF) via pulmonary administration.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 12

Price per vial of 1 gram

Price per vial of 1 gram API is agreed to be [***].

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Addendum to Supply and License Agreement, 22 February 2016

GEMA Biotech S.A.

and

Serendex Pharmaceuticals A/S

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Contents

Appendices

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Between

GEMA Biotech S.A.
Av. Sargento Cayetano Beliera 3025
Edificio Insignia M1
Pilar-Province of Buenos Aires
Argentina
("GEMA")

and

Serendex Pharmaceuticals A/S
CVR 3053 2228
Slotsmarken 17, 2.
2970 Horsholm
Denmark
("Serendex")

(Individually referred to as a "Party" and collectively as the "Parties")

this Addendum to the Supply and License Agreement (the "Agreement") has on 22 February 2016 been entered into concerning GEMA's grant of license to Serendex to have API manufactured by a third party CMO.

1 Definitions

1.1 Unless explicitly stated otherwise, the terms and definitions used in this Addendum shall have the same meaning as set out in the Agreement.

1.2 "API Technology" shall mean any and all rights, technology and know-how related to the API including but not limited to the Technical Information, Technical Service, Technology Assets, GEMA Know-How, know-how, patents, technical knowledge and any other rights or information, encompassing the manufacture, testing, quality control and other API related know-how.

1.3 "License" shall mean the license granted by GEMA to Serendex pursuant to this Addendum.

1.4 "Transfer Plan" shall mean the complete Transfer plan attached in Appendix 2 for the Transfer including description of processes, analyses, responsibilities, deadlines etc.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

1.5 “Successful Transfer” shall mean the first production by the CMO of a full size API batch in accordance with the API Specifications.

1.6 “Technical Information” shall mean all technical documents related to the API Technology and API Specification as used by GEMA in the manufacture of the API on its own production facilities and necessary and sufficient for the manufacture of API by the CMO.

1.7 “Technical Service” is the necessary technical service concerning technical training, provided by GEMA to the CMO and Serendex for the manufacture of API by the CMO.

1.8 “Technology Assets” shall mean the assets described in Appendix 3.

1.9 “Territory” shall mean the entire world.

1.10 “First Full Scale Engineering Batch” shall mean a full scale fermentation batch that leads to a batch of purified Product (API), meeting specifications.

2 Background and purpose

2.1 In December 2012, the Parties entered into the Agreement concerning Serendex supply and License of API Know How and Technology by GEMA in order to allow Serendex to conduct research, develop, distribute, commercialize and market of Final Products based upon the API.

2.2 The Parties have now agreed to transfer the manufacture of the API from GEMA to a CMO. This Addendum set forth the terms and condition under which GEMA grants a license to Serendex to utilise the API Technology and API Specifications and to have a CMO manufacture API for Serendex. Furthermore, Serendex is determined to purchase and acquire from GEMA the complete ownership of the MCB and the WCB.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

3 License of the Agreement

3.1 Scope of the License

3.1.1 GEMA accepts that the CMO appointed in accordance with this Addendum is entitled to use the API Technology and API Specifications in order to manufacture API for Serendex.

3.1.2 GEMA shall transfer the Technology Assets listed in Appendix 3 to the CMO and any other API Technology required in order to enable the CMO to manufacture API for Serendex.

3.1.3 GEMA shall provide sufficient information in order to enable the CMO to produce the API in accordance with the API Specifications and in accordance with the Quality Agreement.

3.1.4 Any API Technology, including but not limited to the Technology Assets, transferred to the CMO, shall remain the ownership of GEMA until the total purchase price for acquiring the MCB and WCB form GEMA, has been executed by Serendex.

3.1.5 The CMO is solely entitled to use the API Technology and API Specifications in accordance with the License and for the purpose of manufacture API (i) to be supplied to Serendex or (ii) to be used in the production of Finished Products for Serendex.

3.1.6 The terms and conditions of the CMO's manufacture and supply of API and/or Finished Products to Serendex is regulated by separate agreement between Serendex and the CMO.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

3.2 Extent of the License

3.2.1 The right to use the API Technology and API Specification shall be on an exclusive basis within the Field and within the Territory as set forth in the Agreement. GEMA shall not appoint any other manufacturer or licensee for manufacturing of API. However, for the avoidance of doubts, GEMA shall have the right to continue produce API on its own for commercial purpose.

3.2.2 Except as otherwise provided for under this Addendum, the CMO shall have no rights in or to the API Technology and shall not sub-licence, in part or as a whole, any rights granted under this Addendum.

4 Technical Transfer

4.1 Pursuant to this Agreement, GEMA shall provide Technical Information to the CMO and Serendex which will be complete and reliable, correct and shall contain the entire process for the manufacture of the API.

4.2 The details of Technical Information that shall be provided by GEMA to the CMO are set out in Appendix 4.

4.3 For the purposes of clause 4.1, “complete” means that the Technical Information provided by GEMA shall be the same technical documentation used and possessed by GEMA in producing the same API.

4.4 After receiving the Technical Information dispatched by GEMA, the CMO shall verify the documents as soon as possible from the receipt thereof. In case of any inconsistency with requirements stipulated in Appendix 4.

5 Technical Services

5.1 The following Technical Service shall be provided by and performed by in connection with the Technical Transfer:

5.1.1 GEMA shall actively participate in the Transfer and shall provide the CMO with all necessary technical information and support in accordance with the Transfer Plan in **Appendix 2** ensuring that the CMO is successful in setting up the API production.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

5.1.2 GEMA shall advise CMO and Serendex in designing a reasonable and correct process layout for the manufacture of the API. GEMA shall assist CMO in accomplishing the whole qualification and testing work in order for CMO the set up the API production.

5.1.3 GEMA shall be responsible for providing reasonable technical training to the CMO personnel required for use of the API Technology.

5.1.4 In order to implement the API Technology with the CMO, GEMA agrees to dispatch experienced and qualified technical personnel to CMO premises. The scope and requirements for training of CMO's personnel by GEMA are stipulated in **Appendix 5.**

5.2 GEMA is obligated to provide the services described in this section 5 until the Successful Transfer has taken place.

5.3 GEMA's obligation under the Agreement to supply API to Serendex shall continue until the Successful Transfer has taken place and Serendex is able to deliver Finished Products in compliance with Serendex' existing delivery obligations towards its customers.

6 Price and Costs of the Tech Transfer

6.1 The total price of the Transfer i.e. the tech transfer and validation program at CMO is [***]. Costs related to the Tech Transfer will be borne by Serendex.

6.2 The Price for the Tech Transfer set forth in Art. 6.1. above shall be paid by Serendex to GEMA [***] at the time of signature of this Amendment; [***] one year after its signature, and [***] at the end of the validation process. Notwithstanding the above mentioned price, Serendex shall pay to Gema an amount of [***], as per invoice, per month for a maximum of 6 months for the support and assistance of Gema to Serendex for the fulfilment of the Tec Transfer.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

6.3 Serendex shall reimburse GEMA's all documented costs in assisting with the Transfer. These costs include cost of travels, documentation, translations of documentation, fees, equipment and technical training.

6.4 Prior to defraying any expenses under clause 6.3, GEMA shall provide Serendex with an overview of activities performed and expected associated expenses. The overview must be approved by Serendex in writing in advance in order for GEMA to be reimbursed. GEMA's approval shall not be unreasonable withheld.

7 Intellectual Property Rights

7.1 API Technology and API Specification

7.1.1 All ownership and title to the API Technology and API Specification licensed under the License shall, until Serendex' exercise the effective purchase of the MCB and WCB, remain the property of GEMA.

7.2 Improvements

7.2.1 Any improvements which relate to the License, whether developed by CMO or Serendex, including but not limited to knowledge, technical information, technical documents, processes etc., shall be the exclusive property of Serendex.

8. Selling of the master cell bank and working cell bank

8.1 Serendex will purchase and acquire the complete ownership in and to the MCB and WCB. GEMA agrees and confirms that once the purchase transaction becomes effective, any and all ownership rights, title and interest in and to API Technology and API Specification are irrevocably and completely assigned and transferred by GEMA to Serendex on an exclusive, basis within the Field and within the Territory, and that Serendex thus becomes the exclusive proprietor of the API Technology and API Specification and is entitled - in whole or in part - to exploit the API Technology and API Specification in whatsoever manner that Serendex sees fit within the field, to manufacture API and to have API manufactured by a third party, and to sell, assign, reassign, transfer,

license, sublicense, make available, communicate, and/or otherwise dispose in any manner of Finished Products and medicinal products based upon the API Technology and API Specification in whole or in part and whether in original or amended form.

8.2 The aforementioned purchase shall take place within the first 18 months from Effective Date of the Addendum to the Agreement or after successful manufacture of the first Full Scale Engineering batch, whichever occurs first. Serendex shall pay to GEMA for the ownership of the MCB and WCB the purchase price of 1,950,000 USD in cash.

8.3 If for any reason Serendex after the period set out in clause 8.2 does not execute the purchase of the MCB and WCB, it will be automatically considered as a default on this obligation and will carry a monthly interest of 1% over the unpaid balance, and GEMA shall have the right to immediately start legal actions and seek for any remedy that might be applied in order to force SERENDEX to comply with the full payment plus the penalty hereby established.

9 Royalties

9.1 Section 9 of the Agreement on pricing and royalty shall continue to apply as long as Serendex has not exercised the purchase.

9.2 When Serendex has purchased the WCB and the MCB, clauses 9.2.1 and 9.2.2 below apply instead of section 9 of the Agreement.

9.2.1 GEMA shall be entitled to receive **a** royalty covering Finished Products for commercial sales and use in approved medicinal products, which is established below from its annual Net Sales. The Parties have agreed that there shall be no minimum royalty, no signing fee or milestones included in the royalty payments:

Net Sales USD	Royalty of Net Sales
<100 million	[***]
100 million - 250 million	[***]
250 million - 500 million	[***]
500 million	[***]

9.2.2 Within 60 days after the expiry of a calendar year, Serendex shall report the Net Sales of the previous year and pay the royalties on Net Sales as set out in clause 9.2.1.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

10 Appointment of CMO

10.1 Serendex shall appoint a CMO to manufacture the API.

10.2 Serendex shall inform GEMA in writing about the identity of the appointed CMO.

10.3 GEMA shall within 30 days after receiving the information on the CMO from Serendex, approve the appointed CMO by written notice to Serendex. Such approval shall not be unreasonably withheld.

11 Confidential Information

11.1 The Parties must keep confidential any and all Confidential Information which a Party or its directors, employees, representatives or advisers have received or will receive from the other Party in connection with performance of this Addendum.

11.2 The Parties are each obliged to take precautionary measures that may be necessary with the aim of protecting Confidential Information against any unauthorized access, use, copying and/or disclosure and at least in accordance with regulatory requirements.

11.3 The Parties shall ensure that employees, sub-suppliers or advisers are subject to an equivalent confidentiality obligation and to obtain a written confidentiality agreement from the party in question.

11.4 A Party shall if possible immediately prevent and notify the other Party in case of any unauthorized access, use, copying and/or disclosure of Confidential Information which a Party is made aware of.

11.5 Confidential Information does not include information:

i) which has been developed or obtained independently by the receiving Party prior to disclosure by the other Party;

ii) which has been received in good faith from an independent third party;

iii) which through a bona fide and independent third party becomes publicly available.

11.6 The Parties may give access to Confidential Information when this is required or necessary and provided the Party in question ensures that the information is treated as confidential by the recipient with respect to:

i) the Parties' affiliated companies;

ii) the Parties' employees, sub-suppliers or advisers;

iii) an ordinary due diligence process in relation to a Party;

iv) in compliance with statutory law, court decision, testimony, access to documents or a final decision by a public authority, provided that the Party (if possible by law) notifies the other Party of this obligation and by request allows the other Party to object against this obligation.

11.7 The Parties' confidentiality obligations must remain in force five years following the termination of this Addendum.

12 GEMA warranties

12.1 GEMA represents and warrants that it has legal right and title in and to the API Technology and API Specification.

12.2 GEMA warrants that the API Technology and API Specification do not infringe the intellectual property rights of any third party, and no third party has claimed that GEMA infringes the intellectual property rights of such third party and that no third party is infringing the API Technology and API Specification.

13 Liability and indemnification

13.1 Serendex agrees to defend, indemnify, and hold harmless GEMA and its respective employees, officers, directors (collectively "GEMA Indemnities") against and from any

damages or losses resulting from third party claims, proceedings or investigations caused by (a) any negligent actions or wilful misconduct of Serendex or its Affiliates or (b) any violation of law or regulation by Serendex or its Affiliates, provided that Serendex shall have no obligation to indemnify any GEMA Indemnities for any damages or loss to the extent that such damages or loss is caused by (a) any gross negligent actions or wilful misconduct of any GEMA Indemnities or by any violation of law or regulation by any GEMA Indemnities.

13.2 GEMA agrees to defend, indemnify, and hold harmless GEMA and its respective employees, officers, directors (collectively "Serendex Indemnities") against and from any damages or losses resulting from third party claims, proceedings or investigations caused by (a) any negligent actions or wilful misconduct of GEMA or its Affiliates or (b) any violation of law or regulation by GEMA or its Affiliates, provided that GEMA shall have no obligation to indemnify any Serendex Indemnities for any damages or loss to the extent that such damages or loss is caused by (a) any gross negligent actions or wilful misconduct of any Serendex Indemnities or (b) any violation of law or regulation by any Serendex indemnities.

13.3 For the avoidance of doubt neither Party shall be liable for any indirect or consequential loss or damages suffered by the other Party or its Affiliates.

14 Force Majeure

14.1 Neither Party is liable towards the other Party in the case of Force Majeure by way of any unforeseeable or accidental event or other circumstances which prevents a Party from fulfilling its obligations and which are beyond that Party's reasonable control and which the Party should not have foreseen or prevented, including but not limited to regulations by any government authority, war, riots, insurrection, toll inspections, embargo, explosions, epidemics, civil disobedience, civil disorders, rebellions, revolutions, sabotage, terrorism, floods, storms, nuclear leakage or explosions, traffic accidents, fire, natural disasters, earthquake, or extreme weather, strike, lockout, boycott, blockade, key person sickness, failure in telecommunication, network connections, power outage or other general infrastructure breakdown or failure.

14.2 If a deadline concerning one of the Parties is postponed due to Force Majeure, the other Party's obligations that are connected thereto are postponed accordingly.

14.3 Force Majeure may only be relied upon if the Party in question has notified the other Party no later than 10 days following the time of Force Majeure.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

14.4 The Party which is not affected by Force Majeure is entitled to terminate this Agreement wholly or partially if the Force Majeure event lasts more than 30 days. Partial termination is only possible to the extent that a termination does not materially shift the commercial balance of this Agreement between the Parties and provided that the remaining provisions can stand alone.

14.5 Neither Party is obliged to pay compensation, damages or penalty to the other Party in case of Force Majeure and/or subsequent termination.

15 Term and Termination

15.1 This Addendum will enter into force on 22 February 2016 and unless Serendex exercises the purchase will be valid for the duration of the Agreement.

15.2 Upon a material breach of this Addendum by a Party, the non-breaching Party shall provide a written notice to the Party in breach describing the material breach and stating its intention to terminate this Agreement if the material breach is not remedied within sixty (60) days after receipt of such notice. If the breaching Party does not remedy the breach within sixty (60) days after receipt of the notice, the non-breaching Party is entitled to terminate this Agreement with immediate effect and without further notice.

16 Assignment and Change of Control

16.1 Neither Party is entitled to assign this Addendum, or parts thereof or any rights without the other Party's prior written consent. Notwithstanding the foregoing each Party is entitled to assign this Addendum (i) to its' Affiliated companies and (ii) to entities that purchases all or a substantial amount of that Party's assets and liabilities or (iii) to subsequent owners due to a restructuring, merger, demerger or takeover of the Party provided the assignment does not have a negative impact on the fulfilment of this Addendum and provided that the new third party owner enters into this Addendum.

16.2 If a Party assigns this Addendum in accordance with this Addendum the assignee undertakes in writing the assignor's rights and obligations in accordance with this Addendum.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

17 Precedence

17.1 In case of conflict or discrepancy between this Addendum and the Agreement or any schedules to Addendum or to the Agreement, this Addendum shall prevail over the schedules, documents and agreements referred to in this Addendum unless the Parties explicitly agrees otherwise or this follows from the nature of the case.

17.2 To the extent not covered or amended by this Addendum, the terms of the Agreement and its appendices shall remain in force unless the Parties have clearly agreed otherwise by entering into this Addendum or this follows from the nature of the case.

18 Severability

18.1 The invalidity or unenforceability of any provisions of this Addendum does not affect the validity or enforceability of any other provision of this Addendum, which will remain in full force and effect, provided such this does not significantly shift the commercial balance between the Parties. The Parties are obligated to immediately initiate negotiations in a loyal manner with the purpose of replacing invalid or unenforceable provisions in order to draw up this Addendum as originally intended.

19 Governing Law and Venue

19.1 Clauses 19.5 and 19.6 of the Agreement on governing law and venue, shall apply equally to this Addendum.

This Addendum will be executed in two (2) counterparts, each of which will be deemed an original; but all of which together will constitute one and the same instrument.

Facsimile signatures are acceptable to be followed by original signatures.

Date: 21ST March 2016	Date: 22 February 2016
Name:	Name:
Title:	Title:
/s/ Roberto Rodriguez /s/ Carlos Dupetit	/s/ Kim Arvid Nielsen
Signature	Signature

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 1 : Introduction and Scope

Introduction:

GEMABIOTECH has developed a manufacturing process for recombinant GM-CSF based on [***]. The manufacturing process is defined as [***]. This process is described in more details in (Synthetic route) including a process flow diagram, more detailed description of each of the process unit operations and a specification of the product (API).

Serendex Pharmaceuticals A/S has entered into a supply agreement with GEMABIOTECH and have received API produced following the process descriptions in (Synthetic route) for further formulation Fill & Finish of Serendex's IMP in Europe.

GEMABIOTECH and Serendex has agreed to negotiate a technology transfer package that will enable manufacturing of the Molgramostim API at a European based CMO

The Scope

The scope of this program is to make a technology transfer program in accordance with the ICH guidelines Q6A, Q6B, Q7, Q8, Q9, 010 and Q11 with associated annexes. The process to be documented and transferred is shown in a process flow diagram . The manufacturing process is defined by its unit operations that are characterized by operational parameters described in (Synthetic route). [***]. The technology transfer will be made on as close to a "one to one" transfer of the current [***] fermentation process with an estimated yield of [***] of API to assure minimum risk for deviations to the set specifications which are reflected in the acceptance criteria from the following manufactured API batches in the Olivos manufacturing facilities: 13-GMCF-025-007, 13-GMCF-026-008 and 13-GMCF-028-009

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix2: Transfer Plan

Transfer Plan

Activity	Responsible	Timing
Send tech transfer documents for full scale process to Serendex	GEMA	6 weeks after sign of addendum
Approve API specifications	Serendex	15. Feb 2016
Send tech transfer documents to CMO	Serendex	
CMO input to comparability protocol and accept of transfer plan	Serendex	1 March 2016
Regulatory evaluation of tech transfer plan	Serendex	1 March, 2016
WCB established at CMO	Serendex	2 weeks after sign of addendum
Transfer analytical methods (SOP/ validation) to Serendex/CMO. Release and in process controls	GEMA	2 weeks after sign of addendum
Set up analytical methods at CMO	Serendex	Q1 - Q2 2016
GEMA support to establishment of manufacturing process at CMO (small scale, up-scaling and full scale)	GEMA	Ongoing
Manufacturing of small scale ref material [***] at CMO	Serendex	TBD
Up-scaling manufacturing process [***] at CMO	Serendex	TBD after sign of addendum
Manufacturing of full scale engineering [***] batch - released & reference standard.	Serendex	[***]
Manufacturing of first full scale GMP batch and released	Serendex	[***]

Responsibility Matrix for tech transfer of a manufacturing process from GEMABIOTECH to CMO

Responsibilities	GEMA	Serendex
Establish governance structure	x	x
Tech transfer team members	x	x
Head of tech transfer team		x
Provide adequate and skilled personnel for tech transfer activities	x	
Define load of work associated with GEMA compilation of documentation and other defined tech transfer activities	x	
Approve and sponsor the additional GEMA tech transfer activities		x
Provide adequate support to Serendex regulatory submissions	x	

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Tech transfer documentation		
Update DMF	x	
Documentation for Master and Working cell banks (Development reports)	x	
Deposit agreed amounts of vials of MCB and WCB in EU	x	
Deposit - upon approval of addendum- mock cell line for Host Cell Protein assay development		
Provide and maintain inventory of cell banks	x	
Preparation of list of equipment	x	
Preparation of bill of raw materials with vendors specifications	x	
Present available process data from small scale development batches to CMO to support scale down to [***]	x	
Tech transfer document : Upstream and down- stream process description detailed for transfer including operating parameters	x	
Provide Executed Batch Process Records for 13-GMCF-025-007, 13-GMCF-026-008; 13-GMCF-028-009. (pdf format)	x	
Approval of Tech Transfer Document.		x
Analytical (in process and release) SOP's and validation protocols and reports	x	
Preparation of DS specifications	x	
Approval of DS specifications		x
Delivery- upon approval of addendum- one batch of Inclusion bodies to CMO for onset of process set up	x	
Identification of GEMA "person in plant" supporting implementation at CMO	x	
Sponsoring of person in plant		x
Cleaning Validation performed prior to API Fill. Evt the protocol for standard cleaning validation	x	

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Appendix3: List of Technology Assets

- Cell banks. Master and Working Cell banks (GEMA)
- Fermentation knowhow (GEMA)
- Renaturation and purification knowhow (GEMA)
- Tech Transfer Document (GEMA))
- Development Reports (GEMA).
- Development data outside the scope of development reports
- API specific analytical assets
- GEMA validated methods (DNA, General HCP)
- Serendex validated methods (RP-HPLC, Sec-HPLC, Potency, Specific HCP, structural analysis as CD, UV and S-S bonds)
- Other

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix4: Technical Information

- Batch Records (for batches 13-GMCF-025-007; 13-GMCF-026-008; 13-GMCF-028-009) as well as batch data from GEMA development batches
- Certificates of Analysis for the above mentioned API batches
- Description of the process to be transferred. Tech transfer document.

[***]

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

19.1.1.1 Synthetic route

[*** (5 pages)]

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 5: Requirements for training of CMO personnel

- GEMA tech transfer person (team?) to link info into CMO with ref to Serendex
- Person in plant from GEMA to CMO for practical set up.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 6: API Specifications

AA sequence of hGM-CSF

APARSPSPST QPWEHVNAIQ EARRLLNLSR
DTAAEMNETV EVISEMFDLQ EPTCLQTRLE
LYKQGLRGSL TICLKGPLTMM ASHYKQHCPP
TPETSCATQI ITFESFKENL KDFLLVIPFD
CWEPVQE

Table xx Specification for molgramostim concentrated solution

[*** (2 pages)]

* Not applicable for R&D batches.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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COMMERCIAL SUPPLY AGREEMENT

This **COMMERCIAL SUPPLY AGREEMENT** ("**Agreement**"), dated as of 24 April 2015 ("**Effective Date**"), is made between **PARI Pharma GmbH,** a German corporation, with a principal place of business at Moosstrasse 3, D-82319 Starnberg, Germany ("**PARI**"), and **Serendex, Pharmaceuticals A/S**, Slotsmarken 17, 2.tv., DK-2970 Horsholm, Denmark ("**Serendex**"). PARI and Serendex are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties**."

RECITALS

WHEREAS, PARI is in the business of developing, manufacturing and commercializing, among other things, drug inhalation devices and optimized formulations used in the treatment of respiratory tract disorders.

WHEREAS, Serendex is in the business of developing and commercializing drugs for various diseases and conditions, including without limitation the treatment of respiratory tract disorders and infectious diseases.

WHEREAS, PARI and Serendex are parties to a certain research collaboration and license Agreement effective as of November 7, 2014 (the "**License Agreement**").

WHEREAS, pursuant to Section 4.3 of the License Agreement, the Parties desire to enter into this Agreement for PARI to manufacture and supply the Device (as defined below) and Device Accessories (as defined below) for commercial use with the Serendex Product (as defined below) after obtaining Marketing Approval for the Serendex Product.

NOW, THEREFORE, in consideration of the premises and direct and indirect benefits to the Parties hereto and other consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. DEFINITIONS

Capitalized terms used but not defined in this Agreement shall have the meanings ascribed to them in the License Agreement. In addition, the following terms shall have the meanings set forth below:

1.1 "**Applicable Laws and Standards**" means (a) all laws, ordinances, rules, directives and regulations applicable to the PARI Products or the Serendex Products, as applicable, including without limitation applicable local laws and regulations in each country in the Territory, (b) applicable regulations and guidelines of the FDA and other Regulatory Authorities and the ICH guidelines; (c) as applicable to the particular activities performed, Good Manufacturing Practices, Good Laboratory Practices and Good Clinical Practices promulgated by the FDA and other Regulatory Authorities or the ICH; and (d) all applicable industry and trade standards, including the applicable standards of the International Organization for Standardization (ISO).

1.2 "**Baseline Price**" has the meaning set forth in Section 4.1(a).

1.3 "**Cure Period**" means the fifteen (15) Business Day period following the date of issuance of a Notice of Failure Event.

1.4 "**Device**" means the eFlow® Technology device (including the following components: eBase Controller, Nebulizer Handset, nebulizer connection cord and power supply) that has been optimized for the Serendex Product as set forth in more detail in Exhibit A.

1.5 "**Device Accessories**" means those types of accessories sold by PARI as of the Effective Date or during the term of this Agreement for use with Devices, which are not specific to the drug substance being delivered by such Devices, including *e.g.* power adapters, carrying cases, face masks, and any replacement parts associated with the foregoing. For clarity, the Parties agree that the Device Accessories will not include the control unit.

1.6 "**Device Specifications**" means the characteristics, processing, labeling, and packaging requirements and standards for the Device and Device Accessories, as set forth in Exhibit A and the Territory Specific Appendices.

1.7 "**Drug Reference**" has the meaning set forth in Section 3.4(a).

1.8 "**eBase Starter Kit**" has the meaning set forth in Section 4.1.

1.9 "**Failure Event**" has the meaning set forth in Section 6.9(b).

1.10 "**Forecast**" shall have the meaning set forth in Section 6.4.

1.11 "**Good Manufacturing Practices**," or "**GMP**" means all good manufacturing practices as promulgated by the Regulatory Authority of the country where the Device is being sold, in the form of laws or regulations or guidance documents, for the manufacturing of pharmaceutical products, including in the United States as promulgated by the FDA 21 CFR §§ 210 – 211, and medical devices, including 21 CFR § 820 – Quality System Regulation.

1.12 "**GMP Manufacturing**" means all processes and activities typically engaged in by a person or entity in the pharmaceutical or medical device industry for the GMP manufacture of a product or component thereof, including procuring raw materials, manufacturing, quality control and assurance testing, GMP record keeping, packaging and labeling.

1.13 "**Initial Purchase Order**" shall have the meaning set forth in Section 6.5.

1.14 "**Limited Manufacturing Back-Up License to**" shall have the meaning set forth in Section 6.9(d).

1.15 "**Nebulizer Handset**" means the eFlow® Technology Nebulizer handset (including the following components: plastic parts of the nebulizer handset and one aerosol head) that has been optimized for the Serendex Product as set forth in more detail in Exhibit A.

1.16 "**Notice of Failure Events**" shall have the meaning set forth in Section 6.9(b).

1.17 "**PARI Products**" means, collectively, Device, eBase Starter Kits, Nebulizer Handsets and Device Accessories.

1.18 "**PARI Property**" shall have the meaning set forth in Section 6.9(d).

1.19 "**Prices**" shall have the meaning set forth in Section 4.1.

1.20 "**Quality Agreement**" shall have the meaning set forth in Section 6.2.

1.21 "**Recall**" means a recall, withdrawal, or field correction of any product for any reason, or a dissemination of information regarding such product due to a change in the labeling of such product.

1.22 "**ROW**" means all the countries in the Territory excluding the United States and Canada.

1.23 "**Serendex Product**" means the Drug Product formulated for delivery via pulmonary administration exclusively for use with the Device in the Serendex Field.

1.24 "**Term**" shall have the meaning set forth in Section 12.1.

1.25 "**Territory**" means the world.

1.26 "**Territory-Specific Appendix**" means each sub-appendix attached to this Agreement under Appendix A summarizing the applicable Device Specifications and the specific commercial terms for the manufacture and supply of PARI Products in one or more particular country(ies) in the Territory. From time to time, the Parties, through the Joint Steering Committee, may agree to add the Territory-Specific Appendices, or modify additional Territory-Specific Appendices applicable to one or more particular country(ies) to this Agreement. Such Territory-Specific Appendices may contain provisions, terms and conditions that are exceptions to or different from this Agreement to address country specific conditions, provided, both Parties have agreed thereto in writing.

1.27 "**Third Party**" means any person or entity that is not PARI, Serendex or any Affiliate of either PARI or Serendex.

1.28 "**United States**" means the United States of America and all of its territories and possessions.

2. GOVERNANCE; JOINT STEERING COMMITTEE

2.1 Joint Steering Committee ("JSC").

(a) Additional Responsibilities. The JSC as set forth in Section 3.7 of the License Agreement shall have the following additional responsibilities:

(1) to communicate regarding Serendex's worldwide strategy for the commercialization of the Serendex Product;

(2) to communicate regarding PARI's worldwide strategy for the licensing and commercialization of the PARI Products and to coordinate such strategy with Serendex's strategy set forth in subsection (a) above;

(3) to facilitate the exchange of information between the Parties with respect to the activities hereunder;

(4) to establish procedures for the efficient sharing of information necessary for the supply of the PARI Product;

(5) to share, discuss and coordinate between the Parties to ensure that the overall market demand of PARI Products for use with Serendex Product is met;

(6) to create subcommittees as the JSC may find necessary or desirable from time to time for implementation of the research, development and commercialization hereunder;

(7) to oversee the activities of subcommittees created under this Agreement, and to seek to resolve any issues that such subcommittees cannot resolve; and

(8) to perform such other functions as appropriate to further the purposes of this Agreement.

(b) Guiding Principles. The JSC shall perform its responsibilities based on the principles of good faith, diligence, prudence and good scientific and business judgment. The JSC shall have only the powers assigned expressly to it under this Article 2 and elsewhere in this Agreement, and the JSC shall not have any power to amend, modify or waive compliance under this Agreement.

(c) JSC Meetings. The JSC will be chaired by a representative of Serendex. The role of the chairperson shall be to convene and preside at meetings of the JSC, but the chairperson shall have no additional powers or rights beyond those held by the other Committee representatives. Within ten (10) Business Days following each JSC meeting, the chairperson shall prepare and deliver to the members of the JSC the minutes of such meeting for review and approval by both Parties. The minutes shall reflect, without limitation, all material decisions made at such meetings. Such minutes will be deemed approved unless one or more members of the JSC object to the accuracy of such minutes within ten (10) Business Days of receipt thereof

(d) No Decisions. Notwithstanding anything to the contrary in this Agreement, no decision by either Party would be effective if such decision requires the other Party to breach any obligation or agreement with a Third Party, or to perform any activities that are different or greater in scope than those provided for specifically under this Agreement.

2.2 Subcommittees.

(a) Membership. The JSC may establish subcommittees to coordinate specific activities. Each such subcommittee shall consist of two (2) representatives from each Party. Each Party may replace its appointed subcommittee representatives at any time upon reasonable written notice to the other Party. Each Party shall designate one (1) of its representatives as the co-chairpersons of each subcommittee.

(b) Responsibilities. The responsibilities of each subcommittee shall include:

(1) to serve as the ongoing liaison between the Parties for the tasks that it is responsible for;

(2) to coordinate efforts related to the supply of Device and Device Accessories in the country (ies) in the Territory that it is responsible for; and

(3) to perform such other functions as appropriate to further the purposes of this Agreement as directed by the JSC.

Such subcommittees shall not have the right to amend, modify or waive compliance under this Agreement.

(c) Decision Making. Each subcommittee shall make decisions unanimously, and each Party's representatives shall collectively have one (1) vote. In the event any subcommittee cannot reach an agreement regarding a decision within its authority for a period of thirty (30) days, it shall refer such matter to the JSC for resolution pursuant to Section 2.1(d).

(d) Subcommittee Meetings. Other representatives of each Party may attend meetings as nonvoting observers (provided such nonvoting observers have confidentiality obligations to such Party that are at least as stringent as those set forth in this Agreement). Meetings of the subcommittees shall be effective only if at least one (1) representative of each Party is present or participating. Each Party shall be responsible for all of its own expenses of participating in the subcommittee meetings. Within ten (10) Business Days following each subcommittee meeting, Serendex shall prepare and deliver to the members of the subcommittee the minutes of such meeting for review and approval by both Parties.

3. COMMERCIALIZATION

3.1 Overview. PARI shall be responsible for, and shall have the sole discretion for the product support for PARI Products in the Territory (unless otherwise set forth in this Agreement) in compliance with all Applicable Laws and Standards, and for training the appropriate Serendex commercial team members. Serendex shall not use or disseminate promotional and/or advertising materials for the Serendex Products containing PARI Products related sections without PARI's prior written approval. However, no approval shall be needed for use or dissemination of PARI Products related sections which were already approved with identical content and format by PARI before. Serendex shall be responsible for, and shall have the sole discretion for promoting, advertising, supporting and distributing Serendex Products in compliance with all Applicable Laws and Standards, and for training and supporting its sales force and product support personnel in connection therewith. The Parties shall cooperate in good faith to fulfill their respective obligations under this Agreement and to achieve the commercial potential of the Serendex Products within the regulatory guidelines established for sales of such products.

3.2 Commercialization of PARI Products. PARI shall sell the PARI Products to Serendex or any Third Party designated by Serendex as its representative to be further distributed to end users for use with the Serendex Product.

3.3 Territory-Specific Appendices. Promptly after Serendex submits a MAA for a Serendex Product in (a) particular country(ies), but in any event no later than one (1) year prior to the earliest anticipated approval date by the appropriate Regulatory Authority of such MAA, the Parties shall agree on a Territory-Specific Appendix setting forth the terms governing such country(ies), which shall contain terms and conditions necessary to commence commercial sales of the PARI Products and Serendex Product in such country(ies). Such Territory-Specific Appendixes shall then be attached to this Agreement and incorporated in this Agreement. Thereafter, the Parties may modify or supplement such Territory-Specific Appendixes from time to time by written agreement.

3.4 Branding Generally. Subject to applicable Regulatory Requirements, the pack-aging, labeling and promotional materials for both the PARI Products and the Serendex Products will be consistent with a branding strategy to be agreed upon by the Joint Steering Committee and included as part of each Territory-Specific Appendix (the "**T-S Branding Strategy(ies)**"). At a minimum, such T-S Branding Strategies shall contain the following elements, unless otherwise agreed to by the JSC or required by Regulatory Requirements:

(a) PARI Product Branding. PARI shall be responsible for, and shall work together with Serendex in good faith in selecting trademarks for use on or in connection with any PARI Product that is aligned with PARI's branding strategy for eFlow Technology products. PARI will label the packaging for the Device and the packaging for the replacement nebulizer handset of the Device. As determined by PARI, packaging will include the PARI word-mark and/or logo and/or the PARI Pharma logo, the EFLOW® Technology trademark, a dedicated, unique brand name for the Device, and the Drug Reference (as defined below). The nebulizer handset component of the Device will include the dedicated, unique brand name for the Device and the Drug Reference. The aerosol head component of the Device will include only the dedicated, unique brand name for the Device. Some of the above Device components may have a distinct item number, and, to the extent applicable, all such item numbers will be identified on the packaging for the Device and the packaging for the replacement nebulizer handset. For purposes of this Section 3.4, unless specified otherwise by Regulatory Authorities, the "**Drug Reference**" means either (i) the generic drug name associated with the Serendex Product, and/or (ii) Serendex's trademark for such Serendex Product, depending upon the status of Serendex's branding for the Serendex Product at the time of commercialization by the Parties as contemplated herein. Notwithstanding the foregoing, the Parties shall discuss the precise forms of co-branding to accompany the PARI Products and the Serendex Products, including support or other promotional materials therefor, to promote the use of the PARI Products exclusively for use with the Serendex Product. Serendex shall not modify PARI's labeling in any way (including by over-labeling), and all support and promotional materials including any of PARI's trademarks, artwork, images or similar materials must be reviewed and approved by PARI pursuant to agreement by the appropriate subcommittee or otherwise in writing prior to use. Serendex shall not use any photographs or graphic depictions of the PARI Products without PARI's prior written approval. However, no approval shall be needed for labeling or for use of other materials which were already approved with identical content and format by PARI before.

(b) Serendex Product Branding/PARI Product Recognition. Serendex shall be responsible for, and shall have sole discretion, in selecting trademarks for the use on or in connection with any Serendex Product and determining the packaging, labeling and branding of any Serendex Product; provided, however, that, where appropriate, Serendex shall provide recognition of the PARI Product approved by the applicable Regulatory Authority for use with the Serendex Product. In addition, subject to Regulatory Requirements, Serendex agrees to include in the product labeling for the Serendex Product the precise Device brand name and the Device item number(s) approved to administer the Serendex Product.

3.5 Product Support. Each Territory-Specific Appendix shall set forth the product support capabilities and responsibilities in a certain country for PARI Products and for Serendex Products.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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4. PAYMENTS

4.1 Pricing.

PARI shall sell Devices, Nebulizer Handsets and eBase starter kits (comprised of an eBase controller and other Device Accessories, but excluding the Nebulizer Handset ("**eBase Starter Kit**")) for commercial use after Marketing Approval at the prices determined according to Subsections (a), (b) and (c) below (the "**Prices**") to Serendex.

(a) Baseline Price. PARI shall sell the PARI Products listed below at the initial prices as of the Effective Date (the "**Baseline Prices**") to Serendex:

Table 1. Baseline Prices

for each unit of Nebulizer Handset	[***]
for each unit of eBase Starter Kits	[***]

* co-packaged or co-shipped with Serendex Product only (i.e. not for sale via PARI distributors).

(b) Price Adjustment According to Index of Producer Prices. The Parties agree that the Baseline Prices set forth above may be adjusted from time to time by at least ninety (90) days prior written notice to Serendex, provided that (i) such increase shall not occur more often than once every twelve (12) months and (ii) the percentage of such increase shall not exceed the percentage of the increase of the German index of producer prices of industrial products (published by the German Federal Statistical Office on "www.destatis.de/EN/FactsFigures/Indicators/Short TermIndicators/Prices/pre110.html") from the (i) Effective Date in case of the first increase, or (ii) the date of the last increase in case of any subsequent increases.

(c) Volume Discounts. The Prices for Devices, eBase Starter Kits and Nebulizer Handsets shall be subject to volume discounts according to Table 2 and Table 3. The percentage price reductions shall be calculated based on the Baseline Prices set forth in Table 1 and the price adjustments according to Section 4.1(b). The price reduction shall be granted in case that the volume of PARI Products in a twelve (12) months' period exceeds the threshold as set forth in Table 2 and Table 3 below. The first twelve months' period shall be the twelve months preceding the month in which the first time the cumulative orders of such preceding months exceeded the respective threshold (the "Initial Discount Period"). After the Initial Discount Period all following twelve months' periods shall commence on the first months after the end of the Initial Discount Period. By way of example if Serendex purchased at least [***] Nebulizer Handsets the first in the period between October 1, 2019 and September 30, 2020 PARI will credit a bonus of [***] to Serendex. All following twelve months periods shall commence every 1st of October. The bonus shall be calculated according to the following formula: Number of ordered PARI Products x purchase price x percentage of price reduction = bonus. For example: If Serendex purchased [***] Nebulizer Handsets in an twelve months' period as described above the bonus for that twelve months' period will be: [***].

Table 2. Price Reductions for Devices and eBase Starter Kits

Volume of Devices and eBase Starter Kits (units) purchased in a twelve month period as described above	Percentage price reduction
[***]	[***]
[***]	[***]
[***]	[***]

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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Table 3. Price Reductions for Nebulizer Handsets

Volume of Nebulizer Handsets (units) purchased in a twelve month period as described above	Percentage price reduction
[***]	[***]
[***]	[***]
[***]	[***]

(d) Comparable Nebulizer Device. Upon reasonable request by either Party the Parties shall negotiate in good faith an additional adjustment of the Prices of the Device, if the price at which any comparable Nebulizer device (which is based on the eBase controller and has a comparable configuration and a comparable technical performance) is sold by PARI to a wholesaler, or any other third party in the respective country in transactions with terms and conditions comparable to the terms and conditions of this Agreement and the License Agreement, and in each case based on comparable sales volumes and indications, differs significantly from the Prices. Such prices shall not include any maintenance, support and other services to be provided by any PARI distributor, but shall include services provided by PARI to its distributor.

(e) Distribution Network. Notwithstanding anything to the contrary in this Agreement or the License Agreement, the Parties acknowledge that PARI has established a network of distributors. Serendex will use its best efforts to utilize that existing network or propose additional distributors to operate in comparable manner pursuant to comparable terms. The distributors do not provide any support services unless otherwise agreed to in writing by the Parties.

If Serendex requests support services for Europe and ROW, then Serendex shall pay, in addition to the prices above, a fair and equitable allocation of that portion of any distributor mark-up associated with product servicing and support.

4.2 Invoicing. Except as otherwise set forth in Article 6 of this Agreement, PARI shall invoice Serendex when PARI ships the PARI Products pursuant to the Purchase Orders. Subject to the terms and conditions of this Agreement, Serendex shall pay all undisputed invoices for the PARI Products delivered and accepted in accordance with Section 7.4 within thirty (30) calendar days after the date of shipment.

4.3 Payment.

(a) Payment Type. All payments pursuant to this Agreement for the PARI Products shall be paid to the address listed on the applicable invoice.

(b) Withholding of Taxes. Serendex may withhold from payments due to PARI amounts for payment of any withholding tax that is required by law to be paid to any taxing authority with respect to such payments. Serendex shall provide to PARI all necessary documents and correspondence and written evidence to demonstrate the payment of such tax, and shall also provide to PARI any other cooperation or assistance on a reasonable basis as may be necessary to enable PARI to claim exemption from such withholding taxes and to receive a full refund of such withholding tax or claim a tax credit.

4.4 Royalties. Article 6 of the License Agreement shall remain unchanged.

5. REGULATORY

5.1 Regulatory Assistance. The Parties shall cooperate in good faith to obtain any Regulatory Approvals for the use of PARI Products with Serendex Products. Sections 3.1.1(a) through (d) of the License Agreement shall apply.

5.2 Reimbursement Assistance. The Parties shall cooperate in good faith to obtain reimbursement of PARI Products with the Serendex Product in those countries or territories where applicable. Each Party shall provide to the other reasonable regulatory and technical information relating to the PARI Products and/or components thereof or the Serendex Products and/or components thereof, as applicable, as reasonably requested by a payor source (without compromising confidentiality and in compliance with all applicable laws).

5.3 Safety Data Exchange Agreement. Within 120 days after submission to a Regulatory Authority for Marketing Approval in any given country of the Serendex Product, the Parties shall enter, with respect to such country, into a safety data exchange agreement governing the safety data exchange, adverse event reporting, patient support and management of patient compliance relating to the Device, Device Accessories and Drug Product (each a "**Safety Data Exchange Agreement**")**.**

5.4 Recall.

(a) PARI Product.

(1) Each Party shall promptly notify the other Party in writing if any Regulatory Authority or other governmental agency having jurisdiction requests or orders it to conduct a Recall of any PARI Product, or if PARI determines to undertake a Recall of any PARI Product voluntarily. Prior to the beginning of any such Recall, the Parties agree to discuss the Recall process. Promptly after being notified of such Recall, but in no event later than may be required to permit such Party conducting such Recall to meet Applicable Laws and Standards, the other Party shall provide the Party conducting such Recall with reasonable assistance in connection with such Recall as requested by the Party conducting such Recall.

(2) If PARI is required or determines to effect any such Recall, then PARI shall solely manage such Recall and be responsible for (i) the cost of notifying end users; (ii) costs associated with the collection and shipment from end users of the PARI Product(s) subject to such Recall; and (iii) costs of replacing such PARI Product(s), including the cost of shipping the replacement PARI Product(s) to the affected end users.

(3) In the event that the Serendex Product is recalled and as a consequence the FDA or other Regulatory Authority also requires the Device be retrieved or recalled for any reason, then Serendex will bear the costs (x) of notifying end users; (y) costs associated with the collection and shipment from end users of the

PARI Product(s) subject to such Recall; and (z) costs of replacing such PARI Product(s), including the cost of shipping the replacement PARI Product(s) to the affected end users.

(b) Serendex Product. Serendex shall promptly notify PARI in writing if any Regulatory Authority or other governmental agency having jurisdiction requests or orders it to conduct a Recall of any Serendex Product, or if it determines to undertake a Recall of any Serendex Product voluntarily. Prior to the beginning of any such Recall, the Parties agree to discuss the Recall process. Serendex shall solely manage such Recall and be responsible for (i) the cost of notifying end users; (ii) costs associated with the collection and shipment from end users of the Serendex Product subject to such Recall; and (iii) costs of replacing such Serendex Product, including the cost of shipping the replacement Serendex Product(s) to the affected end users.

6. MANUFACTURE AND SUPPLY OF PARI PRODUCTS

6.1 General. During the Term of this Agreement, PARI shall use commercially reasonable efforts to supply 100% of Serendex's, its Affiliates' and Permitted Sublicensees' forecasted volume requirements for the Device and related Accessories and Serendex, its Affiliates and Permitted Sublicensees shall purchase 100% of their volume requirements for the Device and related Accessories from PARI.

6.2 Manufacture of PARI Products. PARI shall manufacture all PARI Product(s) in accordance with the applicable Device Specifications and Applicable Laws and Standards. Within 180 days after submission to a Regulatory Authority for Marketing Approval in any given country of the Serendex Product, the Parties will enter into two substantially equivalent quality agreements (one to cover the US/Canada and the other for ROW) on the change control processes, GMP, quality inspection rights, quality system regulations, other standards and procedures for manufacturing and supplying the Device and the Device Accessories as required by Applicable Laws and Standards customary for similar agreements (each a "**Quality Agreement**").

6.3 Modifications. Any significant modification(s) to the Device Specifications which (a) lead to the change of the revision status of the item number of at least one (1) of the following assemblies: (i) the Nebulizer Handset, (ii) the connection cord, (iii) the controller, and/or (iv) the instructions for use, and therefore affect the Regulatory Approval of the Device as used with the Drug Product; or (b) have a material adverse effect on the development of the Device, or the manufacture thereof, including without limitation the quality, reliability, robustness or user interface of the Device, or which would otherwise have a material adverse effect on the Drug Product when used with the Device; shall be subject to the Parties' written agreement prior to the implementation of such significant modifications, not to be unreasonably be withheld, conditioned or delayed, provided, however, that if Serendex has not responded to PARI in writing within 10 Business Days of receipt of PARI's notice regarding such modifications, then Serendex shall be deemed to have approved such modifications. If Regulatory Authorities require the Device to be included under the MAA, (i) Serendex will support PARI in accommodating such requirement; and (ii) the Parties will work in good faith to allow for PARI to implement any necessary changes to the Device accordingly, including any changes necessary as a result of the requirements of manufacturing scale-up, corrective and preventative actions (CAPAs), and market feedback during the commercial phase.

6.4 Forecasts. Unless otherwise agreed to by the Joint Steering Committee, after submission to a Regulatory Authority for Marketing Approval of the Serendex Product in any given country but no less than nine (9) months prior to First Commercial Sale in such country and thereafter

on a quarterly basis during the Term, at least ten (10) Business Days before the end of each calendar quarter, Serendex shall provide PARI with its good faith, reasonable written projections (broken down by Devices, eBase Starter Kits, Nebulizer Handsets and Device Accessories; each on a country-by-country basis) of the anticipated total market requirements of PARI Products for each country in the Territory ("**Forecast**"), on a monthly basis during the one (1)-year period immediately following the calendar quarter in which such projection is issued.

Depending on the cumulative amount of PARI Products in the Forecast different portions of the Forecast are fully binding upon Serendex or are non-binding (i.e. for information to allow for PARI's production planning) subject to Section 6.6 (a):

(a) If the twelve months Forecast indicates that less than [***] of PARI Products will be ordered by Serendex during the total twelve months' period covered by the Forecast the first six (6) months of the Forecast shall be binding upon Serendex and the second six (6) month shall be non-binding.

(b) If the twelve months Forecast indicates that [***] or more PARI Products will be ordered by Serendex during the total twelve months' period covered by the Forecast the total Forecast (i.e. reflecting the full twelve months) shall be binding upon Serendex.

6.5 Initial Purchase Orders for PARI Products. No later than one (1) year prior to the earliest anticipated approval date by the Regulatory Authority of a MAA in any given country of the Serendex Product, Serendex shall provide PARI with a PARI Product purchase order for a quantity of Devices, eBase Starter Kits, Nebulizer Handsets and Device Accessories by item number (each an "**Initial Purchase Order**"). PARI shall produce sub-components for Devices and Nebulizer Handsets as specified in the Initial Purchase Order. Such sub-components shall not be labeled with a trademark or according to the branding strategy until Serendex and PARI will have mutually agreed and confirmed in writing the labeling of the Devices and Nebulizer Handsets. The shipment date of the Devices and Nebulizer Handsets covered by such Initial Purchase Order shall allow PARI a lead time of one hundred eighty (180) days from the date of written agreement on the labeling of the Device and Nebulizer Handset for completing the finished components. Notwithstanding the above, if requested in writing by Serendex as an amendment to the Initial Purchase Order, PARI shall complete production and ship a reasonable portion as requested in the amendment of the PARI Products ordered in the Initial Purchase Order within one hundred eighty (180) days of the receipt of such amendment. The amendment shall include the requested labeling of the Device including the Nebulizer Handset, packaging, and instruction for use. The remaining balance of the Initial Purchase Order shall be shipped within one hundred eighty (180) days from the date of written confirmation by Serendex on the labeling of the Device and Nebulizer Handset. For the avoidance of doubt, if Serendex requests the production of a reasonable portion of the PARI Products ordered in the Initial Purchase Order before the date of written agreement on the labeling of the Device and Nebulizer Handset, Serendex shall pay for such portion of the Initial Purchase Order as set forth below regardless of whether the labeling of the Device and Nebulizer Handset changes for any reason. Notwithstanding the foregoing, if PARI needs to change the labeling upon request by Serendex or any relevant Regulatory Authority, then Serendex shall promptly reimburse PARI for the additional cost incurred by PARI and any resulting delay in shipment shall not be deemed a breach of this Agreement and such late shipment shall not be included to determine a Failure Event. PARI shall store such PARI Products until such time as PARI delivers such PARI Products on the dates and to the locations to be provided by Serendex in written instructions to PARI prior to the First Commercial Sale.

Notwithstanding Section 4.2 above, PARI shall provide Serendex with an invoice for the PARI Products manufactured by PARI pursuant to such Initial Purchase Order upon receipt and confirmation of the Initial Purchase Order and Serendex shall pay fifty percent (50%) of the invoice submitted by PARI for the Initial Purchase Order within thirty (30) calendar days after the date of invoice and the remaining fifty (50%) upon shipment of PARI Products ordered in such Initial Purchase Order.

6.6 Subsequent Purchase Orders.

(a) PARI shall supply PARI Products to Serendex in accordance with the terms and conditions of this Agreement, and in accordance with the purchase orders submitted to PARI by Serendex (the "**Purchase Orders**"). Each Purchase Order shall include item numbers and quantity, delivery location(s), contact information and shipment date(s). PARI shall ship the quantity of PARI Products specified in each Purchase Order no less than one hundred twenty (120) days after the date and confirmation of such Purchase Order by PARI, unless otherwise agreed to by PARI and Serendex; provided, however, that no such Purchaser Order shall have a shipment date prior to the 120th day following the date of shipment of PARI Products ordered in the Initial Purchase Order. PARI shall use commercially reasonable efforts to accept and fill Purchase Orders placed by Serendex that are in excess of the forecasted quantities for such time period. PARI shall notify Serendex within 10 Business Days if it cannot meet the requested shipment date for the excess quantities; provided, however that failure by PARI to fulfill such excess quantities shall not be deemed a breach under this Agreement. Any special or customized labeling or shipment requirements will need to be discussed and agreed to by the Parties along with any associated extensions of timelines and added costs billed to Serendex.

(b) PARI's sale of PARI Products hereunder shall be subject to the terms and conditions of this Agreement and not to any terms and conditions stated on any Purchase Order, PARI's written acceptance of a Purchase Order or other document not effectively amending this Agreement, except insofar as such Purchase Order or other document establishes the quantity, delivery date, specific shipping requirements and destination of shipment of PARI Products ordered. Any additional, inconsistent or different terms and conditions contained in such other documents are hereby expressly rejected.

(c) Rush orders for PARI Products requesting a delivery date sooner than one hundred twenty (120) days after the date of such Purchase Order are subject to PARI's acceptance and written confirmation and may incur additional charges.

6.7 Safety Stock. For the purpose of guarding against unexpected changes in market demand or unforeseen manufacturing failures, delays and shortfalls, the Parties agree to maintain safety stock of the Devices or components to make the Devices (the "Safety Stock"). PARI agrees to maintain, at its own cost and expense, Safety Stock of the Devices or components to make the Devices, equal to three (3) months' supply as set forth in the most current Forecast but excluding the demand for PARI Products to (i) build up Safety Stock, (ii) fill the distribution chain, or (iii) any other temporary demand for additional devices. PARI shall have such Safety Stock in place beginning eighteen (18) months after the first Marketing Approval of the Serendex Product. Serendex agrees to build up and maintain, at its own cost and expense, Safety Stock of the Devices equal to three (3) months' supply as set forth in the most current Forecast. Serendex shall have such Safety Stock in place beginning one (1) year after the first Marketing Approval of the Serendex Product. The time period to build up of the Safety Stock may be extended if the actual market demands for PARI Products exceed the twelve months binding Forecast. PARI may only use the

Safety Stock to fulfill Purchase Orders from Serendex in case of supply shortages and will have to fill up the Safety Stock again within six (6) months. Similarly, Serendex may only use its own Safety Stock in case PARI is not able to fulfil Purchase Orders on time and will have to fill up the Safety Stock again within nine (9) months. Starting six (6) months prior to the expiration of the Term of this Agreement the Parties shall be allowed to reduce their Safety Stock so that no Safety Stock may exist at the end of the Term.

6.8 Supply Shortage. In the event of any supply interruption or inadequate quantities of the Device available to fulfill Serendex's requirements, PARI shall provide to Serendex not less than Serendex's pro rata portion of all available quantities of devices based on then-pending forecasts of all PARI customers.

6.9 Back-Up License to Manufacture

(a) Notice of Supply Interruption. In the event of any planned or unexpected interruption of PARI's ability to supply Devices, Nebulizer Handsets and eBase Starter Kits in accordance with this Agreement for any reason, PARI shall promptly notify Serendex. Such notification shall be for the Parties' planning purposes only and shall not in itself constitute a Failure Event if none of the conditions described in Section 6.9(b) has been met.

(b) Failure Event. The Parties acknowledge the possibility that one or more of the following events (each, a "**Failure Event**") may occur:

(1) PARI undergoes a voluntary or involuntary dissolution;

(2) PARI ceases to conduct business in the normal course, becomes insolvent, files for bankruptcy, is subject to a bankruptcy proceeding or otherwise becomes bankrupt, makes a general assignment for the benefit of creditors, admits in writing its inability to pay its debts as they are due, permits the appointment of a receiver for its business or assets, avails itself of or becomes subject to any proceeding under any statute of any governing authority relating to insolvency or the protection of rights of creditors; or

(3) PARI's failure to supply at least eighty percent (80%) of the ordered quantities of Devices, Nebulizer Handsets and eBase Starter Kits (which, for purposes of calculating a Failure Event under this subsection (3), shall be calculated individually) set forth in all accumulated Purchase Orders (but only to the extent each such Purchase Order is within the applicable forecasted amount) in any two (2) consecutive quarters; provided that PARI shall be permitted to use Safety Stock to avoid an incomplete Purchase Order, in which case such Purchase Order shall be deemed complete and not be counted towards the occurrence of a Failure Event.

Notification. PARI shall promptly notify Serendex in writing upon the occurrence of any Failure Event set forth in subsection (1) or (2) of this Clause (b), and Serendex may notify PARI in writing upon the occurrence of an event set forth in subsection (3) of this Clause (b) (each such notice, a "**Notice of Failure Event**").

(c) Cure of Failure Events. Should a Failure Event occur, PARI shall during the Cure Period provide Serendex a written proposal which provides for a cure of the Failure Event, including implementation of a contingency plan to the extent its provisions apply to the Failure Event.

Serendex will give good faith consideration to PARI's written proposal and if Serendex agrees the proposal is reasonably adequate, the Failure Event will be deemed resolved. If the Failure Event set forth in Section 6.9(b)(3) occurs, PARI shall provide Serendex, prior to the end of the Cure Period, a written proposal which includes: (i) a statement of the exact amount of Safety Stock and other Devices, Nebulizer Handsets and eBase Starter Kits remaining in PARI's inventory; (ii) the current and expected orders for Devices; and (iii) PARI's plans for remedying the Failure Event. Such remedies may include, but are not limited to, PARI's implementation of a contingency plan, establishment of a new manufacturing line at an alternate PARI facility or PARI establishing an agreement with a Third Party to begin manufacturing. Serendex will have ten (10) Business Days to review and give good faith consideration to PARI's written proposal and, if Serendex agrees the proposal is reasonably adequate, approve PARI's proposal for cure.

(d) If Serendex reasonably believes that PARI's proposal with respect to any Failure Event is not adequate to restore continuity of supply, then the designated senior executives, officers or management of PARI and Serendex shall meet (in person or via phone) at a mutually acceptable time within ten (10) Business Days after Serendex's rejection of PARI's cure proposal to discuss and attempt to resolve such Failure Event. If the outcome of such meeting(s) is not reasonably satisfactory to Serendex, then (1) PARI, upon Serendex's written request within five (5) Business Days after such meeting, will grant to Serendex a non-exclusive license, under the PARI Intellectual Property, to make the Devices, Nebulizer Handsets or eBase Starter Kits (but only those products which are affected by the Failure Event) solely for use with the Serendex Products in the Serendex Field in the Serendex Territory, provided however that such license will only be granted with respect to such PARI Products (excluding Device Accessories) which are actually affected by the Failure Event (the "**Limited Manufacturing Back-Up License**"); and (2) PARI agrees to provide (x) contacts to its suppliers of raw materials and components, and (y) reasonable technical assistance to Serendex (and/or, in case that subsection (e) below applies, its designated contract manufacturer, but excluding a PARI Competitor) with respect to manufacturing the Devices, in each case at Serendex's reasonable request and at its expense (the foregoing information and technology to be defined as "**PARI Property**"); provided, however, that PARI makes no guarantee of any result for Serendex or that Serendex will be able to manufacture or have manufactured the Devices. Serendex shall not have the right to provide any PARI Property to a PARI Competitor.

(e) To the extent permitted by the TTP/PARI Agreement and subject to PARI's written approval (not to be unreasonably withheld), the Limited Back-Up License to Manufacture shall comprise rights to have made Devices (other than by a PARI Competitor) and be sublicensable; provided, however, that: (i) PARI Property transferred to a Third Party to effectuate the Limited Manufacturing Back-Up License shall be subject to the provisions of Articles 10 and 12 and Serendex shall be responsible for any breaches thereof; (ii) any sublicense to a Third Party by Serendex must expressly provide that the Third Party shall use the PARI Property only for the purpose of manufacturing the Devices for supply to Serendex; (iii) Serendex shall not enter into an agreement with any Third Party for Device manufacture that contains performance criteria (lead time to a serial production, financial terms and other significant considerations) that are equal or worse than those offered by a Third Party manufacturer suggested by PARI as part of the contingency plan pursuant to Section 6.9(c) if any; and (iv) Serendex shall not have the right to grant a sublicense of the Limited Manufacturing Back-Up License to a PARI Competitor.

(f) In acknowledgment of PARI's reasonable concerns over the protection of PARI Property, Serendex shall not transfer, or cause to be transferred the proprietary aspects of manufacture of the Device's or Nebulizer Handset's aerosol heads pursuant to the Limited Manufacturing Back- Up License in the countries listed on Exhibit C hereto, except to the extent such country no longer is listed on the TRIPS Priority Watch list.

(g) Notwithstanding anything to the contrary in this Section 6.9, if Serendex does not pay the royalties due under the License Agreement, then the Limited Manufacturing Back-Up License shall not, or shall not continue to, as applicable, be granted and Serendex shall immediately cease, to the extent any such license was previously granted, to exercise such license rights.

(h) Restrictions: End of Failure Event. The Limited Manufacturing Back-Up License shall not include Serendex's right to modify or improve Devices, except as required to resolve any safety concerns subject to (i) having obtained PARI's prior written approval, such approval not to be unreasonably withheld, and (ii) all ownership rights to such improvements and modifications will be exclusively owned by PARI, and Serendex will promptly transfer and assign any and all of its rights in such improvements and modifications to PARI. If Serendex exercises the Limited Manufacturing Back-Up License and PARI subsequently regains the manufacturing ability necessary to manufacture and supply Devices to Serendex, then (i) Serendex shall immediately return to obtaining supply of the Devices from PARI under this Agreement, provided that the foregoing shall not be construed to obligate Serendex to terminate its then existing supply agreement on less than ninety (90) days' notice; (ii) Serendex shall immediately cease (and cause any Third Party manufacturing Devices, Nebulizer Handsets and eBase Starter Kits on behalf of Serendex to cease) the manufacturing of the Devices, Nebulizer Handsets and eBase Starter Kits; and (iii) the Limited Manufacturing Back-Up License shall automatically terminate without any further action by any Party.

(i) Option ID Use Another Nebulizer. In case the preconditions for Serendex's right to obtain the Limited Back-Up License to Manufacture from PARI according Section 6.9(d) above are given and for the duration of such Limited Back-Up License to Manufacture according to Section 6.9(h) above, Serendex shall have the option, upon Serendex's written notification within five (5) Business Days after the meeting of the Parties set forth in Section 6.9(d) above, to be free to use another Nebulizer for the delivery of the Drug Product within the Serendex Field instead of being granted the Limited Back-Up License to Manufacture. In case Serendex exercises its right to utilize another Nebulizer, during the period of time in which the Limited Back-Up License to Manufacture would be effective according to Section (h) above, Section 3.4 of the License Agreement shall not be applicable. For the purpose of clarification, in case Serendex exercises its option set forth herein, (i) the right to use another Device shall also be restricted to such PARI Products (excluding Device Accessories) which are actually affected by the Failure Event and (ii) PARI shall not have any obligations with respect to PARI Property under Section 6.9(d)(2) above.

(j) For clarity, Serendex shall remain responsible for its royalty obligations in accordance with the terms of the License Agreement. Notwithstanding anything to the contrary contained herein, the Limited Manufacturing Back-Up License and related rights set forth in this Section 6.9 shall terminate concurrently with any termination or expiration of the License Agreement.

6.10 Purchase Obligation. Within the EEA, Serendex and its Sublicensees shall purchase (i) during the first five (5) years from the first Marketing Approval within the EEA 100%, and (ii) thereafter 80%, of their volume requirements for Nebulizers and related accessories for pulmonary delivery of the Drug Product in the Indications from PARI.

In the rest of the world outside the EEA, during the Royalty Period Serendex and its Sub-licensees shall purchase 100% of their volume requirements for Nebulizers and related accessories for pulmonary delivery of the Drug Product in the Indications from PARI.

6.11 Relationship to the License Agreement. The provisions of this Agreement shall replace and supersede Sections 4.3 and Exhibit E of the License Agreement in their entirety.

7. DELIVERY

7.1 Delivery. PARI shall deliver to Serendex all PARI Products in conformance with each applicable Purchase Order. All deliveries of PARI Products shall be accompanied by any documentation that PARI customarily includes in shipments of such Device and/or Device Accessories.

7.2 Shipping; Risk of Loss. All shipments for PARI Products will be made (x) EXW PARI's facilities in Germany or the United States, respectively (INCOTERMS 2010) by a common carrier selected by PARI.

7.3 Testing. PARI shall test the orders of PARI Product to be supplied to Serendex as set forth in the Quality Agreement.

7.4 Acceptance. Serendex shall have a period of ten (10) Business Days from the date of receipt of any shipment of the Device and/or Device Accessories to test for quality and quantity of the shipment and accept or reject such shipment. Serendex shall have the right to reject all or a portion of a shipment for any visible damage, or request for the shipment of additional units to the extent there is a shortage in quantity. If Serendex rejects a shipment, it shall notify PARI in writing within such ten (10) Business Days, indicating the particular lot, date of delivery and the defective nature of the Device. Upon PARI's receipt of a rejection from Serendex and PARI's acceptance in good faith of such a rejection, PARI shall, at the option of PARI, replace the Device and/or Device Accessory or replace the defective part or component, in each case at PARI's sole expense. In the event Serendex does not so notify PARI within ten (10) Business Days after its receipt of any shipment thereof, Serendex shall be deemed to have accepted such shipment and shall be obligated to make payment therefor as provided in this Agreement. Thereafter, Serendex may return any PARI Product only pursuant to Section 8.3 below.

8. REPRESENTATIONS AND WARRANTIES

8.1 Mutual Representations and Warranties. Each Party hereby represents and warrants to the other Party as follows:

(a) Due Authorization. Such Party has taken all necessary action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder.

(b) Enforcement of Obligations. This Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, binding obligation, enforceable against such Party in accordance with its terms.

(c) No Conflict. The execution and delivery of this Agreement and the performance of such Party's obligations hereunder do not conflict with, or constitute a default or require any consent under, any contractual obligation of such Party.

8.2 Device Warranties. PARI represents, warrants and guarantees that each unit of PARI Products supplied to Serendex:

(a) as of the time of the passing of risk, complies with the applicable Device Specifications set forth in the applicable Territory-Specific Appendix;

(b) has been manufactured in compliance with Applicable Laws and Standards;

(c) with respect to the durable components (eBase Controller or AC power supply, nebulizer connection cord) of each Device, will have no material defect in workmanship for a period of at least twenty (24) months from the date of passing of risk;

(d) with respect to each Nebulizer Handset and Device Accessory, will have no material defect in workmanship when the Nebulizer Handset and Device Accessory is used by such end user for the first time, provided such Device Accessory has been properly transported, stored, used and maintained in accordance with any product user manual or the "Instructions for Use" for the applicable Device Accessory; and

(e) is, upon passing of risk to Serendex, free and clear of all security interests, liens and other encumbrances of any kind or character.

8.3 Warranty Replacement. PARI shall be solely responsible for any warranty claim that it accepts which alleges that any PARI Product does not conform with any of the warranties described under Sections 8.2, by replacing the non-conforming units. The Parties shall establish appropriate timelines for responding to warranty calls in the different countries within the Territory. PARI shall have the right to inspect defective Devices and/or Device Accessories to determine the validity of warranty claims under this Section 8.3 or to comply with applicable Regulatory Requirements.

8.4 Warranty Limitations or Disclaimers. The warranties, limitations and disclaimers described in this Article 8 are exclusive and supersede any other warranty limitations and disclaimers given by PARI or Serendex, whether written or oral. Except for the express warranties in Section 8.2, PARI makes no warranties of any kind with respect to any PARI Product, whether express or implied, including, but not limited to, any implied warranties of merchantability, of fitness for a particular purpose, for any implied warranties arising from course of performance, course of dealing or usage of trade. Serendex and its designees shall not make any representation or warranty on behalf of PARI that exceeds the express warranties in Section 8.2.

9. INTELLECTUAL PROPERTY

9.1 Trademark.

(a) License and Authorization.

(1) Subject to the terms and conditions set forth in this Agreement, PARI hereby grants to Serendex and its designees, a non-exclusive, nontransferable

right and license to use PARI's trademark(s) set forth on Exhibit B attached hereto, in the Territory in connection with (w) the PARI Products, (x) the Serendex Products offered by Serendex and its designees, and (y) any advertising or promotional materials associated therewith, in the manner mutually agreed to by the Parties pursuant to Section 3.4 of this Agreement, and (z) packaging and prescribing information of PARI Products and Serendex Products. The license set forth herein shall immediately terminate upon expiration or sooner termination of this Agreement.

(2) Subject to the terms and conditions set forth in this Agreement, Serendex hereby grants to PARI a non-exclusive, non-transferable right and license to use Serendex's trademark(s) set forth on Exhibit B attached hereto, in the Territory in connection with (w) the PARI Products, (x) the Serendex Products, and (y) any advertising or promotional materials associated therewith, in the manner mutually agreed to by the Parties pursuant to Section 3.4 of this Agreement, and (z) packaging and prescribing information of PARI Products and Serendex Products. The license set forth herein shall immediately terminate upon expiration or sooner termination of this Agreement.

(b) Notices. Each of PARI and Serendex agree to use commercially reasonable efforts to mark all materials, including packaging, advertising and promotional materials, that incorporate the trademarks of the other Party hereto that are licensed above in Section 9.1(a) with the symbol ™ or ®, as applicable, and the following attribution notice: "**[Insert applicable trademark from Exhibit B]** is a trademark of **[insert applicable Party that owns the relevant trademark]**". In addition, each Party shall comply with any additional requirements established by the other Party with respect to the use of its trademarks.

(c) Ownership. Each Party represents and warrants that it owns all right, title and interest in and to its trademarks set forth in Exhibit B. Neither Party shall challenge, cause others to challenge or assist in any challenge to the validity of the other Party's trademarks, any registrations thereof or the ownership thereof. Each of Serendex and PARI shall be solely responsible for taking such actions as it deems appropriate to obtain trademark, service mark or copyright registration for its trademarks. All uses of or references to each Party's trademarks shall inure to the benefit thereof, and all rights with respect to such Party trademarks not specifically granted in this Agreement shall be and are hereby reserved to such Party.

(d) Infringement. If either Party learns of any activity by a Third Party which might constitute an infringement of the other Party's rights in any of its trademarks, or if any Third Party asserts that a Party's use of the other Party's trademarks constitutes unauthorized use or infringement, such Party shall so notify the other Party. The notifying Party shall make all reasonable efforts to assist the other Party, at the other Party's expense and request, with any litigation concerning such trademarks, including providing such evidence and/or expert assistance as the notifying Party may have within its control.

(e) Quality Control. Each Party hereto acknowledges and agrees that the other Party shall be entitled to monitor the use of its respective trademarks pursuant to this Agreement. If a Party determines that any of its trademarks is not being used properly, it shall so notify the other Party in writing or through the Joint Advisory Committee and such other Party shall take steps to: (i) reassure the notifying Party that the trademark usage is proper or (ii) comply with any changes necessary to address the notifying Party's concerns.

10. CONFIDENTIALITY

Article 9 of the License Agreement is hereby incorporated herein by reference and shall govern all Confidential Information exchanged between the Parties under this Agreement.

11. INDEMNIFICATION

11.1 General. Article 15 of the License Agreement is incorporated herein by reference as if fully set forth herein and shall govern the indemnification obligations of the Parties under this Agreement. Each party shall maintain product liability insurance with a coverage of at least Euro 2.0 Million per occurrence and Euro 10.0 Million in total per year.

11.2 Liability. Article 14 of the License Agreement is incorporated herein by reference as if fully set forth herein.

12. TERM

12.1 Term. This Agreement shall become effective upon the Effective Date and shall remain in full force and effect until the expiration of the Royalty Period (the "Term").

12.2 Termination.

(a) By Mutual Agreement. This Agreement may be terminated at any time upon the mutual written agreement of the Parties.

(b) For Insolvency. To the extent permitted by law, this Agreement may be terminated by either Party in the event the other Party files an application for commencement of bankruptcy, civil rehabilitation, corporate reorganization, corporate liquidation or special liquidation procedures, or any mailing of order or notice of attachment or provisional attachment on any assets of such other Party, or any other insolvency.

(c) For Cause. If a Party is in material breach of this Agreement, then the non-breaching Party may deliver notice of such material breach to the other Party. For all material breaches other than a failure to make a payment set forth in this Agreement, the breaching Party shall have ninety (90) days to cure such material breach from the receipt of the notice or to dispute. With respect to any failure to make a payment set forth in this Agreement, the breaching Party shall have ten (10) Business Days from the receipt of the notice to dispute or cure such non-payment. If the Party receiving notice of material breach or failure to make a payment fails to cure that material breach or failure to make a payment within the applicable period set forth above, then the non-breaching Party may terminate this Agreement immediately on written notice of termination.

(d) Termination of License Agreement. Either Party may terminate this Agreement in case the License Agreement is terminated.

12.3 No Waiver. The termination or expiration of this Agreement, as the case may be, shall not act as a waiver of any breach of this Agreement and shall not act as a release of either Party from any liability or obligation incurred under this Agreement through the date of such termination or expiration, including payments due PARI pursuant to this Agreement.

12.4 Consequences of Termination.

(a) Reimbursement of Safety Stock. If Serendex terminates this Agreement, then Serendex shall reimburse PARI no later than ten (10) Business Days after the effective date of termination of this Agreement for all reasonable costs related to the remaining Safety Stock, other PARI Products manufactured and raw material / unfinished goods specific for the Device by PARI pursuant to Purchase Orders submitted by Serendex in accordance with this Agreement that, in each case, cannot be reallocated or reused by PARI through PARI's use of commercially reasonable efforts to do so. However, PARI shall not be entitled to reimbursement other than for Safety Stock, other PARI Products manufactured and raw material / unfinished goods specific for the Device which can be used by and delivered to Serendex at Serendex request if the Agreement is terminated due to any material breach on the part of PARI (or anyone who PARI is responsible for).

(b) Survival. Sections 4.2, 4.3, 8.2, 8.3, 8.4, and 12.4, and Articles 1, 10, 11 (with respect to any Claim that is attributable to any cause that occurs under this Agreement prior to its expiration or termination, as applicable) and 13 of this Agreement shall survive expiration or termination of this Agreement for any reason.

13. MISCELLANEOUS

13.1 Notices. With respect to notices, Section 13.7 of the License Agreement shall apply.

13.2 Force Majeure. No failure or omission by either Party in the performance of any obligation under this Agreement shall be deemed a breach of this Agreement or create any liability if the same shall arise from any cause or causes beyond the control of such Party including, but not limited to, the following which, for the purposes of this Agreement, shall be regarded as beyond the control of the Party in question: (a) any act or omission of any government; (b) any future rule, regulation or order issued by any governmental authority or by any officer, department, agency, or instrumentality thereof which makes such performance impossible or commercially unreasonable; or (c) any Act of God, fire, storm, flood, earthquake, accident, war, terrorism, rebellion, insurrection, riot, invasion, strike, and lockout.

13.3 Relationship of the Parties. In making and performing this Agreement, the Parties are acting, and intend to be treated, as independent entities and nothing contained in this Agreement shall be construed or implied to create an agency, partnership, joint venture, or employer and employee relationship between or among any of the Parties. Except as otherwise provided herein, no Party may make any representation, warranty or commitment, whether express or implied, on behalf of or incur any charges or expenses for or in the name of any other Party. No Party shall be liable for the act of any other party unless such act is expressly authorized in writing by such Party.

13.4 Waivers and Amendments. This Agreement may be amended or modified, and the terms and conditions hereof may be waived, only by a written instrument signed by the Parties hereto or, in the case of a waiver, by the Party waiving compliance. No delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any Party of any right, power or privilege hereunder, nor any total or partial exercise of any other right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. The rights and remedies herein provided are cumulative and are not exclusive of other rights or remedies which any Party may otherwise have.

13.5 Assignment. This Agreement shall not be assignable by either Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld, delayed or

conditioned, except that without consent either Party may assign or transfer the rights and obligations of this Agreement to any Affiliate or to any successor to its business that related to the subject matter of this Agreement (whether by sale of assets or equity, merger, consolidation or otherwise) provided, however, that such assignment or transfer by Serendex to a PARI Competitor shall require the prior written consent of PARI, to be granted in its sole discretion. This Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns. Section 13.10 of the License Agreement shall apply mutatis mutandis. Any assignment in contravention of the foregoing shall be null and void.

13.6 Choice of Law. This Agreement is construed in accordance with, and its performance is governed by, the laws of Switzerland, excluding its or any other jurisdiction's choice of law principles. The UN Convention on contracts for the International Sale of Goods shall not apply to this Agreement.

13.7 Dispute Resolution.

(a) Informal Resolution. Subject to Section 13.8, in the event of any controversy, dispute or claim arising out of, in connection with, or in relation to the interpretation, performance, or alleged breach of this Agreement (the "Dispute"), prior to instituting any arbitration on account of such Dispute, the Parties shall attempt in good faith to settle such Dispute first by negotiation and consultation between themselves, including referral of such Dispute to the Chief Executive Officer of Serendex and the President of PARI. In the event said executives are unable to resolve such Dispute or agree upon a mechanism to resolve such Dispute within thirty (30) days of the first written request for dispute resolution under this Section 13.7(a), then the Parties shall resolve all such Disputes in accordance with Section 13.7(b).

(b) Venue. If the Parties fail to reach agreement with respect to a dispute or difference in an amicable way, any disputes arising out of or in connection with this Agreement, including any questions regarding its existence, validity or termination, shall be brought to court. If the dispute is brought to court by Serendex, then such proceedings shall be subject to the exclusive jurisdiction of the Munich District Court *(Landgericht München 1)*, Germany. If the dispute is brought to court by PARI, then such proceedings shall be subject to the exclusive jurisdiction of the City Court of Copenhagen, Denmark.

13.8 Injunctive Relief. Each of the Parties agrees that if certain material obligations under this Agreement, including without limitation those set forth in Article 9 or Article 10 above, are not performed in accordance with their specific terms or are otherwise breached, (a) severe and irreparable damage would occur, (b) no adequate remedy at law would exist and (c) damages would be difficult to determine. Each of the Parties agrees that, in such case, the injured Party or Parties shall be authorized and entitled to obtain from any court of competent jurisdiction injunctive relief, whether preliminary or permanent, as well as any other relief permitted by applicable law, and the breaching Party shall waive any requirement that such Party or Parties post bond as a condition for obtaining any such relief.

13.9 Entire Agreement. This Agreement and the Exhibits and Appendices to this Agreement, the License Agreement between the Parties contain the entire understanding of the Parties hereto with respect to the subject matter contained herein and supersede and cancel all prior agreements, negotiations, correspondence, undertakings and communications among the Parties, oral or written, with respect to such subject matter. The License Agreement shall remain in full force and effect except for those provisions that are inconsistent with the terms and conditions under this Agreement, in which event the terms and conditions under this Agreement shall control.

13.10 Severability. Both Parties hereby expressly state that it is the intention of neither Party to violate any law. If any of the provisions of this Agreement are held to be void or unenforceable, then such void or unenforceable provisions shall be replaced by valid and enforceable provisions which will achieve as far as possible the economic business intentions of the Parties.

13.11 Section Headings. The section headings contained in this Agreement are for the purpose of convenience and are not intended to define or limit the contents of such sections.

13.12 Further Assurances. Upon the reasonable request of either Party, the other Party shall execute any additional certificates or other documents that may be reasonably necessary to fully implement this Agreement.

13.13 Legal Counsel. Each party hereby represents and acknowledges that it has had the opportunity to seek independent tax and legal advice from attorneys of such party's choice with respect to the advisability of executing this Agreement. The rule of construction that a written agreement is construed against the party preparing or drafting the agreement shall specifically not be applicable to the interpretation of this Agreement.

13.14 Counterparts. This Agreement may be executed in counterparts and each such counterpart shall be deemed an original hereof. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or by email in portable document form (.pdf) shall constitute delivery of a manually executed counterpart of this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, each Party hereto has executed or caused this Commercialization Agreement to be executed on its behalf as of the Effective Date.

PARI Pharma GmbH

By: /s/ Dr. Martin Knoch
Name: Dr. Martin Knoch
Title: President

Serendex, Pharmaceuticals A/S

By: /s/ Kim Arvid Nielsen
Name: Kim Arvid Nielsen
Title: CEO

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

EXECUTION COPY

EXHIBIT A

Device

“Device” components are as follows:

- Controller with display (without monitoring capabilities)
- Handheld Nebulizer Handset with aerosol head
- Nebulizer connection cord
- AC power supply
- Carrying case
- All outer packaging
- Instructions for Use

Nebulizer Handset

“Nebulizer Handset” components are as follows:

- Handheld nebulizer handset with aerosol head
- Packaging
- If required: instructions for use

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

EXECUTION COPY

EXHIBIT B

Trademarks

PARI Marks:

1. EFLOW TECHNOLOGY™ word mark and logo

2. Device Brand (TBD) word mark and logos

Serendex Marks:

[TO BE PROVIDED][to be completed]

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

EXECUTION COPY

EXHIBIT C

TRIPS Priority Watch List

China
Russia
Argentina
Chile
Algeria
India
Israel
Canada
Thailand
Pakistan
Venezuela
Indonesia
Ukraine

APPENDIX A

Territory-Specific Appendices

[To be attached when agreed to by the Parties in accordance with the terms of this Agreement.]

Exhibit 10.63

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Execution Copy

RESEARCH COLLABORATION AND LICENSE AGREEMENT

This Research Collaboration and License Agreement (this "Agreement") is made effective as of 7th day of November 2014, (the "Effective Date") by and between Serendex Pharmaceuticals A/S, Slotsmarken 17, 2.tv., DK-2970 Hørsholm, Denmark ("Serendex"), and PARI Pharma GmbH, Moosstrabe 3, D-82319 Starnberg, Germany ("PARI"). Each of Serendex and PARI is a "Party" hereto and collectively they are the "Parties".

RECITALS

A. Serendex desires to develop and commercialize a proprietary drug product containing human Granulocyte-macrophage colony-stimulating factor (hGM-CSF), intended for aerosolized pulmonary delivery for therapeutic and prophylactic uses in certain indications in humans.

B. PARI has developed and produces the eFlow® technology handheld device for spontaneously breathing patients with an open reservoir, which is available as an investigational device as of the Effective Date and described in detail in Exhibit A to this Agreement (the "Device"). PARI has further developed the eFlow Technology Nebulizer CS and the eFlow® Inline (however, as of the Effective Date it is only available as a prototype).

C. Serendex and PARI desire to enter into (i) a joint collaboration to apply their respective core capabilities and technologies to the design, development, and testing of the Drug Product for the delivery of the Drug Product to patients exclusively via the Device (the "Collaboration"), and (ii) an agreement granting Serendex an exclusive license to (x) develop the Drug Product in combination with the Device (the "Product") and (y) commercialize the Product (and/or the Drug Product and the Device separately, if applicable) for delivery of the Drug Product exclusively via the Device (the "Commercialization") in the Territory (as defined below), all in accordance with the terms and conditions of this Agreement (and with respect to the Commercialization, further subject to a written supply agreement as set forth in Section 4.3 of this Agreement). In addition, Serendex desires and PARI is willing to grant under the terms and conditions of this Agreement option rights to change the scope of the cooperation in order to pursue the eFlow Technology Nebulizer CS and/or extend the cooperation to include the eFlow Inline.

THEREFORE, the Parties hereby agree as follows:

1. Definitions. When used in this Agreement, the following terms shall have the following meanings:

1.1 "Affiliate(s)" means, with respect to any entity, any person or entity that directly or indirectly owns or controls, is owned or controlled by or is under common control with such entity, in each case, only for so long as such control exists. As used in this definition only, "control" of an entity means (i) beneficial ownership, directly or indirectly, of more than fifty percent (50%) or more of the outstanding voting shares or securities in the case of a corporation, (ii) more than fifty percent (50%) of the equity interests in the case of any other type of legal entity, (iii) status as a general partner in any partnership or (iv) the ability otherwise to elect or appoint a majority of the board of directors or other managing authority of such entity.

1.2 "Background Intellectual Property" means, as to the respective Parties: the Intellectual Property Controlled by Serendex in existence as of the Effective Date related to the Compound and/or the Drug Product ("Serendex Background Intellectual Property"); and the Intellectual Property Controlled by PARI in existence as of the Effective Date related to the Device ("PARI Background Intellectual Property").

1.3 "Big Pharma Company" means any company with an annual gross revenue of at least one and a half billion Euros (1,500,000,000€) and at least three thousand (3,000) employees which generates at least seventy five (75%) percent of its gross revenue from pharmaceutical products (not medical devices).

1.4 "Big Pharma Company Entity" has the meaning set forth in Section 17.3.

1.5 "Billable-hour" means an hour of activities performed by or on behalf of PARI, but excluding: non-work time, service on the Joint Steering Committee, training, information technology support, administrative or facilities support, time entry, finance, legal, human resources or purely clerical activities, or other support functions not requested by Serendex.

1.6 "Business Day" means any day other than Saturday, Sunday and any day on which the banks in Horsholm, Denmark, or Starnberg, Germany, are required by law to be closed.

1.7 "Claiming Party" has the meaning set forth in Section 17.4.

1.8 "Collaboration" has the meaning set forth in the Recitals and "Collaboration License(s)" has the meaning set forth in Section 5.5.

1.9 "Commercialization" has the meaning set forth in the Recitals.

1.10 "Commercially Reasonable Efforts" means those commercially reasonable efforts customarily used by companies in the biopharmaceutical or medical device industries, as applicable, for carrying out in a sustained manner a particular task or obligation, and at least equivalent to the level of efforts applied by a Party for its other priority products with a similar market potential and at a similar development stage or stage of their product life.

1.11 "Committee Approval" has the meaning set forth in Section 3.10.

1.12 "Compound" means human Granulocyte-macrophage colony-stimulating factor (hGM-CSF).

1.13 "Control" means, (i) with respect to an item of Intellectual Property, possession by a Party of the power and authority, whether arising by ownership, license, or other authorization, to grant and authorize licenses or sublicenses under such item to the other Party within the scope of this Agreement, without violating the terms of any agreement between such Party and any third party, and (ii) with respect of an item of information, possession by a Party of the right to disclose such item in accordance with this Agreement.

1.14 "Covered" or "Covering" means with respect to a product that (a) such product or its manufacture, use, sale, offer for sale, importation or exportation would infringe a Valid Claim in a country within the Territory, or (b) such product incorporates or is made using material Know-how within the respective Intellectual Property.

1.15 "CS-Option" has the meaning set forth in Section 2.5.

1.16 "Development Period" means the period from the Effective Date through the later of (i) first Marketing Approval in Europe or (ii) Marketing Approval in United States.

1.17 "Device" has the meaning set forth in the Recitals, subject to amendments due to the execution of option rights by Serendex as set forth under Section 2.5 and/or Section 2.6 and which in all cases shall have a filling specification of at least [***].

1.18 "Diligence Milestones" has the meaning set forth in Section 7.2.

1.19 "Drug Product" means any liquid formulation containing the Compound as the sole active pharmaceutical ingredient for nebulization.

1.20 "Effective Date" has the meaning set forth in the first sentence of this Agreement.

1.21 "eFlow Inline-Option" has the meaning set forth in Section 2.6.

1.22 "eFlow Technology Nebulizer" shall mean a Nebulizer proprietary to PARI or its Affiliates that is based on a perforated vibrating membrane technology and includes a mixing chamber and valve system for spontaneously breathing patients.

1.23 "eFlow Technology Nebulizer CS" shall mean the eFlow Technology Nebulizer available as of the Effective Date of this Agreement that has been modified so that an ampoule, that is otherwise not designed to be opened by a user, is opened and its contents presented to a vibrating membrane by insertion into the Handset (i.e. closed-system or CS) in lieu of the existence of an open reservoir in the Handset that can accommodate a solution.

1.24 "eFlow Inline" shall mean a Nebulizer proprietary to PARI or its Affiliates that is based on a perforated vibrating membrane technology which can be integrated into the tubing of a mechanical ventilation system and which is to be used with mechanically ventilated adult patients.

1.25 "Expired," "Expiration" or "Expiry" means expired, lapsed, been canceled or become abandoned and/or finally found to be invalid (or not valid) or unenforceable by an irreversible or unappealable (or for which no appeal has been timely filed) final decision or judgment of a court or other authority or agency of competent jurisdiction.

1.26 "Exploit" or "Exploitation" means to test, develop, seek Regulatory Approval for, seek reimbursement for, make, use, sell, offer for sale, modify (including the preparation of derivative works), market, promote, import, export, display publicly, perform publicly, distribute, or otherwise commercialize.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

1.27 "FDA" means the United States Food and Drug Administration or any successor to that agency.

1.28 "First Commercial Sale" means the first sale for use or consumption by end users of the Drug Product as delivered via the Device in a country within the Territory after Marketing Approval in such country has been obtained. For the avoidance of doubt, the sale or other disposal of the Drug Product in the course of a named-patient-program before obtaining Marketing Approval in the respective country shall not qualify as First Commercial Sale.

1.29 "Force Majeure" has the meaning set forth in Section 17.4.

1.30 "GAAP/IFRS" means, as applicable, either generally accepted accounting principles in the United States or the International Financial Reporting System, whichever is used and consistently applied by a Payor throughout its enterprise.

1.31 "Handset" means that individual component of the Device consisting of the handset with aerosol head, including all outer packaging and instructions for use accompanying the Handset and any other elements necessary for delivery to the patient.

1.32 "hereof," "herein," "hereby," "hereto" and derivative or similar words refer to this entire Agreement (including any Exhibits), unless the context otherwise clearly requires.

1.33 "Improvements" means any improvements, modifications, discoveries, inventions, developments, enhancements, and/or derivative works, including any and all Intellectual Property rights associated therewith, whether or not patentable or registrable or otherwise protectable.

1.34 "include" or "including" shall be construed, unless the context otherwise clearly requires, to have the inclusive meaning associated with the phrases "including but not limited to" or "including without limitation."

1.35 "IND" means an Investigational New Drug application submitted for filing with the FDA or any similar filing or application made with the applicable Regulatory Authority of any other country.

1.36 "Indications" means (i) Pulmonary Alveolar Proteolysis (PAP), [***].

1.37 "Infringement Notice" has the meaning set forth in Section 12.1.

1.38 "Initiation" means, with respect to a clinical study, dosing of the first patient.

1.39 "Intellectual Property" means (a) any of the following, whether existing now or in the future anywhere in the world: patents, utility models and applications therefor, including any provisionals, additions, divisionals, continuations, substitutions, continuations-in-part, together with re-examinations, reissues, renewals or extensions thereof, including supplementary protection certificates according to Regulation (EG) Nr. 469/2009 and similar rights, and all foreign counterparts of any of the foregoing (collectively, "Patent Rights"), and (b) all data, ideas, inventions, pharmaceutical, chemical and biological materials, products and compositions, tests, assays, techniques, methods, procedures, technical and

non-technical data and other information relating to any of the foregoing, drawings, plans, designs, diagrams, sketches, specifications or other documents containing such information or materials, and business processes, price data and information, marketing data and information, sales data and information, marketing plans and market research (collectively, "Know-how"). It is understood, however, that Know-how does not include information that is generally known to or easily accessible for the public domain.

1.40 "Joint Steering Committee" or "JSC" has the meaning set forth in Section 3.7.

1.41 "License" has the meaning set forth in Section 2.1.

1.42 "MAA" means a fully completed marketing authorization application (a new drug application (NDA) submitted for filing with the FDA, if in the United States, or the respective equivalent submitted for filing with the counterpart of the FDA, if outside the United States), including all supporting documentation and data, seeking Marketing Approval for the Product or the Drug Product for delivery via the Device in a particular country. It is understood that MAA does not include applications for pricing or reimbursement approval.

1.43 "Major Nation" means each of the following: the United States, Germany, France, UK, Italy, and Spain.

1.44 "Marketing Approval" means all approvals, registrations, certifications or authorizations of any Regulatory Authority that are necessary for marketing of the Drug Product for delivery via the Device, the Product and/or the Device in a regulatory jurisdiction other than pricing approvals and approvals for reimbursement.

1.45 "Nebulizer" means any nebulizer or other device that delivers a formulation in the form of droplets to the airways, such as an eFlow Technology Nebulizer. For the avoidance of doubt, the term "Nebulizer" shall not include any device that delivers a formulation solely or primarily into or via the nose.

1.46 "Nebulizer Starter Kit" means a nebulization system including all of the components that are necessary to operate the Device, including the electronic controller but excluding the Handset.

1.47 "Net Sales" means the gross amounts invoiced by a Payor in bona fide arm's length transactions or, where the sale is not at arm's length, the amount that would have been so invoiced if it had been at arm's length, attributable to its sales during the Royalty Period to third parties (other than Affiliates of the Payor buying for resale) of Drug Product in the Serendex Field, less the following deductions: (a) trade, wholesale, quantity, cash or other discounts, refunds, returns, rebates, credits and allowances to the extent actually taken; (b) import, export, excise, sales or use taxes, value added taxes, and other taxes, tariffs and duties imposed on such sales and actually paid by the Payor; (c) rebates, allowances or credits mandated by any government and actually granted; (d) reimbursements, credits or chargebacks actually granted, allowed or incurred in the ordinary course of business (including any credits, volume rebates, charge-back and prime vendor rebates, reimbursements or similar payments granted or given to wholesalers and other distributors, buying groups, health care insurance carriers, pharmacy benefit management companies, health maintenance organizations or other institutions or health care organizations); and (e) payments or rebates paid in connection with sales to any governmental authority in respect of any state or federal Medicare, Medicaid or

similar programs. All calculations shall be made in accordance with GAAP/IFRS or other applicable accounting standards consistently applied by a Payor throughout its enterprise. Where the Drug Product is sold for a combined price with a Device or any other product or service, Serendex shall make, or shall cause the Payor to make, together with PARI in good faith, an equitable allocation for purposes of this definition of the amounts received for such combination, such that the amount attributable to the sale of the Drug Product (1) will not include amounts properly attributable to such Device or other product or service (taking into account all available information and/or costs of acquisition of the Device or other product or service) and (ii) will be equal to the amount regularly charged by the Payer substantially contemporaneously for the Drug Product in the same market or a similar market when not sold in such a combination. In case a WAC for the Drug Product exists in a country, the amount attributable to the sale of the Drug Product in that country shall not be less than the WAC of the Drug Product alone.

1.48 "Non-Claiming Party" has the meaning set forth in Section 17.4.

1.49 "PARI Competitor" shall mean any of the entities named on Exhibit D to this Agreement, or their Affiliates.

1.50 "PARI Field" means any use or application outside the Serendex Field.

1.51 "PAM Intellectual Property" means (a) all PARI Background Intellectual Property and all Intellectual Property related to the Device Controlled by PARI and its Affiliates (other than Project Intellectual Property); (b) all Project Intellectual Property that constitutes an Improvement to the Intellectual Property described in clause (a); and (c) all Project Intellectual Property that bears directly upon the Device, including its use and method of manufacturing. The Patents within the PARI Intellectual Property are identified and set forth on Exhibit B attached hereto, which shall be amended from time to time.

1.52 "Payer" means Serendex, its Affiliate, or its Sublicensee (or the Affiliate of any thereof that purchases Drug Product from the foregoing for resale), as the case may be, that sells a Drug Product following Marketing Approval of that Drug Product.

1.53 "Phase I Clinical Trial" means that portion of the drug development process relating to the Drug Product as delivered via the Device which provides for the first introduction into humans of such Drug Product including small scale clinical trial in healthy volunteers and/or patients to obtain information on such Drug Product's safety, tolerability, pharmacological activity, pharmacokinetics and/or pharmacodynamics, and supporting Marketing Approval of such Drug Product in the Serendex Field as defined in more detail in 21 CFR 312.21(a).

1.54 "Phase II Clinical Trial" means that portion of the drug development process relating to the Drug Product as delivered via the Device which provides for a controlled clinical trial of such Drug Product in patients, a principal purpose of which is to make a preliminary determination that such Drug Product is safe for its intended use and to obtain sufficient information about such Drug Product's efficacy, as well as to obtain an indication of the dosage regimen required, to permit the design of further clinical studies, and supporting Marketing Approval of such Drug Product in the Serendex Field as defined in more detail in 21 CFR 312.21(b).

1.55 "Phase II/Phase III Clinical Trial" means a controlled clinical trial which satisfies the definitions of Phase II Clinical Trial and Phase III Clinical Trial.

1.56 "Phase III Clinical Trial" means that portion of the drug development process relating to the Drug Product as delivered via the Device which provides for a large scale clinical trial conducted in a sufficient number of patients that is designed to establish that such Drug Product is safe and efficacious for its intended use when delivered via the Device, and to obtain warnings, precautions and adverse reactions that are associated with such Drug Product as delivered via the Device in the dosage range to be prescribed, and supporting Marketing Approval of such Drug Product in the Serendex Field as defined in more detail in 21 CFR 312.21(c).

1.57 "Product" means the combination of the Drug Product and the Device.

1.58 "Project Intellectual Property" means all Intellectual Property that is invented or created in the course of the performance of this Agreement, including in the course of the activities under a Work Plan, regardless of which Party develops it.

1.59 "Project Rate" with respect to activities under a Work Plan means [***] per Billable-hour. The Parties agree that such Project Rate may be increased by PARI from time to time by at least ninety (90) days prior written notice to Serendex, provided that (i) such increase shall not occur more often than once every twelve (12) months and (ii) the percentage of such increase shall not exceed the percentage of the increase of the German index of producer prices of industrial products (published by the German Federal Statistical Office on www.destatis.de/EN/FactsFigures/Indicators/ShortTermIndicators/Prices/pre110.html) from the date of the last increase. First date of possible Project Rate increase is in January 2017.

1.60 "Regulatory Approval" means any approval required from any Regulatory Authority and any similar governmental approvals required in any jurisdiction in the Territory to manufacture, use, storage, import, transport, sale and market the Drug Product for delivery via the Device, the Product and/or the Device, including where required and applicable, pricing approval and/or approval for reimbursement.

1.61 "Regulatory Authority" means any national (e.g., the FDA), supranational (e.g., the European Commission, the Council of the European Union (EU), or the EMA), or other governmental or private entity (including notified bodies for medical devices) in the Territory involved in regulation of or the granting of Marketing Approval, Regulatory Approval for the Drug Product, the Device, or the Products, or the development, manufacture, use or commercialization thereof,

1.62 "Right of First Refusal" has the meaning set forth in Section 2.6(b).

1.63 "Royalty" or "Royalties" means a running royalty as a percentage of the Net Sales.

1.64 "Royalty Period" means on a country-by-country and indication-by-indication basis, the period of time from the date of the First Commercial Sale of the Drug Product in the Serendex Field through the later of (i) the date of Expiration of the last to expire Valid Claim included in PARI Intellectual Property Covering a part of the Device in a particular country in the Territory, or (ii) fifteen (15) years after the First Commercial Sale of the Drug Product in the Serendex Field in such country in the Territory and such indication.

1.65 "Senior Management" means, as to Serendex, its then-current CEO, and as to PARI, its then-current President.

1.66 "Serendex Field" means the pulmonary delivery of the Drug Product exclusively via the Device for the treatment of the Indications.

1.67 "Serendex Intellectual Property" means (a) all Serendex Background Intellectual Property and all Intellectual Property relating to the Compound and/or the Drug Product Controlled by Serendex and its Affiliates (other than Project Intellectual Property); (b) all Project Intellectual Property that constitutes an Improvement to the Intellectual Property described in clause (a); and (c) all Project Intellectual Property that bears directly upon the formulation of the Compound.

1.68 "Significant Change" means a change to the Device or any related accessory which has the potential to change the functional technology, performance specifications, drug/air path-contact materials, software design or labeling of the Device.

1.69 "Special Purpose Costs" means costs incurred by or for PARI for the acquisition of raw materials, equipment, reagents, assays, facilities, goods or services (other than auxiliary or operating supplies, Devices, and Handsets) to be used in connection with the Collaboration, but only as and to the extent approved in advance, either by explicit statement in the Work Plan, or by Committee Approval.

1.70 "Sublicensee" means (a) any third party who receives a sublicense from Serendex in accordance with the provisions of this Agreement (including Section 2.3) under the licenses granted by PARI to Serendex hereunder, or (b) any third party who receives a sublicense from PARI in accordance with the provisions of this Agreement under the licenses granted by Serendex to PARI hereunder.

1.71 "Successful Completion" means, with respect to clinical study, the date on which the last patient exits the clinical study (last patient out).

1.72 "System" means a Device including all of its components to operate the Device, including the electronic controller.

1.73 "Territory" means the world.

1.74 "Third Party eFlow-Inline License" has the meaning set forth in Section 2.6(b).

1.75 "Third Party Rights" or "TPR" has the meaning set forth in Section 6.2.

1.76 "TTP/PARI Agreement" means that agreement entered into between The Technology Partnership plc and PARI dated March 22, 1999, as amended.

1.77 "Valid Claim" means a claim in an issued patent or a claim of a pending Patent application, on a country-by-country basis, that shall not have been withdrawn, canceled or disclaimed within the PARI Intellectual Property, as applicable, or any Project Intellectual Property, which has not Expired in the country in question.

1.78 "VAT" has the meaning set forth in Section 17.1(b).

1.79 "Work Order" means the specific description of a connected set of activities to be conducted under the Work Plan or a particular phase or portion thereof as mutually agreed by both Parties in writing. Each Work Order shall define: (i) the scope and nature of the activities to be performed; (ii) the estimated start and completion dates of such activities, including milestones, as appropriate; (iii) the deliverables; (iv) the estimated Billable-hours associated with such activities; (v) all estimated fees and pass-through or other expenses for such activities; and (vi) such other matters as the Parties may agree. Each Work Order shall be drafted by PARI and agreed in writing by Serendex.

1.80 "Wholesale Acquisition Cost" or "WAC" means the manufacturer's published catalogue or list price for a drug product to wholesalers.

1.81 "Work Plan" means the activities, deliverables, timelines, specifications and budget for the Collaboration or a particular phase or portion thereof, as set forth in a written work plan, which preliminary version is attached to this Agreement as Exhibit C, as the same may from time to time be amended or supplemented in writing as described herein by Committee Approval.

2. License.

2.1 License Grant. During the term of this Agreement, PARI hereby grants to Serendex the exclusive right and license, on the terms stated in this Article 2, and on the other applicable terms of this Agreement (including Section 4.3), under the PARI Intellectual Property (including any Joint Intellectual Property subject to Section 5.4 of this Agreement) to Exploit the Drug Product and/or the Product in the Serendex Field in the Territory; provided that Serendex shall not have the right to research, develop, copy, make or have made, modify, or prepare derivative works of, or to seek Regulatory Approvals for, the Device or any eFlow Technology Nebulizer unless otherwise specified in Section 3.2 of this Agreement and/or the Supply Agreement (the "License").

2.2 Access Rights. During the term of this Agreement, Serendex shall have a right to access or reference at such time as reasonably required, subject however to its confidentiality obligations under Sections 9.1 and 9.2 below, all necessary data and information on the Device and eFlow Technology Nebulizers as applicable, for no additional consideration other than that already due to PARI under this Agreement and subject to Section 3.5 below, solely for Serendex's purposes in Exploiting the Drug Product and/or the Product in accordance with Section 2.1 in the Field in the Territory. However, Serendex shall only have the right to reference the device master file of the Device but shall have no right to access such documents. Notwithstanding anything to the contrary contained in this Section 2.2, PARI shall at no time be required to provide any Information or access to Serendex, its Affiliates, and its Sublicensees that may violate PARI's confidentiality obligations with third parties or that would disclose to Serendex, its Affiliates and Sublicensees any proprietary or Confidential Information of such third party.

2.3 Right to Sublicense.

(a) The License will include the right for Serendex to grant sublicenses in one tier; provided, however that:

(i) such sublicenses shall be in writing and shall (i) comply and be consistent, in all respects, with all the terms of this Agreement and (ii) impose on the relevant Sublicensee the same obligations and restrictions as are imposed on Serendex under this Agreement, including the provisions of Section 3.4 and Section 16.2, as applied to the relevant Sublicensee;

(ii) Serendex shall promptly provide PARI with a copy of any proposed agreement with numbers and financials blinded relating to any sublicense to be granted by Serendex. Each sublicense and all sublicense agreements shall require the prior written approval of PARI, such approval not to be unreasonably withheld, conditioned, or delayed;

(iii) in any such sublicense agreement, (i) PARI will be named a third party beneficiary under the sublicense agreements, (ii) this Agreement will be referenced in and attached as an Exhibit and (iii) there will be provisions contained that (a) in the event a sublicense becomes a direct license agreement pursuant to Section 8.6(b) and there is a conflict or ambiguity between the provisions of the sublicense agreement and this Agreement, the provisions of this Agreement shall govern and be binding on the relevant Sublicensee, (b) PARI shall have the right to enforce those terms and conditions of the sublicense, and (c) in the event that a sublicense does not become a direct license pursuant to Section 8.6(b), the sublicense shall automatically lapse.

(iv) any sublicense agreement that does not comply with the provisions of this Section 2.3(a) (i), (ii) or (iii) shall be null and void.

(b) In the event of any breach of those terms and conditions of the sublicense, Serendex shall promptly notify PARI in writing of such breach as well as Serendex's intended response thereto. Serendex shall exert Commercially Reasonable Efforts, at its own expense, to enforce such terms of such sublicense against the relevant Sublicensee. If the action taken by Serendex in response to such breach is not reasonably satisfactory to PARI, then PARI has the right (but not the obligation) to take action against the relevant Sublicensee directly, including termination of the sublicense. Upon any such termination of one sublicense, the License shall, at PARI's election, be rendered non-exclusive in the territory associated with such terminated sublicense, and PARI shall have the right to (itself or with third parties) Exploit the terminated rights of the sublicense without violating this Agreement; provided, however, that this Agreement and the License shall otherwise remain unaffected. Any sublicense shall not relieve Serendex of its obligations to PARI under this Agreement and Serendex shall remain fully responsible for performance of this Agreement notwithstanding any sublicenses granted by Serendex.

(c) Withholding the prior written consent of PARI pursuant to Section 2.3(a)(ii) shall not be deemed unreasonable if the sublicense is intended to be granted to a PARI Competitor.

2.4 TTP/PARI Agreement. The Collaboration License grant pursuant to Section 2.4 and the License for Commercialization pursuant to this Article 2 comprise a grant by PARI to Serendex of an exclusive sublicense under the TTPIPARI Agreement to Exploit the Device in the Serendex Field in the Territory; provided, however, that Serendex shall not have the right to develop, copy, make or have made, modify, make derivative works of, or to seek Regulatory Approvals or reimbursement for, the Device, Product, Handsets, Systems, or any eFlow Technology Nebulizer, or any component of any of the foregoing, unless otherwise specified in Section 3.2 of this Agreement or the Supply Agreement. In the event Serendex intends to sublicense its rights above to a third party, PARI shall upon Serendex's request directly grant a

sublicense of PARI's rights under the TTP/PARI Agreement to the Sublicensee for no additional consideration other than that already due to PARI under this Agreement. Such sublicense shall be subject to the terms and conditions of this Agreement.

2.5 CSOption. Subject at all times to Serendex's compliance with the terms of this Agreement, PARI hereby grants to Serendex (but not to any Sublicensee), until the Drug Product first is granted Marketing Approval in the Territory, an option to switch from the Device as defined as of the Effective Date (an eFlow® Technology Nebulizer with open reservoir) to instead pursue Development and Commercialization of the Drug Product for pulmonary delivery exclusively via an eFlow Technology Nebulizer CS (the "CS-Option"). In the event that Serendex wishes to exercise its CS-Option pursuant to this Section 2.5, then Serendex shall provide written notice thereof to PARI, and the Parties agree to promptly execute an amendment to this Agreement in order to change the definition of Device to such eFlow Technology Nebulizer CS and amend Exhibit A accordingly. All other provisions of this Agreement shall remain in full force and effect and apply to the eFlow Technology Nebulizer CS.

2.6 eFlow Inline-Option.

(a) Subject at all times to Serendex's compliance with the terms of this Agreement, PARI hereby grants to Serendex (but not to any Sublicensee), until the Drug Product first is granted Marketing Approval in the Territory, an option to negotiate in good faith an extension to the License as set forth in Section 2.1 under PARI Intellectual Property to Exploit (within the restrictions contained in Section 2.1) the Drug Product for pulmonary delivery exclusively via the eFlow Inline for the treatment of VAP and/or ARDS in the Territory (the "eFlow Inline-Option"). In the event that Serendex wishes to exercise its eFlow Inline-Option pursuant to this Section 2.6, then Serendex shall provide written notice thereof to PARI, and the Parties agree to promptly execute an amendment to this Agreement in order to incorporate such eFlow Inline in the definition of Device, supplement Exhibit A and amend the definition of Indications accordingly. All other provisions, other than the prices for the eFlow Inline Handset, of this Agreement shall remain in full force and effect and apply to the eFlow Inline and the amended indications. The prices for eFlow Inline used in clinical trials shall be [***] per eFlow Inline system and [***] per eFlow Inline Handset; provided however, that any units ordered under purchase orders for more than [***] eFlow Inline Handsets and more than [***] eFlow Inline Systems in the aggregate, shall be priced at the discounted amounts of [***] per eFlow Inline system and [***] per eFlow Inline Handset, respectively.

(b) In the event a third party contacts PARI, or if PARI desires to grant to a third party an exclusive license to Exploit a drug product containing a GM-CSF formulation as an active ingredient for pulmonary delivery via an eFlow Inline (the "Third Party eFlow-Inline License"), PARI shall offer the Third Party eFlow-Inline License, on the same terms and conditions as offered by or to such third party, to Serendex (the "Right of First Refusal"). If Serendex notifies PARI in writing within thirty (30) clays of its receipt of PARI's notice that Serendex accepts such terms, the Parties shall enter into an agreement on such terms within thirty (30) days after Serendex's exercise of the Right of First Refusal. If Serendex does not notify PARI in writing within such thirty (30)-day period that Serendex accepts such terms and exercises the Right of First Refusal, then PARI shall be free to grant the particular Third Party eFlow-Inline License on the same terms to such third party, and Serendex shall have no further rights with respect to the eFlow Inline-Option, except upon termination or expiration of such Third Party eFlow-Inline License, in which case Serendex' rights in respect of such eFlow Inline-Option shall revive. For the avoidance of doubt, PARI shall be free to Exploit the eFlow Inline in its sole discretion until the eFlow Inline-Option is exercised by Serendex.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

3. Conduct of the Collaboration.

3.1 Work Plan and Work Orders. Serendex and PARI will cooperatively conduct the Collaboration in accordance with the terms and conditions of this Agreement, the Work Plan and more detailed work packages described in the Work Orders. The Parties will jointly design and prepare the Work Plan, and agree that any material change to the Work Plan will require Committee Approval or other written agreement of both Parties.

3.2 Development and Regulatory Responsibilities. Unless the Parties otherwise mutually agree in writing,

(a) Serendex will have control of all activities and responsibilities bearing on the development and/or testing of the Drug Product and seeking Marketing Approval and/or Regulatory Approval for the Drug Product, and

(b) PARI will have control of all activities and responsibilities bearing on the development and/or testing of the Device and seeking Marketing Approval and/or Regulatory Approval for the Device.

Notwithstanding the foregoing, the Parties will closely collaborate and support each other in obtaining reimbursement for the Device and PARI has to approve all documents on reimbursement for the Device prior to the submission to any third party. If any drug/device combination filing for a Product is requested by any Regulatory Authority, including any MAAs on Product: (i) PARI will support Serendex in making and prosecuting such filing, including with respect to the preparation, provision and filing of Device documentation, provided, however, that no documentation relating directly to the Device will be filed without PARI's prior written approval, which approval shall not be unreasonably withheld or delayed, (ii) PARI shall at all times control the marking, labeling, CE conformity declaration and technical documentation with respect to the Device, (iii) PARI will have the right to review and comment upon any portion of such filings bearing on the Device prior to such filing, and (iv) PARI will have the right to have one of its representatives participate in any material discussions or meetings with such Regulatory Authority bearing on the Device. If Regulatory Authorities require the Device or any Product to be included under the MAA, (y) Serendex will support PARI in accommodating such requirement; and (z) the Parties will work in good faith to allow for PARI to implement any necessary changes to the Device or any Product accordingly.

3.3 Improvements

The Parties acknowledge that Improvements to the Device and / or accessory will likely be necessary even after the Parties will have initially developed and specified the Device. Reasons for the implementation of Improvements include (i) feedback from the market or clinical trials, (ii) corrective and preventive actions, (iii) feedback from Regulatory Authorities, or (iv) scale-up of manufacturing capacities.

If PARI develops an incremental Improvement to the Device, then PARI may incorporate such Improvement to the Device and give written notice to Serendex prior to implementing any such Improvement

provided that (i) such Improvement does not constitute a Significant Change, (ii) PARI is not contractually prohibited from doing so, (iii) PARI generally incorporates such Improvement into the eFlow Technology Nebulizer and/or the accessory, as applicable, and (iv) it is consistent with the specifications agreed to by the Parties and the applicable regulatory requirements.

Serendex will cover costs related to the Drug-Product specific testing of any change to the Device unless the Improvement is necessary due to feedback from Regulatory Authorities or other relevant Authorities and will be implemented not only into the Device but also into PARI's eFlow Technology Nebulizer platform. In that case the Parties will in good faith discuss and decide how to share the costs of the Drug-Product specific testing.

If PARI develops an Improvement that constitutes a Significant Change, then PARI shall, to the extent it has the right to do so, offer Serendex an opportunity to review such Improvement for a period of thirty (30) days from receipt of a detailed description of such Improvement and a plan for development of such Improvement and possible incorporation into the Device for Serendex to determine whether it wishes to have such Improvement incorporated in the Device, thereby be incorporated into the Licenses granted pursuant to Section 2.1 and shall be included in the PARI Intellectual Property and as such shall extend the Royalty Period accordingly. If Serendex determines (by giving written notice to PARI) within thirty (30) day period that it desires to benefit from the Improvement and include the Improvement in the Device, such Improvement shall be automatically included in the PARI Intellectual Property. If Serendex does not give written notice to PARI within the thirty (30) days period of its desire to benefit from the Improvement, Serendex shall be deemed to have rejected the Improvement and PARI shall have no obligation to include the Improvement in the Device. However, in case PARI wishes to implement such Improvement, PARI shall indicate this in its written offer of the Improvement and Serendex shall not unreasonably withhold or delay its consent to such implementation.

3.4 Level of Effort - Collaboration. Each Party will exert Commercially Reasonable Efforts to conduct the Collaboration and to cooperate with the other Party in all respects bearing on the Collaboration. The Parties recognize that the Collaboration involves experimental and untested compounds, materials, and devices, and that neither Party gives any assurance that the Collaboration or any of its objectives will be successfully conducted or achieved.

3.5 Exclusivity as to Serendex.

(a) Serendex agrees that, within the European Economic Area (EEA) and for the treatment of the Indications, neither it nor its Affiliates shall, until the end of the Development Period, work with third parties outside the scope of the Collaboration in an attempt to develop, test or adapt any inhalation device or nebulizer for the pulmonary delivery of the Drug Product, the Compound, any other pharmaceutical product containing the Compound as sole active ingredient, or either of them. Serendex further agrees to impose and enforce this obligation upon its Sublicensees in accordance with Section 2.3(b).

(b) Serendex agrees that, in the rest of the world outside the EEA and for the treatment of the Indications, neither it nor its Affiliates shall, during the term of this Agreement, work with third parties outside the scope of the Collaboration in an attempt to develop, test or adapt any inhalation device or nebulizer for the pulmonary delivery of the Drug Product, the Compound, any other pharmaceutical product containing the Compound as sole active ingredient, or either of them. Serendex further agrees to impose and enforce this obligation upon its Sublicensees in accordance with Section 2.3(b).

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

3.6 Sharing of Information. Each Party will, promptly provide to the other Party all necessary or useful information in or coming into its possession or reasonably available to it to support the achievement of the tasks of the Parties as specified in the Work Plan subject to each Party's obligations with respect to Confidential Information. However, neither Party shall be required to disclose Confidential Information of a third party which Confidential In-formation such Party does not Control, but each Party will exert Commercially Reasonable Efforts to bring to the attention of the Joint Steering Committee any such third party restrictions as may be relevant to its role hereunder.

3.7 Principal Contacts. Each Party will appoint an individual employed by it to serve as its "Principal Contact" for purposes of this Agreement and the conduct of the Collaboration. Serendex's initial Principal Contact is Dr. Kim Arvid Nielsen, and PAM initial Principal Contact is Dr. Stefan Seemann. Either Party may from time to time replace its Principal Contact with a different employee, but unless required due to events beyond its control, neither Party will replace its Principal Contact without at least ten (10) days' prior written notice to the other Party. The two Principal Contacts shall communicate with each other regularly during the course of the Collaboration, as shall be more fully described in the Work Plan and otherwise as they shall mutually determine to be useful.

3.8 Joint Steering Committee. The Parties' work in the Collaboration and Commercialization will be coordinated by a committee of four members (the "Joint Steering Committee" or "JSC"). Two members of the Joint Steering Committee shall be the Parties' respective Principal Contacts, and an additional member shall be appointed by each of PARI and Serendex. The initial additional member of the Joint Steering Committee appointed by Serendex is [***], and the initial additional member appointed by PARI is [***]. Either Party may appoint other employees to serve as temporary replacements for its respective members of the Joint Steering Committee, and may, upon at least ten (10) days' prior written notice (or such shorter notice period as may be required due to events beyond its control) to the other Party, substitute others of its employees to serve on the Joint Steering Committee in lieu of a prior member appointed by such Party. Joint Steering Committee will be chaired by a representative of Serendex

3.9 Joint Steering Committee Tasks. The Joint Steering Committee shall, among other things, (a) periodically review and evaluate progress under the Work Plan; (b) decide upon proposals for the amendment or supplementation of the Work Plan, including detailed revised plans; (c) coordinate regulatory activities and filings with respect to the Drug Product for delivery via the Device and/or any Product; (d) evaluate the Project Rate once every twelve (12) months for its reasonableness and (e) fulfill such other tasks and make such other decisions as may be delegated to the JSC pursuant to this Agreement or by mutual written agreement of the Parties after the Effective Date.

3.10 Joint Steering Committee Meetings. Unless varied by Committee Approval, during the Development Period the Joint Steering Committee shall meet face-to-face at least once annually, at mutually agreed upon times and locations, to alternate between the Parties' respective headquarters in Denmark and in Germany, unless otherwise mutually agreed. The Joint Steering Committee shall meet (i) during the Development Period at least three additional times per year (i.e., making for a quarterly meeting schedule) and (ii) after the Development Period at least once per year; by conference call or videoconference, and shall address issues as they arise in the interim via telephone conference, videoconference or electronic

mail. Written minutes of each meeting (including telephonic or video conferences) shall be taken by the chairperson and shall include the issues discussed and all material decisions made at such meeting and action items, if any, arising from the meeting. In addition to members of the Joint Steering Committee, each Party will be entitled to have up to time (3) additional persons in attendance or on the call at any Joint Steering Committee, so long as such persons have a need to know information bearing on the Collaboration/Commercialization and are bound by confidentiality obligations at least as stringent as those contained in Article 9.

3.11 Committee Approval. The Joint Steering Committee will act by "Committee Approval", which means that at least one of the following applies:

(a) at least one member of each Party on the Joint Steering Committee has consented to a decision in writing;

(b) agreement of the Parties' Senior Managements pursuant to Section 16.1 results in the adoption of the decision as constituting Committee Approval.

3.12 Reports. Each Party shall furnish the Joint Steering Committee with written reports, on a reporting schedule determined under the Work Plan but at least quarterly, describing such Party's activities, progress, and results (including any Project Intellectual Property generated by such Party, its Affiliates, Sublicensees or subcontractors, or their respective personnel) under the Collaboration/Commercialization (including interactions with Regulatory Authorities) to that time since the most recent such report and plans for the development and commercialization of the Drug Product and Product in the upcoming quarter and year.

4. Collaboration Fees and Expenses; Supply of Devices.

4.1 Fees and Expenses Other Than for Devices. During the conduct of activities under a Work Order, PARI shall render written accounts and invoices to Serendex for all person-hours devoted thereto by PARI and all Special Purpose Costs incurred (and not previously reimbursed) or committed by PARI directly in the conduct of the Work Order as often as required but in no case more frequently than once a month. Each invoice shall be itemized in detail by specific activity performed and expense incurred. Serendex shall, within thirty [to] (45) days following the date of PARI's invoice, pay PARI for such Billable-hours, at the applicable Project Rate, plus one hundred percent (100%) of all invoiced Special Purpose Costs; provided, however, that Serendex need not honor or pay for invoices to the extent they relate to work or expenses not authorized under the Work Plan or a Work Order not requested or approved by Serendex in advance. The Parties agree that Serendex shall cover the cost for any activities approved by Serendex or activities carried out under this Agreement in accordance with the Work Plan or the Work Orders (including without limitation, the Device portion of the Product which includes (i) the in vitro characterization of the Device with the Drug Product(s), (ii) human factor studies specific for the intended patient target group of the Product(s), and (iii) project management and technical development and support tasks.)

4.2 Collaboration Study Devices. PARI shall manufacture and sell to Serendex, and Serendex shall purchase from PARI, all of Serendex's requirements for Devices, Handsets and related accessories to be used for research and Development purposes, including all pre-clinical and clinical trials of the Drug Product during the Collaboration, including any validation batches required in connection with any

MAA. The Parties will, through the Joint Steering Committee, mutually agree in writing to specifications for such Devices, which specifications will not be altered other than through Committee Approval. The Parties will coordinate purchase orders, ordering procedures, and delivery lead times for such Devices and Handsets through the Principal Contacts, with general overview by the Joint Steering Committee. The prices for Devices for use in such research and Development purposes shall be [***] per System and [***] per Handset (subject to Section 2.6 (a)).

4.3 Commercialization Devices. If Marketing Approval is obtained within the Indications for the Drug Product or the Product, PARI shall manufacture and sell to Serendex, and Serendex shall purchase from PARI, all of Serendex's and its Affiliates' and its Sublicensees' requirements for Devices, Handsets and related accessories during Commercialization. Without limiting the forgoing agreement in this Section, the Parties will, prior to the first MAA submission, negotiate and enter into, on commercially reasonable terms (including indemnities and cGMP compliance and other product warranties commensurate with those typically given by PARI with respect to its similar products sold for commercial use), a supply agreement to govern the manufacture and supply of Devices, Handsets and related accessories for Commercialization, which supply agreement shall include the terms and conditions set forth in Article 4 of this Agreement and Exhibit E ("Supply Agreement"). Under the Supply Agreement the Parties will coordinate purchase orders, ordering procedures, and delivery lead times for Devices, Handsets and related accessories through the Principal Contacts, with general overview by the Joint Steering Committee. The prices for such Devices, Nebulizers and, where applicable, such Product for commercial sale shall be set forth in the Supply Agreement, and shall be [***] per Nebulizer Starter Kit and [***] per Handset (transfer price to Serendex for inclusion in monthly Drug Product package) EXW PARI's facilities in Germany or the United States as applicable (INCOTERMS 2010). Such prices shall not include any maintenance, support and other services to be provided by any PARI distributor, but shall include services provided by PARI to its distributor. The Supply Agreement will provide for a mechanism to adjust prices (including but not limited to price adjustments according to the German index of producer prices of industrial products (published by the German Federal Statistical Office on "www.destatis.de/EN/FactsFigures/Indicators/ShortTermIndicators/Prices/pre110.html") as well as an increase in the requested quantities that exceed those typically needed in orphan indications). Upon reasonable request by either Party the Parties shall negotiate in good faith an adjustment of the prices for commercial supplies of the Device, if the price at which any Comparable Nebulizer Device is sold by PARI to a wholesaler, or any other third party in the respective country in transactions with terms and conditions comparable to the terms and conditions of this Agreement, and in each case based on comparable sales volumes and indications, differs significantly from the prices for commercial supplies mentioned above. For purposes of the forgoing, "Comparable Nebulizer Device" means any eFlow with a comparable configuration (based on the eBase controller) and technical performance used (i) for the same indication, or, (ii) if no such eFlow is used for the same indication, than for comparable disease indications and sales volumes. Such prices shall not include any maintenance, support and other services to be provided by any PARI distributor, but shall include services provided by PARI to its distributor.

4.4 Other Expenses. Except as expressly stated otherwise herein, each of the Parties will provide suitable facilities, equipment and personnel for the work to be done by it in the Collaboration and shall bear all of its own costs and expenses, and those of its subcontractors, associated with the Collaboration or otherwise with this Agreement, including those associated with participation on the Joint Steering Committee.

5. Intellectual Property Rights.

5.1 Background Intellectual Property. Each Party shall retain all rights, title and interest in and to its respective Background Intellectual Property. Except for the licenses and rights expressly set forth in this Article 5, neither Party grants or shall be required to grant to the other Party, by implication or otherwise, any license or right under its Background Intellectual Property, regardless of whether such Background Intellectual Property is dominant or subordinate to the Project Intellectual Property.

5.2 Project Intellectual Property. Any and all Project Intellectual Property that is part of the Serendex Intellectual Property as defined herein shall be owned by Serendex ("Serendex Project Intellectual Property"). Any and all Project Intellectual Property that is part of the PARI Intellectual Property as defined herein shall be owned by PARI ("PARI Project Intellectual Property"). PARI Project Intellectual Property shall include any data and results generated from any development activities related to the Device or any eFlow Technology Nebulizers (including any PARI Intellectual Property and tools). PARI shall be allowed to Exploit any new development relating to the Device or any eFlow Technology Nebulizer (i) outside the Serendex Field with pharmaceutical product other than the Drug Product during the term of this Agreement; and (ii) for any use or purpose after the end of the term of this Agreement. Serendex Project Intellectual Property shall include any data generated from in-vitro and in-vivo studies of the Compound using the Device in the course of the performance of this Agreement ("Project Data"). Serendex shall not disclose such Project Data to PARI Competitors without PARI's prior written approval.

(a) Serendex shall procure that all rights, interest and title of its Affiliates, Sublicensees, subcontractors and their respective employees and consultants in and to all PARI Project Intellectual Property shall be assigned to PARI. In addition, Serendex agrees to assign, and herewith assigns to PARI, in advance as of the Effective Date, (i) its rights, interest and title in and to all PARI Project Intellectual Property conceived, developed or acquired by Serendex or its personnel and (ii) its rights and interest in all PARI Project Intellectual Property jointly conceived, developed or acquired by PARI, its Affiliates, Sublicensees and/or subcontractors or their respective personnel on the one hand and by Serendex or its personnel on the other hand. PARI herewith accepts such assignment. To the extent that an assignment of title to or interest in any item of PARI Project Intellectual Property in advance is not possible under the applicable law, Serendex shall assign to PARI title to or interest in such item once it has come into existence.

(b) PARI shall procure that all rights, interest and title of its Affiliates, Sublicensees, subcontractors and their respective employees and consultants in and to all Serendex Project Intellectual Property shall be assigned to Serendex. In addition, PARI agrees to assign, and herewith assigns to Serendex, in advance as of the Effective Date, (i) its rights, interest and title in and to all Serendex Project Intellectual Property conceived, developed or acquired by PARI or its personnel and (ii) its rights and interest in all Serendex Project Intellectual Property jointly conceived, developed or acquired by PARI or its personnel on the one hand and by Serendex, its Affiliates, Sublicensees or subcontractors or their respective personnel on the other hand. Serendex herewith accepts such assignment. To the extent that an assignment of title to or interest in any item of Serendex Project Intellectual Property in advance is not possible under the applicable law, PARI shall assign to Serendex title to or interest in such item once it has come into existence.

(c) In order to achieve the assignments of Project Intellectual Property as set forth in Section 5.2(a) and (b), each Party shall assume all rights, and shall cause its Affiliates, Sublicensees and subcontractors to assume all rights, to employee inventions in accordance with the German Act on

Employee Inventions (Arbeitnehmererfindungsgesetz) or any other applicable laws relating to employee inventions, and shall ensure that only those of its (and its Affiliates', Sublicensees' and subcontractors') employees and other personnel will be involved in development activities under this Agreement who are bound by a contractual obligation to promptly notify such Party or its relevant Affiliate, Sublicensee or subcontractor, as applicable, of any item of Project Intellectual Property conceived, developed or acquired, whether or not patentable, and to assign all of its rights in such Project Intellectual Property to such Party or its relevant Affiliate, Sublicensee or subcontractor. Each Party shall be solely responsible for paying to its (and its Affiliates', Sublicensees' and subcontractors') respective employees any remuneration due under the German Act on Employee Inventions or pursuant to any other applicable laws on employee inventions in connection with the performance of development activities under this Agreement; provided that if a Patent Right arising from an employee invention made by employees of one Party (or its Affiliates, Sublicensees or subcontractors) is (i) assigned to the other Party under Section 5.2(a) or (b) or (ii) included in the License granted under Section 2.1, the other Party shall reimburse such Party for any such remuneration payable under the applicable law and actually paid to the relevant employees.

5.3 Other Project Intellectual Property. Any and all Intellectual Property other than that specified in Section 5.2 conceived, developed or acquired by either Party or both Parties or their respective personnel during the term of this Agreement ("Other Project Intellectual Property"): (a) shall be owned by PARI to the extent the same was conceived, developed or acquired solely by PARI or its personnel; (b) shall be owned by Serendex to the extent the same was conceived, developed or acquired solely by Serendex or its personnel; and (c) shall be jointly owned by both Parties if it was conceived, developed or acquired jointly by both Parties or their respective personnel ("Joint Intellectual Property").

5.4 Exploitation of Joint Intellectual Property. Serendex and PARI will in good faith discuss and decide whether a joint patent application or similar protection will be filed for each specific proprietary right arising as Joint Intellectual Property, and if so, negotiate an agreement governing joint ownership, enforcement, protection and licensing of such rights within the Joint Intellectual Property. During the Term of this Agreement, and at all times subject to Article 9 of this Agreement, except to the extent necessary to perform the Collaboration in accordance with Section 5.5 or otherwise to the extent necessary to perform the Commercialization in accordance with the License, to avoid loss of Patent Rights as a result of premature public disclosure of patentable information, neither Party may use or disclose any Joint Intellectual Property without the prior written consent of the other Party.

5.5 Collaboration Licenses. Without prejudice to the License granted in Section 2.1 hereunder, each Party hereby grants to the other Party a royalty-free, worldwide license, with right to sublicense (in accordance with Section 2.3), to use the granting Party's Background Intellectual Property and Project Intellectual Property (including any Joint Intellectual Property subject to Section 5.4) solely for research and development purposes within the scope of the activities under this Agreement (the "Collaboration Licenses"). Such Collaboration License by PARI to Serendex shall be exclusive to Serendex for solely in the Serendex Field. The Collaboration License by Serendex to PARI shall be non-exclusive.

5.6 Serendex hereby grants to PARI a worldwide, royalty-free, nonexclusive right and license, with rights to sublicense (but solely in connection with licenses to material other intellectual property rights Controlled by PARI), under Serendex Project Intellectual Property and Serendex's share in Other Project Intellectual Property (including Joint Intellectual Property) to Exploit PARI Intellectual Property: (a) during the term of this Agreement solely within the PARI Field, and (b) after the end of the term of this Agreement within the PARI Field or the Serendex Field without any restriction.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

6. Payments.

6.1 Upfront and Development Milestone Payments. Serendex shall pay PARI the following respective upfront and milestone payments for the first time each of the following milestones occur, each milestone payment to be payable only once, no matter how many times the following events may occur. Serendex shall notify PARI promptly when the relevant Development Milestone Event has been achieved.

(a) Upfront Payment. Upon signing this Agreement, Serendex shall pay to PARI an upfront payment of [***].

(b) Milestone Payments. Upon first occurrence of the following Development milestone events, Serendex shall pay the respective following milestone payments to PARI on an indication-by-indication basis for an eFlow Technology Nebulizer with an open reservoir as set forth in Table I and Table 2 below:

Table 1: PAP Development Milestone Payments

Development Milestone Event	Milestone Payment
Successful Completion of the first Phase II/Phase III Clinical Trial with regard to the PAP indication.	[***]
The earlier of (i) first submission for Marketing Approval in the US, EU or Japan if the first Phase II/Phase III Clinical Trial is sufficient or (ii) initiation of the pivotal Phase III Clinical Trial following the Phase II/Phase III Clinical Trial (should the Phase II/Phase III Clinical Trial not be sufficient as pivotal trial)	[***]
First Marketing Approval with regard to PAP obtained by Serendex or its Affiliate or Sublicensee in either the USA, EU or Japan	[***]

Table 2: [***] Milestone Payments

Development Milestone Event	Milestone Payment
Successful Completion of the first Phase II Clinical Trial in [***]	[***]
Initiation of first Phase III Clinical Trial in [***]	[***]
First Marketing Approval in [***] obtained by Serendex or its Affiliate or Sublicensee in either the USA, EU or Japan	[***]

For clarity, PARI shall be entitled to receive the upfront payment and the Development Milestone Payments as set forth in Table 1 and Table 2 as guarantee milestones regardless of whether or not Serendex enters into a sublicense agreement with a Sublicensee for sale and distribution of the Drug Product in the Territory. The upfront payment and the Development Milestone Payments are non-refundable and non-creditable against any Royalty payments or other payments to be made by Serendex under this Agreement, the Supply Agreement or any other agreement between the Parties.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(c) CS-Option Payments. Upon first occurrence of the following milestone events, Serendex shall pay the respective following milestone payments to PARI, in addition to the upfront payment and Development milestone payments due for the eFlow Technology Nebulizer with an open reservoir, as set forth in Table 3 below:

Table 3: CS-Option Payments

Development Milestone Event	Milestone Payment
Exercise of the CS-Option	[***]
Successful Completion of the first Phase II Clinical Trial with the eFlow Technology Nebulizer CS (or bridging study in humans from the eFlow Technology Nebulizer with an open reservoir)	[***]
Initiation of the first pivotal Phase III Clinical Trial with the eFlow Technology Nebulizer CS	[***]
First Marketing Approval of the Drug Product for delivery via the eFlow Technology Nebulizer CS obtained by Serendex or its Affiliate or Sublicensee in either the USA, EU or Japan	[***]

(d) eFlow Inline-Option Payments. Upon first occurrence of the following milestone events, Serendex shall pay the following milestone payments to PARI, in addition to the upfront payment and Development milestone payments due for the eFlow Technology Nebulizer and, if applicable, the CS-Option payments, as set forth in Table 4 below:

Table 4: eFlow Inline-Option Payments

Development Milestone Event	Milestone Payment
Exercise of the eFlow Inline-Option	[***]
Successful Completion of the first Phase II Clinical Trial with the eFlow Inline in either VAP or ARDS	[***]
Initiation of the first pivotal Phase III Clinical Trial with the eFlow Inline	[***]
First submission of NDA (or equivalent) for delivery via the eFlow Inline in either the USA, EU or Japan	[***]
First Marketing Approval of the Drug Product for delivery via the eFlow Inline obtained by Serendex or its Affiliate or Sublicensee in either the USA, EU or Japan	[***]

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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6.2 Royalties. During the Royalty Period Serendex shall pay to PARI Royalties equal to the following Royalty rates dependent on the device technology used for delivery of the Drug Product set forth in Table 5 below:

Table 5: Royalty Rates

eFlow® Technology Device for Administration of Drug Product	**Royalty Rate of Net Sales**
eFlow Technology Nebulizer with open reservoir	[***]
eFlow Technology Nebulizer CS	[***]
eFlow Inline	[***]

6.3 Royalty Reduction. In case that no Valid Claim Covering the Device (including potential amendments of the definition of Device) in the PARI Intellectual Property exists in a certain country, the Royalties set forth in Section 6.2 above shall be reduced as follows on a country-by-country basis: (i) during the first [***] of the Royalty Period and in case that generic competition enters the market in such country, to [***]; and (ii) during the [***] of the Royalty Period, to [***]. Notwithstanding the foregoing, if a Valid Claim exists in Germany, France, UK, Italy, and Spain it shall be considered as Valid Claim in all European countries.

For the purpose of this Section 6.3 "generic competition" shall mean a drug product which would infringe Serendex's Drug Product-related Patent Rights if such Patent Rights were still alive and which gained Marketing Approval via a generic regulatory pathway referencing the Drug Product, e. g. via an ANDA in the USA, without being authorized or supported by Serendex or its Sublicensee (including by granting licenses) being delivered via a vibrating membrane nebulizer having equal or better actual performance characteristics regarding output rate and nebulization time with an aerosol with a similar particle size distribution and which is determined with a representative sample of nebulizers.

In no event shall the Royalty be reduced by more than [***].

6.4 Payment Terms.

(a) Each milestone payment under this Article 6 shall be due within sixty (60) days following the occurrence of the respective milestone event triggering such payment.

(b) If the Royalty payments under this Article 6 do not exceed [***] per calendar quarter, such payments shall be due every calendar half year within sixty (60) days following the end of each calendar half year in respect of Net Sales received in that calendar half year. If such Royalty payments exceed [***] per calendar quarter, such payments shall be due every calendar quarter within sixty (60) days following the end of each calendar quarter in respect of Net Sales received in that calendar quarter. Each such payment shall be accompanied by a statement of Net Sales including a break-down of allowed deductions and the calculation of any Royalty payments payable hereunder on a country-by-country basis.

(c) Serendex shall be liable for interest on overdue payments (including the development fees and expenses due according to Section 4.1) as regulated by applicable law. This Section 6.4(c) shall not limit any other remedies available to PARI under this Agreement. Any breach of the payment obligations under the provisions of Sections 4.1, 6.1, 6.2, 6.4 and 6.5 shall be deemed to be a material breach of obligations as set forth in Section 8.2 and subject to the termination provisions contained herein.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

6.5 Records and Audits. Serendex, as Payor (if applicable) shall keep, and shall require other Payors to keep, complete, true and accurate records for the purpose of showing all Net Sales, including its calculation and the breakdown of the various allowed deductions as set forth in the definition of Net Sales in Section 1.44 payable under this Agreement. PARI shall have the right to cause an independent certified accountant selected by the PARI and reasonably acceptable to the Payor to inspect, copy, and audit such records at any time during reasonable business hours upon adequate prior written notice to the Payor. Information gathered during any such inspection or audit shall be held in confidence by such accountant, except for the conclusions reached by such accountant. Any such audit shall be at PARI's expense, unless the inspection or audit properly reveals that, with respect to the period under audit, 95% or less of the Royalties due hereunder were reported by the Payor to be clue, in which event Serendex shall pay, or shall require the Payor to pay or reimburse PARI for the reasonable expenses of such inspection or audit, in addition to PARI's other remedies for underpayment. If such audit determines any underpayment by a Payor, then the Payor shall pay to PARI, within five (5) Business Days of the determination of such underpayment, the amount of the underpayment plus the interest due thereon, as calculated in accordance with the provisions of Section 6.4, from the date the unpaid Royalties were due until and including the date of payment.

7. Commercially Reasonable Efforts and Diligence Milestones

7.1 Serendex shall, and shall cause its Affiliates and Sublicensees to, use Commercially Reasonable Efforts, as a minimum in the Major Nations, (i) to pursue the Development of the Drug Product, (ii) to obtain Marketing Approval for the Drug Product and/or the Product, and (iii) to Commercialize the Drug Product and/or the Product, in all cases in the Serendex Field.

7.2 Serendex shall attempt to achieve, by itself or through its Affiliates or Sublicensees, the following diligence milestone targets (the "Diligence Milestones") with respect to the Drug Product by using its Commercially Reasonable Efforts under Section 7.1 Subsections (i) and (ii) above:

(a) Initiation of the first Phase 2 Clinical Trial within [***] after the Effective Date with an eFlow Technology Nebulizer (open reservoir or closed system) in PAP;

(b) Initiation of the first Phase 3 Clinical Trial within [***] after the Effective Date with a handheld eFlow Technology Nebulizer (open reservoir or closed system) in PAP;

(c) First Commercial Sale in the USA and one other Major Nation within [***] after the Effective Date with a handheld eFlow Technology Nebulizer (open reservoir or closed system) in PAP;

(d) Initiation of the first clinical trial in VAP and/or ARDS within [***] after the exercise of the eFlow Inline-Option;

(e) Initiation of the first Phase III Clinical Trial in VAP and/or ARDS within [***] after the exercise of the eFlow Inline-Option;

(f) First Commercial Sale of the Drug Product delivered via an eFlow Inline in the USA and one other Major Nation within [***] after the exercise of the eFlow Inline-Option.

7.3 The target dates of Diligence Milestones set forth in Sections 7.2(a) (d) above shall be extended if (i) any delay in PARI's performance under this Agreement, (ii) any delay caused solely by Regulatory Authorities, or (iii) Force Majeure is responsible for a failure to achieve such Diligence Milestones. In either of the above cases, the JSC shall meet and discuss the situation in good faith and determine the length of the extension of each of the Diligent Milestone target dates under the specific circumstance.

7.4 All sublicense agreements (as described in Section 2.3) shall contain diligence obligations consistent with the terms and conditions of this Agreement applicable to the countries and/or territories covered by such sublicense agreement.

7.5 Any breach of the obligations under the provisions of Sections 7.1 and 7.2 above shall be deemed to be a material breach of obligations as set forth in Section 8.2 and subject to the termination provisions contained therein.

8. Term and Termination.

8.1 Term. This Agreement shall commence as of the Effective Date and, unless earlier terminated as provided herein or extended by the Parties' mutual written agreement, shall continue in effect until, and expire upon, on a country-by-country basis in the Territory, the end of the Royalty Period.

8.2 Termination for Breach of Contract. Either Party may, upon ninety (90) days' prior written notice to the other (or upon thirty (30) days' prior written notice for non-payment by Serendex of any monies due to PARI pursuant to Sections 4.1 (Fees and Expenses Other Than for Devices), 6.1 (Upfront and Milestone Payments), 6.2 (Royalties) and 6.5 (Records and Audits) of this Agreement), terminate this Agreement and the License if the other Party is in material breach of its obligations under this Agreement or in breach of its warranties hereunder, as specified in such notice to it under this clause, and does not cure all such specified breaches within such 90-day (or 30-day, as applicable) period.

8.3 Negotiation of Supply Agreement. The parties agree to negotiate and execute the Supply Agreement according to Section 4.3 within five (5) months after the Effective Date. If the Parties are not able to execute such Supply Agreement in such five months' period, either Party has the right to terminate this Agreement until the end of the sixth (6th) month after the Effective Date by giving written notice to the other Party.

8.4 Insolvency. To the extent permitted by law, either Party may terminate this Agreement and the License immediately if at any time: (a) the other Party hereto files a voluntary petition in bankruptcy or takes the benefit of any insolvency act; (b) the other Patty is dissolved or adjudicated bankrupt; (c) a decree or order by a court having jurisdiction is entered approving a petition seeking reorganization, arrangement, adjustment, or composition of the other Party under any applicable bankruptcy, insolvency or similar law; or (d) the other Party admits in writing its inability to pay its debts generally as they become due.

8.5 Termination by PARI.

(a) In the event of a transfer of (i) all or substantially all of the assets of Serendex to which this Agreement pertains to a PARI Competitor which is not a Big Pharma Company Entity; or (ii) if a PARI Competitor, which is not a Big Pharma Company Entity, being required to submit or submitting a mandatory bid for remaining Serendex shares pursuant to the applicable stock corporation laws and regulations for listed companies as a consequence of gaining controlling influence; PARI may terminate this Agreement in whole or in part upon at least one hundred and twenty (120) days written notice to Serendex. Serendex undertakes to inform PARI immediately in writing as soon as Serendex has knowledge of the occurrence of an event within the scope of (i) or (ii) above. Without prejudice and/or any limitation to the confidentiality obligations set forth in Article 9, in the time period until the termination has effect, PARI shall not be required to provide any access to or share with such third party any of PARI's Confidential Information and/or PARI Intellectual Property, and Serendex shall ensure (and shall cause its Affiliates, Sublicensees and permitted assignees to ensure) that no PARI Confidential Information and/or PARI Intellectual Property is shared with or is otherwise granted access to any such third party.

(b) Notwithstanding anything to the contrary contained in this Agreement, PARI may terminate this Agreement and the License immediately upon written notice to Serendex in the event Serendex notifies PARI in writing that Serendex has, prior to the grant by Serendex of any sublicense, elected to cease work on and to finally abandon all attempts at development and/or commercialization of the Drug Product as contemplated herein, whether by Serendex or any of its Affiliates or future Sublicensees;

8.6 Survival.

(a) The provisions of Articles 1, 5 (excluding Section 5.5), 9, 13, 14, 15 (excluding Section 15.1), 16, and 17; and Sections 6.5, 6.6 (in accordance therewith), 8.6, and 11.1; and any payments then due pursuant to Article 4, Article 6 and Article 12 hereof, shall in all cases survive any termination or expiration of this Agreement.

(b) Upon the termination of this Agreement for any reason, other than termination by PARI pursuant to Section 8.5, any sublicense granted by Serendex hereunder shall survive such termination and automatically convert to a direct license between PARI and the relevant Sublicensee, provided such sublicense is in accordance with the provisions of Section 2,3, received the prior written approval from PARI and such Sublicensee is not in breach of any obligations or warranties under this Agreement or the sublicense agreement. If the sublicense does not convert to a direct license between PARI and the relevant Sublicensee, the sublicense shall automatically lapse.

8.7 Effects of termination. In the event of termination or expiration of this Agreement the License granted to Serendex under Section 2.1 shall automatically revert to PARI, and Serendex shall stop, and cause its Affiliates, Sublicensees (subject to Section 8.6(b)) and subcontractors to stop, any activity covered by such License.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

9. Confidentiality and Non-Solicitation.

9.1 Confidentiality. In the course of the transactions contemplated by this Agreement, whether before or after the Effective Date, a Party may disclose, or may have disclosed, to the other confidential information belonging to the disclosing Party, whether or not marked or otherwise identified as being confidential. The receiving Party shall maintain in confidence such confidential information and shall not use it for any purpose except as authorized hereunder. Each Party will exert reasonable efforts to identify to the other, orally or in writing, specific information or materials which such Party considers confidential, but the failure to do so shall not relieve the receiving Party of its obligation to protect the same. The receiving Party shall safeguard such information against disclosure to third parties, including employees and persons working or consulting for such Party that (i) do not have an established, current need to know such information for purposes authorized under this Agreement; and/or (ii) are not bound by confidentiality obligations towards the receiving Party not less stringent than those contained herein. These obligations shall survive the expiration or termination of this Agreement for a period of seven (7) years The obligation of confidentiality does not apply to restrict use or disclosure by the receiving Party of information and material that:

(a) were properly in the possession of the receiving Party, without any restriction on use or disclosure, prior to receipt from the other Party;

(b) are at the time of disclosure hereunder in the public domain by public use, publication, or general knowledge (otherwise than due to the culpable acts or omissions of the receiving Party);

(c) are properly obtained by the receiving Party from a third party having the right to make such a disclosure; or

(d) are independently developed by or on behalf of the receiving Party without the use of any of the confidential information of the other Party.

The Project Intellectual Property owned by a Party according to the terms of this Agreement shall be deemed confidential information of such Party, irrespective of whether or not such Project Intellectual Property was conceived, developed or acquired by such Party or its personnel. The exceptions to the Parties' confidentiality obligations set forth in (a), (c) and (d) above shall not apply to either Party's Project Intellectual Property.

9.2 If the receiving Party is required by law, court order or by any governmental authority with jurisdiction, to disclose confidential information of the other Party, it may do so without breach hereof, but the receiving Party shall notify the other Party sufficiently in advance of any such disclosure to provide it with a reasonable opportunity to comment thereon and/or to seek its own protective orders related thereto, and such Party required to disclose shall apply for confidential treatment to the fullest extent permitted by law.

9.3 Return of Confidential Information. Upon the expiration or termination of this Agreement, all information of the disclosing Party in the receiving Party's possession shall be returned to the disclosing Party (or destroyed by the receiving Party, with written confirmation of such destruction), other than copies made automatically during the normal course of security backup storage by the receiving Party's IT system, and the receiving Party will make no further use thereof. Notwithstanding the foregoing, the receiving Party may retain one copy of the information of the disclosing Party solely for archival purposes to ensure compliance with the provisions of this Article 9 or with the requirements of Regulatory Authorities.

10. Press Release; Use of Names and Trademarks.

Both Serendex and PARI may make one or more press release(s) disclosing the Parties' entry into this Agreement and this Agreement's general subject matter, provided, however, that any press release must be reviewed and agreed to in advance by the Parties, with the exemption of ad hoc stock exchange announcements when required by law, provided that Serendex shall in this case give notice of such ad hoc announcement and its content to PARI as soon as reasonably possible and observe any reasonable comments by PARI if possible within the given time limit. Serendex agrees that PARI's contributions to the Collaboration and/or the Commercialization will be accurately acknowledged in all press releases, marketing materials and formal presentations bearing on the Drug Product for delivery via the Device. Serendex shall provide an opportunity for PARI to review and seek PARI's approval on the language of such acknowledgement prior to the first use in a press release or other written public disclosure. However, no approval shall be needed for information which was already approved before. Subject to the foregoing, nothing contained in this Agreement will be construed as conferring any right to any Party to use in advertising, publicity or other promotional activities any name, trade name, trademark or other designation of any other Party (including a contraction, abbreviation or simulation of any of the foregoing).

11. Patent Prosecution.

11.1 Prosecution and Maintenance. Serendex shall be solely responsible, as it shall determine and at its own expense, for the filing and prosecution of any and all patent applications with respect, in whole or in part, to any of the Serendex Intellectual Property, for opposition or interference proceedings with respect thereto, and for the maintenance of any available patent protection with respect thereto. PARI shall be solely responsible, as it shall determine in its sole discretion and at its own expense, for the filing and prosecution of any and all patent applications with respect, in whole or in part, to any of the PARI Intellectual Property, for opposition or interference proceedings with respect thereto, and for the maintenance of any available patent protection with respect thereto. For the avoidance of doubt, neither Serendex nor PARI is under obligation to file any patent applications or to prosecute, maintain and/or defend any Patent Right included in their respective Intellectual Property Rights. Terms for the filing, prosecution and maintenance of any and all patent applications with respect, in whole or in part, to Joint Intellectual Property shall be in accordance with Section 5.4 of this Agreement.

11.2 Cooperation. Each Party shall cooperate with the other and shall execute all papers and take all actions reasonably requested by the other Party and necessary for the filing and prosecution of patent applications or other registrations by it or the other Party.

11.3 Patent Marking. Each Party, as licensee hereunder, will mark all products (or their containers) that are Covered by licensed patents in accordance with the requirements of the licensor hereunder and the applicable patent marking laws.

12. Third Party Infringement of Patents.

12.1 Infringement Notice. If either Party learns of infringement of potential commercial significance of any Intellectual Property licensed under this Agreement, the knowledgeable Party will provide the other Party (a) with written notice of such infringement and (b) with any evidence of such infringement available to it (the "Infringement Notice").

12.2 Infringement Suits by PAM. PARI shall in accordance with applicable procedural laws have the first right, but shall have no obligation, to take actions (in the courts or otherwise, including a settlement), at its own cost, to prevent or enjoin any and all such infringements of a Patent Right or other item of PARI Intellectual Property included in the License granted to Serendex under Section 2.1.

12.3 Infringement Suits by Serendex. Serendex shall in accordance with applicable procedural laws have the first right, but shall have no obligation, to take actions (in the courts or otherwise, including a settlement), at its own cost, to prevent or enjoin any and all such infringements of a Patent Right or other item of Serendex Intellectual Property.

12.4 Intellectual Property licensed under this Agreement and not Owned by PARI. To the extent that any Intellectual Property licensed under this Agreement is licensed by PARI from a third party, PARI shall comply with the above provisions to the fullest extent permissible under such licenses.

12.5 Settlements Affecting PARI's Rights. Notwithstanding anything to the contrary contained in this Agreement, the Parties acknowledge and agree that Serendex shall not have the right to enter into any license, settlement or other disposition of a Product-Specific Infringement that affects PARI's rights in the Intellectual Property licensed under this Agreement and/or any payments due to PARI pursuant to this Agreement.

12.6 Control and Cooperation. Any litigation proceedings will be controlled by the Party bringing the suit, except that each Party may retain counsel of its choice to represent or monitor on behalf of such Party in connection with the proceedings. Each Party will cooperate with the other in litigation proceedings instituted hereunder but at the expense of the Party who initiated the suit (unless such suit is being jointly prosecuted by the Parties). Should either Party commence a suit under the provisions of this Article 12 and thereafter elect to abandon the same, it shall give timely written notice to the other Party, who may, if it so desires, be joined as a plaintiff in the suit (or continue as such if it is already one) and continue prosecution of such suit, provided, however, that the sharing of expenses and any recovery of such suit shall be as equitably agreed upon between Serendex and PARI.

13. LIMITED WARRANTY.

13.1 Each Party hereby represents and warrants (*gewahrleistet)* as follows:

(a) it has the lawful right to enter into this Agreement and grant the rights and licenses stated herein; and

(b) it has not, as of the Effective Date, granted, and will not thereafter grant, any right to any third party that would conflict with any of the rights or licenses granted to the other Party under this Agreement.

13.2 Except for the representations and warranties set forth in Section 13.1 of this Agreement and made or to be made by the Parties under the Supply Agreement referenced in Section 4.3 all services, materials, technologies, Intellectual Property and rights shall be provided by the Parties "as is" and any contractual or statutory warranty (*Geweihrleistung*) of merchantability or fitness for a particular purpose or any other contractual or statutory warranty (*Geweihrleistung*) of any kind, express or implied, shall be excluded. Neither Serendex nor PARI makes any representation or warranty that the Serendex Intellectual Property or the PARI Intellectual Property, as applicable, will not infringe any patent, copyright, trademark or other rights of any third party, provided that the Parties' respective indemnification obligations under Sections 15.1 and 15.2 shall remain unaffected.

13.3 For clarification purposes, this Agreement does not:

(i) express or imply a warranty or representation as to the validity, enforceability, or scope of the PARI Intellectual Property or the Serendex Intellectual Property, as applicable, or any other right or technology; or

(ii) express or imply a warranty or representation that anything made, used, sold, offered for sale or imported or otherwise exploited under any license granted in this Agreement is or will be free from infringement of patents, copyrights, or other rights of third parties (other than as may be provided in the Supply Agreement referenced in Section 4.3); or

(iii) obligate any Party to bring or prosecute actions or suits against third parties for patent infringement.

14. Limitation of Liability.

Except for breaches of Article 9 or in cases of intentional misconduct (*Vorsatz*) of the relevant Party, its Affiliates, Sublicensees or subcontractors or their respective employees, neither Party shall be liable under or in connection with this Agreement, whether in contract, strict liability or otherwise for any indirect, incidental, punitive, exemplary, special or consequential damages of any kind, including lost profits, even if advised of the possibility of such damages; provided, however, that this limitation will not reduce or affect either Party's obligations with respect to third party claims under Article 15 for indirect, incidental, punitive, exemplary, special or consequential damages suffered by such third parties. Notwithstanding the foregoing, nothing in this Agreement shall limit or exclude either Party's mandatory statutory liability and/or liability to the other for death or personal injury caused by negligence or for fraud or fraudulent misrepresentation suffered by the other Party.

15. IP Defense and Indemnification.

15.1 Defense of Infringement Claims. If any warning letter or other notice of infringement or misappropriation is received by a Party, or action, suit or proceeding is brought against a Party, alleging infringement or misappropriation of an Intellectual Property right of any third party in any aspect arising out of the Collaboration or Commercialization, such Party shall promptly notify the other Party in writing. Serendex shall have the initial right, but no obligation, to defend and control the defense of any infringement claim pertaining to the Drug Product and Serendex Intellectual Property, and PARI shall have the initial right, but no obligation, to defend and control the defense of any infringement claim pertaining to

the Device and the PARI Intellectual Property. To the extent permitted under the applicable procedural law, each Party (i) shall keep the other Party informed of all material developments in connection with any such claim, and (ii) shall not enter into any settlement of any claim described in this Section 15.1 that adversely affects the other Party's rights or interests in or to its Intellectual Property or the Exploitation of its Intellectual Property without such other Party's written consent, which consent shall not be unreasonably withheld or delayed. In the event that an infringement claim pursuant to this Section 15.1 is, at the same time, a third party claim for which indemnification can be sought by either Party pursuant to Sections 15.2 or 15.3, the provisions of Section 15.4 shall prevail over this Section 15.1.

15.2 Indemnification by Serendex. Serendex will, and will require its Affiliates and Sublicensees to, indemnify, hold harmless and defend PARI and its Affiliates and their respective officers, employees and agents, against any and all third party claims, suits, losses, damage, costs, fees, liabilities, and expenses (including reasonable attorneys' fees) resulting from, or arising out of, (i) the negligent or intentional breach by Serendex, its Affiliates or Sublicensees of any representation, warranty or covenant contained in this Agreement; (ii) claim of infringement or misappropriation of the patent rights, trade secrets or other intellectual property rights of any third party by Serendex or its Affiliates or the Drug Product or uses thereof to the extent such claim relates to the Drug Product or the Serendex Intellectual Property; (iii) the use of Drug Product by end-users; and (iv) the exercise by Serendex, its Affiliates or Sublicensees of the License or any other licenses or sublicenses granted to Serendex hereunder; provided, however, that such indemnification rights shall not apply to any claims, liability, loss, damage, cost and expense (a) to the extent directly attributable to the negligence or intentional misconduct (*Vorsatz*) of a party seeking indemnification under this Section 15.2, or (b) for which PARI is obligated to indemnify Serendex under Section 15.3 (i) through (iv) (Indemnification by PARI). This indemnification will include, but not be limited to, any product liability.

15.3 Indemnification by PARI. PARI will, and will require its Affiliates and Sublicensees to, indemnify, hold harmless and defend Serendex and its Affiliates and their respective officers, employees and agents, from and against any and all third party claims, suits, losses, damage, costs, fees, liabilities, and expenses (including reasonable attorneys' fees) resulting from, or arising out of, (i) the negligent or intentional breach by PAM, its Affiliates or Sublicensees of any representation, warranty or covenant contained in this Agreement; (ii) claim of infringement or misappropriation of the patent rights, trade secrets or other intellectual property rights of any third party by PAM or its Affiliates or the Device or uses thereof to the extent such claim relates to the Device or the PAM Intellectual Property; (iii) the use of the Device by end users ; and (iv) the exercise by PARI, its Affiliates or Sublicensees of the licenses or any sublicenses granted to PAM hereunder; provided, however, that such indemnification rights shall not apply to any claims, liability, loss, damage, cost and expense (a) to the extent directly attributable to the negligence or intentional misconduct (*Vorsatz*) of a party seeking indemnification under this Section 15.3, or (b) for which Serendex is obligated to indemnify PAM under Section 15.2 (i) through (iv) (Indemnification by Serendex). This indemnification will include, but not be limited to, any product liability.

15.4 Tender of Defense. The obligation of either Party to indemnify an indemnitee pursuant to this Article 15 shall be contingent upon timely notification in writing by the indemnitee to the indemnitor of any claims, suits or service of process; the tender by the indemnitee to the indemnitor of full control over the conduct and disposition of any claim, demand or suit; and reasonable cooperation by the indemnitee in the defense of the claim, demand or suit. No indemnitor will be bound by or liable with respect to any settlement or admission entered or made by any indemnitee without the prior written consent of the indemnitor, such consent not to be unreasonably withheld or delayed. No compromise or settlement of any

action may be effected by the indemnitor without the prior written consent of the indemnitee, which consent shall not be unreasonably withheld or delayed, unless the sole relief provided is monetary damages that are paid in full by the indemnitor. The indemnitee will have the right to retain its own counsel at its own expense to participate in its defense in any proceeding hereunder.

15.5 Insurance. Each of PARI and Serendex shall have and maintain such type and amounts of liability insurance covering its activities under this Agreement as is normal and customary in the pharmaceutical industry and medical device industry, as applicable, generally for parties similarly situated. Each Party shall, upon request of the other Party, provide the requesting party with a copy of the foregoing policies of insurance, along with any amendments and revisions thereto.

16. Dispute Resolution.

16.1 Senior Managements. Any disputes arising under this Agreement shall be referred first to the Joint Steering Committee, which shall attempt, in good faith, to resolve the dispute. In the event the Joint Steering Committee is unable to resolve the dispute within thirty (30) days of such referral, it shall be referred to the Senior Managements of the Parties, who shall attempt, in good faith, to resolve the dispute. In the event the Senior Managements are unable to resolve the dispute over a period of thirty (30) days, or such longer or shorter period as both Parties' Senior Managements may agree in writing, Section 16.2 shall apply.

16.2 Venue. If the Parties fail to reach agreement with respect to a dispute or difference in an amicable way, any disputes arising out of or in connection with this Agreement, including any questions regarding its existence, validity or termination, shall be brought to court. If the dispute is brought to court by Serendex, then such proceedings shall be subject to the exclusive jurisdiction of the Munich District Court (Landgericht Munchen 1), Germany. If the dispute is brought to court by PARI, then such proceedings shall be subject to the exclusive jurisdiction of the City Court of Copenhagen, Denmark.

17. Miscellaneous.

17.1 Form of Payment, Taxes.

(a) Form of Payment. All Royalties due hereunder shall be paid in Euros. Monetary conversion from the currency of a foreign country in which Net Sales are achieved, into Euros shall be calculated on the basis of the exchange rate applicable on the first Business Day after the Royalty payment becomes due in accordance with Section 6.4(b), as published by the European Central Bank in the afternoon of the relevant Business Day at www.ecb.int. All prices for commercial supplies of Devices and Handsets under Section 4.3 shall be denominated in, and payable in, Euros.

(b) Taxes. All amounts payable under this Agreement are exclusive of any and all taxes, except for any withholding taxes required by the applicable law. In the event that value added tax or a similar tax ("VAT") applies to any payment to be made under this Agreement, such VAT shall be invoiced as a separate item in accordance with the laws and regulations of the country in which the VAT is chargeable, and the Party required to make the payment to the other Party shall pay the VAT in addition to the amount payable hereunder. Serendex may withhold from payments to PARI amounts for payment of any withholding tax that is required by law to be paid to any taxing authority with respect to such payments. Serendex shall

provide to PARI all necessary documents and correspondence and written evidence to demonstrate the payment of such tax, and shall also provide to PARI any other cooperation or assistance before or after the payment of such tax, as may be necessary to enable PARI to claim exemption from such withholding taxes and to receive a full refund of such withholding tax or claim a foreign tax credit,

17.2 Assignment. Neither Party may assign or transfer this Agreement or the License or any other rights or licenses granted hereunder, without the other Party's prior written consent except in the case of assignment or transfer to a third party (other than by Serendex to a PARI Competitor), that succeeds to all or substantially all of the assigning Party's business and assets relating to the subject matter of this Agreement, whether by sale, merger, operation of law or otherwise. Any attempted assignment by a Party in violation of this Section 17.2 without the written consent of the other Party will be null and void. Except as above limited, this Agreement is binding upon and will inure to the benefit of each of the Parties, its successors and assigns.

17.3 Big Pharma Company. Without prejudice and/or any limitation to the confidentiality obligations set forth in Article 9, in the event (i) Serendex desires for a Big Pharma Company, or any entity related to a Big Pharma Company that are covered by any of the two paragraphs set forth in Exhibit D to this Agreement (collectively, a "Big Pharma Company Entity"), to become a Sublicensee pursuant to Section 2.3 or a permitted assignee pursuant to Section 17.2 or (ii) a Big Pharma Company Entity being required to submit or submitting a mandatory bid for remaining Serendex shares pursuant to the applicable stock corporation laws and regulations for listed companies as a consequence of gaining controlling influence; then prior to any such business arrangement with, or as soon as controlling influence is acquired by, any such Big Pharma Company Entity and continuing thereafter (x) PARI shall not be required to provide any access to or share with such third party or any other Big Pharma Company Entity any of PARI's Confidential Information and/or PARI Intellectual Property, and (y) Serendex shall ensure (and shall cause its Affiliates, Sublicensees and permitted assignees to ensure) that no PARI Confidential Information and/or PARI Intellectual Property is shared with or is otherwise granted access to any Big Pharma Company Entity. A breach of this Section 17.3 shall be deemed a material breach of this Agreement.

17.4 Force Majeure. Neither Party shall be responsible for any failure to perform due to the occurrence of any events beyond its reasonable control that render its performance impossible or commercially impracticable ("Force Majeure"), including: accidents (environmental, toxic spill, etc.); acts of God; biological or nuclear incidents; casualties; earthquakes; fires; floods; governmental acts (but for the avoidance of doubt, excluding delays caused by any Regulatory Authority or a Party's freedom to operate); orders or restrictions; local, national or state emergency; power failure and power outages; acts of terrorism; strike; and war. The Party experiencing the Force Majeure (the "Claiming Party") shall use its reasonable efforts to overcome such Force Majeure and will promptly give written notification to the other Party (the "Non-Claiming Party"). Such written notification shall include a full and complete explanation of the Force Majeure and its cause, the status of the Force Majeure, and the actions that the Claiming Party is taking and proposes to take to overcome any effect of the Force Majeure. Subject to this Section 17.4, if the performance of the Claiming Party is delayed or prevented due to Force Majeure, the time for that performance shall be extended for a period reasonably necessary to overcome the effect of the Force Majeure.

17.5 Notices. All notices from one Party to the other required or permitted under this Agreement shall be in writing, shall refer specifically to this Agreement, and shall be delivered in person, or sent by electronic or facsimile transmission for which a confirmation of delivery is obtained, or sent by

registered mail or express courier services providing evidence of delivery, in each case to the recipient Party's respective address set forth on the signature page hereof (or to such updated address as may be specified by written notice to the other Party from time to time). Such written notices will be deemed effective as of the earlier of the date so delivered or the fifth business day following mailing.

For PARI:

PARI Pharma GmbH
Moosstrasse 3
D-82319 Starnberg, Germany
Attention: Dr. Martin Knoch
Title: President
Telefax No.: +49 (8151) 279 63 20

For Serendex:

Serendex Pharmaceuticals A/S
Slotsmarken 17, 2 tv
DK-2970 Horsholm
Attention: Dr. Kim Arvid Nielsen
Mail: KAN@Serendex.com

17.6 No Partnership. Nothing contained herein shall constitute this as a joint venture agreement and, except as expressly set forth herein, nothing herein shall constitute any Party as a partner, principal or agent of any other, this being an Agreement between independent contracting entities. Neither Party shall have authority hereunder to obligate the other in any manner to third parties.

17.7 Entire Agreement. This Agreement, including the Exhibits referenced herein, constitutes the entire agreement between the Parties relating to the subject matter hereof and supersedes and cancels all other prior agreements and understandings of the Parties in connection with such subject matter. The headings or titles in this Agreement are for purposes of reference only and shall not in any way affect the interpretation or construction of this Agreement.

17.8 Waivers and Amendments. No waiver of any of the provisions of this Agreement shall be valid unless in a written document, signed by the Party against whom such a waiver is sought to be enforced, nor shall failure to enforce any right hereunder constitute a continuing waiver of the same or a waiver of any other right hereunder. All amendments of this Agreement shall be made in writing and signed by both Parties.

17.9 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of Switzerland, without giving effect to any conflict of laws principles to the contrary. The provisions of the United Nations Convention on Contracts for the International Sale of Goods are expressly excluded and will not be applicable to this Agreement.

17.10 Severability. If any provision of this Agreement is held to be invalid, void or unenforceable to any extent in any context, then such invalid, void or unenforceable provisions shall be

deemed replaced by valid and enforceable provisions which will achieve as far as possible the economic business intentions of the Parties. The validity and force of the remainder of this Agreement shall not be affected thereby.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement to be effective as of the Effective Date. Each of the persons signing this Agreement affirms that he or she is duly authorized to do so and thereby to bind the indicated entity.

PARI PHARMA GmbH

By: /s/ Dr. Martin Knoch

Name: Dr. Martin Knoch

Title: President

Date Signed: 08/11/2014

SERENDEX PHARMACEUTICALS A/S

By: /s/ Kim Arvid Nielsen

Name: Kim Arvid Nielsen

Title: CEO

Date Signed:

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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EXHIBIT A

Device Specifications (for the Device with open reservoir)

Technical Status of the Device as of the Effective Date

The Parties agree that the Device as of the Effective Date shall have this configuration based on the available eFlow Technology.

MMD: [***]

Geometric standard deviation (GSD): [***]

Total Output Rate (TOR): [***]

Valved (inspiratory and expiratory valves) Aerosol Chamber: [***]

Fill volume medication reservoir: [***]

In case the Device will require the development of new components the Parties agree to mutually create a work plan for such new development. Serendex will cover such costs.

Regulatory Status of the Device as of the Effective Date:

Europe:

Based on its ISO13485 certificate PARI Pharma issues CE declarations of conformity for eFlow® technology handheld devices with an open reservoir. Examples for such devices are the eFlow® rapid or Altera. The Device will be CE-marked by PARI Pharma, too.

United States of America:

There are three 510(k)s and one special 510(k) in place which cover certain eFlow technology nebulizer configurations:

eFlow configuration / name	510(k) No.
Trio®	K033833, Special 510(K) No. K072670
Altera Nebulizer System	K100380
eRapid	K112859

The Device is not cleared under a 510(k). Thus, before Marketing Approval the Device will be labelled as “investigational”.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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As of the Effective Date PARI does not anticipate that the Device will be cleared by the FDA under a 510(k) but that the Device will be approved as part of the New Drug Application submitted by Serendex to the FDA.

EXHIBIT B

PAM Intellectual Property

Device Patents and Patent Applications

Mixing Chamber: entitled "Inhalation nebulizer", priority date: 5 November 1999.

Application number	Publication number	Filing date	Patent number	Issue date
DE 19953317	DE 19953317	5 Nov 1999	DE 1995331718)	1 Feb 2001
PCT/US 00/29541	WO 01/34232	27 Oct 2000	n/a	n/a
EP 00973 900.4	EP 1227856	27 Oct 2000	EP 1227856 (8)	17 Jul 2008
AU 20010012348	WO 01/34232	27 Oct 2000	AU 781911	6 Oct 2005
CA 2,389,936	CA 2,389,936	27 Oct 2000	CA 2,389,936	10 Apr 2007
JP 2005-343334	JP 2007-294049	27 Oct 2000	JP 4589862	17 Sep 2010
NZ 518782	NZ 518 782	27 Oct 2000	NZ 518 782(8*)	9 Feb 2004
US 10/129,498	WO 01/34232	27 Oct 2000	US 6,962,151	8 Nov 2005

(*) In force in BE; CH/LI; DE; ES; FR; GB; 1E; IT; NL; SE
(**) Lapsed in DE and NZ

Negative Pressure Reservoir: entitled "Aerosol generator", priority date: 23 January 2001.

Application number	Publication number	Filing date	Patent number	Issue date
DE 10102846	DE 10102846	23 Jan 2001	n/a	abandoned
PCT/EP 02/00648	WO 02/064265	23 Jan 2002	n/a	n/a
EP 02719714,	EP 1353759	23 Jan 2002	EP 1353759 (8)	20 Dec 2007
JP 2002-564050	JP 2004-523294	23 Jan 2002	JP 4187528	19 Sep 2008
US 10/466,929	US 2004/089295	23 Jan 2002	US 6,983,747	10 Jan 2006

(*) In force in BE; CH/LI; DE; FR; GB; 1E; IT; NL

Microcontroller: entitled "Vorrichtung zur Erzeugung von Flûssigkeitströpchen mit einer in Schwingung versetzten Membran" (Translation: Apparatus for generation of fluid aerosol with a vibrating membrane), priority date: 7 May 2001.

Application number	Publication number	Filing date	Patent number	Issue date
DE 10122065	DE 10122065	7 May 2001	DE 10122065	4 Oct 2007

Membrane Signal Transmitter: entitled "Device for inhalation therapy", priority date: 18 October 2001.

Application number	Publication number	Filing date	Patent number	Issue date
EP 01124294.8	EP 1304130	18 Oct 2001	EP 1304130(s)	23 Jun 2004

Application number	Publication number	Filing date	Patent number	Issue date
PCT/EP 02/11706	WO 03/035153	18 Oct 2002	n/a	n/a
US 10/810,098	US 2005/0056274	26 Mar 2004	US 7,252,085	7 Aug 2007

(*) In force in DE, GB

Spring Spokes: entitled “Fluid droplet production apparatus and method”, priority date: 2 August 2002.

Application number	Publication number	Filing date	Patent number	Issue date
EP 02016972,8	EP 1386672	2 Aug 2002	EP 1386672(1	11 Mar 2010
PCT/EP 03/08482	WO 2004/014569	31 Jul 2003	n/a	n/a
US 10/522,344	US 2006/0097068	31 Jul 2003	US 7,931,212	26 Apr 2011
US 13/042,908	US 2011155768	8 Mar 2011	US 8,511,581	20 Aug 2013

(*) In force in CHILI, DE, FR, GB, IE, IT, NL

Fluid-Presence-Sensor: entitled “Inhalation Therapy Device”, priority date: October 30, 2002.

Application number	Publication number	Filing date	Patent number	Issue date
DE 10250625	DE 10250625	30 Oct 2002		
PCT/EP 03/12076	WO 2004/039442	30 Oct 2003	n/a	n/a
EP 03 809 748	EP 1558315	30 Oct 2003	EP 1558315(1	30 Dec 2009
US 10/533,430	US 2006/0102172	30 Oct 2003	US 7,458,372	2 Dec 2008

(*) In force in BE, DE, FR, GB, IT, NL

Slip-lock Contact: entitled “Inhalation therapy device”, priority date: 7 November 2002.

Application number	Publication number	Filing date	Patent number	Issue date
DE 10251864.5	DE 10251864	7 Nov 2002	DE 10251864	24 Jun 2004
PCT/EP 2003/012401	WO 2004041335	6 Nov 2003	n/a	n/a

Inhalation Valve (2-Parts): entitled “Inhalation Therapy Device”, priority date: December 9, 2002.

Application number	Publication number	Filing date	Patent number	Issue date
DE 10257381	DE 10257381	9 Dec 2002	DE 10257381	13 Apr 2006
PCT/EP 03/13959	WO 04/052436	9 Dec 2003	n/a	n/a
EP 03 782 349	EP 1569710	9 Dec 2003	EP 1569710(1	27 May 2009
US 10/538,515	US 2008/060640	9 Dec 2003		

(*) In force in DE, FR, GB, IT

Membrane Welding: entitled Membrane nebulizer and device for welding a membrane with a medium during production of a membrane nebulize”, priority date: 2 June 2009.

Application number	Publication number	Filing date	Patent number	Issue date
DE 102009026636,4	DE 102009026636	2 Jun 2009	DE 102009026636	14 Apr 2011
PCT/EP2010/057718	WO 2010/139730	2 Jun 2010	n/a	n/a
US 13/375,818	US 20120167877	2 Jun 2010		

Application number	Publication number	Filing date	Patent number	Issue date
EP 10724069.9	EP 2437896	2 Jun 2010		

FLUPS II (Fluid-Presence-Sensor): entitled “Aerosol Delivery Device and Method of Operating the Aerosol Deliver), Device”; priority date: 16 December 2013.

Application number	Publication number	Filing date	Patent number	Issue date
EP 13197391.9	EP	16 Dec 2013		
PCT/EP2014/ (*)	WO	Dec 2014	n/a	n/a

(“Further extensions planed)

Additional PARI Pharma Patents and Patent Applications relating to the CS-Option

Closed System: entitled “Inhalation therapy device comprising an ampoule for holding a drug to be atomized”, priority date: 16 August 2005.

Application number	Publication number	Filing date	Patent number	Issue date
DE 102005038619	DE 102005038619	16 Aug 2005		
PCT/EP 2006/008086	WO 2007/020073	16 Aug 2006	ti/a	n/a
AU 2006281561	AU 2006281561	31 Mar 2008	AU 2006281561	5 Jul 2012
BR P10614818-2	BR P10614818	15 Feb 2008		
CA 2,619,605	CA 2,619,605	12 Feb 2008	CA 2,619,605	8 Oct 2013
CN 200680038481.9	CN 101291699	19 Feb 2008	ZL200680038481.9	6 Jul 2011
EP 06776891	EP 1919542	7 Feb 2008		
IN 728/KOLNP/2008	TN 728KOLNP2008	19 Feb 2008		
JP 2008-526440	JP 2009504287	15 Feb 2008	JP5172676	11 Jan 2013
MX/a/2008/002318	n/a.	18 Feb 2008	MX 291428	28 Oct 2011
RU 200811067	RU 200811067	14 Mar 2008	RU 2403919	20 Nov 2010
US 11/990,474	US 2009/293868	16 Feb 2008		

BFS Ampoule (Closed System): entitled “Einwegampulle fũr eine Vorrichtung zur Erzeugung von Aerosolen” (1) and “Disposable Ampoule for an Aerosol Generating Device” (2), priority date: 23 November 2007.

Application number	Publication number	Filing date	Patent number	Issue date
DE 102007056462 (1)	DE 102007056462	23 Nov 2007	DE 102007056462	27 Oct 2011
AU 2008 249155	AU 2008249155	21 Nov 2008	AU 2008249155	12 Dec 2013
BR P10805219-0	BR P10805219	21 Nov 2008		
CA 2,644,063	CA 2,644,063	18 Nov 2008		
CN 200810180710.1	CN 101439002	24 Nov 2008	ZL200810180710.1	25 Sep 2013
EP 08169011.7	EP 2062608	13 Nov 2008	EP 2062600	I May 2013
2027/KOL/2008	IN 2027KOL2008	20 Nov 2008		
JP 2008-296193	JP 2009125590	20 Nov 2008	JP 4787307	5 Oct 2011
MX/a/2008/014892	MX 2008014892	21 Nov 2008	MX 302757	28 Aug 2012
RU 2008146167	1W 2008146167	21 Nov 2008	RU 2476197	16 Oct 2012
US 12/275,512 (2)	US 2009137950	21 Nov 2008		

(*) In force in DE, CH, ES, FR, GB, TE and IT

CS Aerosol Chamber: entitled “Aerosol Therapy Device”; priority date: 9 December 2008.

Application number	Publication number	Filing date	Patent number	Issue date
DE 102008054431	DE 102008054431	9 Dec 2008	DE 102008054431	25 Jan 2010
PCT 2009/066599	WO 2010066714	8 Dec 2009	n/a	n/a
EP 09801187.7	EP 2361108	8 Dec 2009	EP2361	21 Aug 2013
AU 2009326049	AU 2009326049	8 Dec 2009		
CA 2,745,845	CA 2,745,845	8 Dec 2009		
US 13/133,517	US 20120037154	8 Dec 2009		

(*) In force in BE, CH, DE, ES, FR, GB, IT, NL

Blade CS: entitled „ Opening element for opening an ampoule in an aerosol generation device and aerosol generation device comprising the opening element...”, priority date: 12 Sep 2012.

Application number	Publication number	Filing Date	Patent Number	Issue Date
EP 12184036.7	EP 2708219	12 Sep 2012		
PCT/EP2013/068592(*)	WO 2014040947	9 Sep 2013	n/a.	n/a.

(*) Further extensions planed

Additional PARI Pharma Patents and Patent Applications relating to the eFlow Inline-Option

Preterm Infant Nebulizer (NEOs): entitled “Inhalation therapy device for use in premature babies and infants”, priority date: 10 February 2006.

Application number	Publication number	Filing date	Patent number	Issue date
DE 102006006183	DE 102006006183	10 Feb 2006		
EP 07002327.0	EP 1818070	2 Feb 2007		
EP 12195455.6	EP 2567724	14 Dec 2012		
US 11/704,819	US 2008000470	9 Feb 2007		

Inline: entitled “Atomizer for ventilation machines and ventilation machine comprising said atomizer”; priority date: 9 May 2008.

Application number	Publication number	Filing Date	Patent Number	Issue Date
DE 102008022987	DE 102008022987	9 May 2008		
PCT/EP 2009/055469	WO 2009/1358716	6 May 2009	n/a	n/a
AU 2009245802	AU 2009245802	6 May 2009	AU 2009245802	7 Nov 2013
AU 201301359		7 Mar 2013		
CA 2,723,885	CA 2,723,885	6 May 2009		
CA 2,808,171	CA 2,808,171	19 Mar 2013		
EP 09742089.7	EP 2307080	6 May 2009		
EP 12189004.0	EP 2548598	18 Oct 2012		
JP 2011-507911	JP 2011519642	6 May 2009		
US 12/990,994	US 2011-0146670	6 May 2009	US 8,720,435	13 May 2014
US 13/783,642	US 20130174840	4 Mar 2013		

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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Patents licensed from The Technology Partnership, plc (TTP):

Further (II) TTP Patent: entitled "Liquid Supply Apparatus", priority date: 13 February 1996

Application number	Publication number	Filing date	Patent number	Issue date
GB 9602969	GB 9602969	13 Feb 1996	GB 9602969(8)	28 Jun 2000
PCT/GB 97/00372	WO 97/29851	10 Feb 1997	n/a	n/a
EP 97904519.2	EP 0879095	10 Feb 1997	EP 0879095(8*)	28 Jun 2000
CA 2246334	WO 97/29851	10 Feb 1997	CA 2,246,334(8)	2 May 2006
DE 69702384	WO 97/29851	10 Feb 1997	DE 69702384	2 Aug 2000
PCT/GB 97/00372	WO 97/29851	10 Feb 1997	US 6,113,001	5 Sep 2000

(*) Lapsed in GB and CA
(*) In force in DE; GB; FR

Electro-Polishing Step (TTP): entitled "Forming a Perforate Membrane by Laser Drilling and a Subsequent Electro-Polishing Step", priority date: 24 September 2001

Application number	Publication number	Filing date	Patent number	Issue date
EP 01308106	EP 1295647	24 Sep 2001	n/a	abandoned
PCT/GB 02/04093	WO 03/026832	6 Sep 2002	n/a	n/a
EP 02758577.7	EP 1429888	6 Sep 2002	EP 1429888(8)	15 Apr 2002
JP 2-303307	JP 2005503266	6 Sep 2002	JP 4176016	5 Nov 2008
10/489,327	US 2005/0006359	6 Sep 2002	US 7,316,067	8 Jan 2008

(*) In force in DE; GB

Cross licence from Bespak, plc including Aerogen/Novartis patents:

Forward Taper Patent: entitled "Liquid Dispensing Apparatus Having a Vibrating Perforate Member", priority date: 12 December 1989 (GB 8928086) and 10 August 1990 (GB 9017563)

Application number	Publication number	Filing date	Patent number	Issue date
US 907,519	CIP from US 5,152,456	6 Jul 1992	US 5,261,601(*)	16 Nov 1993

Patent family lapsed in all countries

(*) Cross licence from Bespak plc: Including any claims of patents owned by Aerogen/Novartis that read on subject matter disclosed in or supported by US Patent No. 5,261,601. Examples of claims of such Aerogen/Novartis-owned patents that are disclosed in US Patent No. 5,261,601 are claims 20 to 27 of US Patent No. 6,629,646 that is filed on 7 Dec 1993 (CIP from US Patent No. 5,164,740 filed on 24 Apr. 1991).

Patents licensed from Novartis (non-exclusive):

Vibrational Isolation Patent: entitled "Base isolated nebulizing device and methods" (1, 2, 3), priority date: 2 May 2001 (1, 2, 3)

Application number	Publication number	Filing date	Patent number	Issue date
CA 2,449,070	CA 2449070	1 May 2002	CA 2,449,070	26 Mar 2013
DE 20222021.4	DE 20222021	1 Apr 2011	DE 20222021"	2 Aug 2011
EP 2002725932.4	EP 1390150	1 May 2002	EP 1390150(*)	4 Jan 2012
EP 20110194362	EP 2436450	19 Dec 2011	n/a	abandoned
US 09/848,104 (I)	US 2003/0047620	2 May 2001	US 6,732,944	11 May 2004
US 10/821,444 (2)	US 2004/0188534	9 Apr 2004	US 6,978,941	27 Dec 2005
US 11/246,028 (3)	US 2006/0086819	6 Oct 2005	US 7,104,463	12 Sep 2006

(*) Designated contracting states: AT, BE, CH, CY, DE, DK, ES, FI, FR, GB, GR, IE, IT, LI, LU, MC, NL, PT, SE, TR
(**) Design patent or utility model publication

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Execution Copy

EXHIBIT C

Preliminary Work Plan

[***]

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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EXHIBIT D

PARI Competitors

[***]

In the event of a merger, consolidation, sale of all or substantially all of the assets or business or other change of control involving the above entities (the "Original Competitors"), such Original Competitor listed above shall be replaced with the successor thereof that is continuing to engage in the business of developing and/or commercializing nebulizers. However, if the merger or acquisition partner had separate lines of business, divisions or operations prior to such change of control, whether or not relating to nebulizers, the merger or acquisition partner shall be deemed a PARI Competitor only to the extent it is continuing the business of the Original Competitor, and not with respect to any such separate lines of business, divisions or operations.

In addition, PARI Competitors shall include any subsidiary that is formed by the Original Competitors, but shall not include any subsidiaries acquired by the Original Competitors if such subsidiaries had separate lines of business, divisions or operations prior to such acquisition, whether or not relating to nebulizers. However, PARI Competitors shall include such subsidiaries to the extent such subsidiaries continue the lines of business, divisions or operations of the Original Competitors relating to nebulizers.

[***] Indicates that information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Execution Copy

EXHIBIT E

Selected Terms of "Supply Agreement"

(As referenced in Section 4.3 of this Research Collaboration and License Agreement)

Products for Supply	Device and any related Accessories
100% Requirements	During the Royalty Period, PARI shall use commercially reasonable efforts to supply 100% of Serendex's and its Sublicensees' volume requirements for the Device and related accessories.
Purchase Obligation	Within the EEA, Serendex and its Sublicensees shall purchase (i) dur-ing the first five (5) years from the effective date of the Supply Agreement 100%, and (ii) thereafter 80%, of their volume requirements for Nebulizers and related accessories for pulmonary delivery of the Drug Product in the Indications from PARI. In the rest of the world outside the EEA, during the Royalty Period Serendex and its Sublicensees shall purchase 100% of their volume requirements for Nebulizers and related accessories for pulmonary delivery of the Drug Product in the Indications from PARI.
Specifications	The Supply Agreement shall set forth final product specifications for the Device as determined in accordance with the License Agreement, including without limitation any additional manufacturing and process related specifications and other characteristics and materials for the Device ("Final Specs"), as mutually agreed to in writing by the Parties. In addition, any changes proposed to such Final Specs that: (i) affect the Regulatory Approval of the Device as used with the Drug Product; or (ii) have a material adverse effect on the development of the Device, or the manufacture thereof, including without limitation the quality, reliability, robustness or user interface of the Device, or which would otherwise have a material adverse effect on the Drug Product when used with the Device, shall require the prior written approval of both Parties, not to be unreasonably withheld, conditioned or delayed. If

	Regulatory Authorities require the Device to be included under the MAA, (i) Serendex will support PARI in accommodating such requirement; and (ii) the Parties will work in good faith to allow for PARI to implement any necessary changes to the Device accordingly, including any changes necessary as a result of the requirements of manufacturing scale-up, corrective and preventive actions (CA-PAs), and market feedback during the commercial phase.
Supply Shortage	In the event of any supply interruption or inadequate quantities of the Device available to fulfill Serendex's requirements, PARI shall provide to Serendex not less than Serendex's pro rata portion of all available quantities of devices based on then-pending forecasts of all PARI customers.
Manufacture	PARI has to manufacture the Device in accordance with all applicable laws and regulations, including without limitation cGMP, and the Final Specs. PARI shall bear responsibility for product liability and quality assurance for the Device in accordance with a quality agreement to be entered into by the Parties prior to commercialization of the Drug Product with the Device.
Back Up Plan	The Parties shall agree upon an appropriate back up plan to provide reasonable assurance of continuity of supply of the Device. Such back up plan may include safety stock of finished Devices, components and material as well as a contingency plan for critical manufacturing processes and equipment.
Manufacturing Back Up License	To be agreed on in the Supply Agreement

Other Terms	Other customary supply terms shall include retail sales option(s), quality, acceptance, invoicing and payment, inspection and optimization, repair, supply of replacement parts, product recalls, adulteration, misbranding, product warranties, notice and cure periods, trademark license and usage guidelines, co-branding rights, representations and warranties (including with respect to the final design of the Device), indemnities, remedies, force majeure, termination provisions, all as mutually agreed to by the Parties.

Exhibit 21.1

Subsidiary	Jurisdiction of Incorporation
Aires Pharmaceuticals, Inc.	Delaware
SD Pharmaceuticals, Inc.	Delaware
Victoria Merger Corp.	Delaware

Exhibit 21.2

Subsidiary	Jurisdiction of Incorporation
Savara ApS	Denmark

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-4 of Mast Therapeutics, Inc. of our report dated March 14, 2016 relating to the financial statements and the effectiveness of internal control over financial reporting of Mast Therapeutics, Inc., which appears in such Registration Statement. We also consent to the reference to us under the heading “Experts” in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

San Diego, California
February 10, 2017

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-4 of Mast Therapeutics, Inc. of our report dated August 4, 2016, except with respect to our opinion on the financial statements insofar as it relates to Note 13 and additional liquidity disclosures in Note 1, as to which the date is February 10, 2017 relating to the financial statements of Savara, Inc., which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

Austin, Texas
February 10, 2017

Exhibit 23.3

CONSENT OF INDEPENDENT AUDITORS

We have issued our reports dated February 7, 2017 with respect to the consolidated financial statements of Serendex Pharmaceuticals A/S contained in this Registration Statement and Prospectus. We consent to the use of the aforementioned report in the Registration Statement and Prospectus, and to the use of our name as it appears under the caption “Experts.”

/s/ Grant Thornton
GRANT THORNTON
Statsautoriseret Revisionspartnerselskab

Copenhagen, Denmark
February 10, 2017

Exhibit 99.3

Board of Directors
Mast Therapeutics, Inc.
3611 Valley Centre Drive, Suite 500
San Diego, California 92130

We hereby consent to the inclusion of our opinion letter, dated January 6, 2017, to the Board of Directors of Mast Therapeutics, Inc. (the "Company"), as Annex B to, and reference to such opinion letter under the headings "Prospectus Summary — Opinion of the Mast Financial Advisor" and "The Merger — Opinion of Roth Capital Partners as Mast's Financial Advisor" in, the proxy statement/prospectus/information statement relating to the proposed merger involving the Company and Savara Inc., which proxy statement/prospectus/information statement forms a part of the Registration Statement on Form S-4 of the Company (the "Registration Statement"). By giving such consent, we do not thereby admit that we are experts with respect to any part of such Registration Statement within the meaning of the term "expert" as used in, or that we come within the category of persons whose consent is required under, the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

Very truly yours,

/s/ ROTH CAPITAL PARTNERS, LLC

ROTH CAPITAL PARTNERS, LLC

February 10, 2017